



A G E N D A

**MIDDLE FORK PROJECT
FINANCE AUTHORITY**

**Thursday, April 16, 2020
10:00 a.m., Regular Meeting**

Note: Pursuant to the Governor’s Executive Order N-29-20, and given the state of emergency regarding the threat of COVID-19, the meeting will be held via teleconference.

We encourage Board members and participants to join the meeting 10 minutes early. Note that we will use GoToMeeting to share slides and other information during the meeting. Use the link below to join GoToMeeting. If you have a microphone that you can use with your computer, it should be possible to both listen to, and participate in, the meeting through GoToMeeting. If you do not have a microphone, or a headset with a microphone, that plugs into your computer via USB port, you will need to call into the toll-free telephone conference line to listen and comment, although you still should be able to view the meeting materials on GoToMeeting. Please do not simultaneously use a microphone through GoToMeeting and the telephone conference line. That combination results in audio problems for all participants.

Meeting Information:

To join the meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/249708309>

You can also dial in using your phone.

1-877-309-2073

Access Code: 249-708-309

Members of the Board of Directors:

PLACER COUNTY WATER AGENCY

Primo Santini, District 2, Vice-Chair

Mike Lee, District 3

COUNTY OF PLACER

Robert Weygandt, District 2

Jim Holmes, District 3, Chair

A. Call to Order

1. Roll call

2. Pledge of Allegiance
3. Announcements, introductions and recognitions
 - a. Consider adopting **Resolution 20-__ Honoring County Treasurer Jenine Windeshausen.**
- B. Public Comment: This is the time for any member of the public to address the Board of Directors on any matter not on the agenda that is within the subject matter jurisdiction of the Agency. Members of the public are requested to come to the podium and use the microphone.
- C. Agenda Review and Changes
- D. Consent Calendar: All items listed under the consent calendar are considered to be routine and may be approved by one motion.
 1. Consider approving January 16 and February 20, 2020, minutes.
 2. Receive and file Check Register 20-02 expenses disbursed.
 3. Receive and file Treasurer's Investment Reports for months ended January 31, February 29, and March 31, 2020.
- E. General Items
 1. Receive report on North American Electric Reliability Corporation/Western Electricity Coordinating Council (NERC/WECC) Annual Compliance for 2019.
 2. Receive report on Middle Fork Project Energy Marketing and Hydrology Update.
 3. Receive the following Middle Fork Project Finance Authority 2019 year-end financial reports:
 - a. Budget and Actual Schedules for the year ended December 31, 2019;
 - b. 2019 Audited Financial Statements;
 - c. Independent Auditor's required communication letter based on their audit.
 4. Receive report on 2020 Budget and Actual Schedules for period ended March 31, 2020.
 5. Receive report on MFPFA 2020 Revenue Bonds Debt Refinance Closing.
 6. Consider approving budget amendments for the Middle Fork Project Communications Upgrade Project in the amount of \$1,000,000 from existing project budgets in the MFP Capital Program.
 7. Consider adopting **Resolution 20-__ approving a revised General Financial Policies.**

8. Consider adopting **Resolution 20-__ approving a revised Energy Marketing Oversight Policy.**
 9. Receive and file a draft revised Placer County Water Agency Energy Risk Management Policy.
 10. Receive report on County of Placer's Fuel Reduction Management Program.
 11. Consider adopting **Resolution 20-__ providing for moving the date of the October 15, 2020, 2:00 p.m., regular Board meeting to October 8, 2020, 8:30 a.m.**
- 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 20-03.

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 April 10, 2020.

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 Meeting

- **Thursday, July 16, 2020, 10:00 a.m.** – Regular Board of Directors' meeting at Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.



M E M O R A N D U M

TO: Board of Directors

FROM: Andy Fecko, Executive Director
Todd Leopold, Secretary

DATE: April 8, 2020

RE: Resolution Honoring Placer County Treasurer-Tax Collector
Jenine Windeshausen for her service to and assistance in financing the Middle
Fork Project Finance Authority

RECOMMENDATION:

Adopt Resolution 20 - __ Honoring Placer County Treasurer-Tax Collector Jenine Windeshausen for her service to and assistance in financing the Middle Fork Project Finance Authority.

BACKGROUND:

On March 17, 2020, the Authority closed and paid-off the 2006 Bond through a refinancing. This Board resolution recognizes and honors Placer County Treasurer-Tax Collector Jenine Windenhausen for her commitment to the Authority in extending credit in 2006 through the issuance of a \$100 million bond (2006 Bond) at a critical time for the Authority.

**RESOLUTION 20-__ OF
THE MIDDLE FORK PROJECT FINANCE AUTHORITY
HONORING PLACER COUNTY TREASURER – TAX COLLECTOR JENINE WINDESHAUSEN FOR HER
SERVICE TO AND ASSISTANCE IN FINANCING THE MIDDLE FORK PROJECT FINANCE AUTHORITY**

WHEREAS, Ms. Jenine Windeshausen has faithfully, effectively, and successfully served as Placer County Treasurer –Tax Collector for 27 years since being unanimously appointed by the Placer County Board of Supervisors in 1993 and subsequently reelected every four years by the voters of Placer County; and

WHEREAS, Ms. Windeshausen has served the people of Placer County by playing a major role in the upgrade and maintenance of Placer County’s AA+ credit rating making Placer County one of the highest rated counties in the state and one of the highest rated governments in the Sacramento region; and

WHEREAS, Ms. Windeshausen served as a key player in the creation of the Joint Exercise of Powers Agreement dated January 10, 2006 by and between the County of Placer and the Placer County Water Agency, which established the Middle Fork Project Finance Authority; and

WHEREAS, Ms. Windeshausen's commitment to the Middle Fork Project was demonstrated by the extension of credit in 2006 to the newly formed Middle Fork Project Finance Authority through a \$100 million bond from the County of Placer Treasury to provide needed funding for the Federal relicensing of the Middle Fork American River Hydroelectric Project and development of independent energy marketing capabilities, capital improvement projects and required maintenance of the power system; and

WHEREAS, the terms of the Middle Fork Project Finance Authority 2006 Bond purchased by the Placer County Treasury provided significant flexibility to the Authority in terms of the timely access to funds, deferring principal and capitalization of interest payments for 10 years until 3 years after the Finance Authority began receiving revenues as well as other advantageous credit features that were critical to the successful execution of the multi-year capital improvement program required to meet the requirements of the federal regulators responsible for the issuance of a new operating license; and

WHEREAS, because of Ms. Windeshausen's leadership and innovation, the 2006 Bond enabled the Middle Fork Project Finance Authority, in partnership with the County of Placer and the Placer County Water Agency, to undertake these complex projects at a great cost savings to the citizens of Placer County, and without the necessity of working in the complex and expensive bond markets to obtain the needed capital; and

WHEREAS, on March 17, 2020 the 2006 Bond was paid in full by the Middle Fork Project Finance Authority from the proceeds of a public tax-exempt bond sale, thereby extinguishing the Middle Fork Project Finance Authority’s debt obligation to the County Treasury; and

WHEREAS, Ms. Windeshausen has consistently demonstrated an unwavering commitment to serving the citizens of Placer County, and the Middle Fork Project Finance Authority with a level of responsiveness that exceeds both the expectations and the requirements of her office.

NOW, THEREFORE BE IT RESOLVED that the Middle Fork Project Finance Authority Board of Directors hereby recognizes and honors Ms. Jenine Windeshausen, and congratulates her for her meritorious service to the Middle Fork Project Finance Authority and the people of Placer County.

The foregoing Resolution was duly passed at a regular meeting of the Board of Directors of the Middle Fork Project Finance Authority held April 16, 2020, by the following roll call vote:

Jim Holmes,
Chairman of the Board and
Placer County Board of Supervisors Member

Michael "Mike" Lee,
Vice Chairman of the Board and
Placer County Water Agency Member

Primo Santini, III,
Placer County Water Agency Member

Robert Weygandt,
Placer County Board of Supervisors Member

ATTEST:

Todd Leopold, Secretary and
Placer County Executive Officer



MINUTES

MIDDLE FORK PROJECT FINANCE AUTHORITY

**Thursday, January 16, 2020
10:00 a.m., Regular Meeting**

Board Members Present: Chairman Jim Holmes, Vice-Chair Primo Santini, Robert Weygandt, and Mike Lee

Board Members Absent: None

Agency Personnel Present: Andy Fecko, Director of Strategic Affairs and Acting Middle Fork Project (MFP) Finance Authority Executive Director; Ryan Cline, Director of Energy Marketing; Melissa Cope, Financial Analyst; Jonathan Cristy, Legal Counsel; Vibeke Figueroa, Administrative Aide; Jannet Hendrix, Deputy Director of Financial Services; Jay L'Estrange, Director of Power Generation; Scott Morris, General Counsel; Joseph Parker, Director of Financial Services; Carrie Parks, Deputy Director of Financial Services; Darin Reintjes, Energy Marketing Manager; Nicole Skarda, Human Resources Consultant; Cheri Sprunck, Clerk; Katie Swanberg, Energy Marketing Manager; Michael Willihnganz, Director of Administrative Services; Lori Young, Deputy Clerk

County Personnel Present: Todd Leopold, County Executive Officer and Middle Fork Project (MFP) Finance Authority Secretary; Daniel Chatigny, Finance and Budget Operations Manager; Jared Deck, Program Manager, Senior Civil Engineer; Dave Defanti, Deputy County Executive Officer; Shanti Landon, District 2 Director for Supervisor Robert Weygandt; Vanessa Lieberman, Senior Management Analyst; Beverly Roberts, District 3 Director for Supervisor Jim Holmes; Brett Storey, Senior Management Analyst

A. Call to Order

1. Roll call

Chairman Holmes called the special meeting of the MFP Finance Authority Board of Directors to order at 10:00 a.m. in the American River Room, Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.

The Clerk conducted roll call.

2. Pledge of Allegiance

The Chair led the Pledge of Allegiance.

3. Election of Chair and Vice-Chair for 2020

Motion by Director Weygandt nominating Holmes as Chair and Director Santini as Vice-Chair; motion seconded by Director Lee and adopted by unanimous vote of Directors present.

B. Public Comment:

The Chair invited the public to comment. No comments received.

C. Agenda Review and Changes

There were no changes.

D. Consent Calendar:

1. Consider approving October 10 and 11, 2019, minutes.
2. Receive and file Check Register 20-01 expenses disbursed.
3. Receive and file Treasurer's Investment Reports for months ended September 30, October 31, November 30, and December 31, 2019.
4. Receive and file PCWA's Energy Risk Management Policy.
5. Consider adopting **Resolution 20-01 adopting the Authority's Investment Policy.**

Motion by Director Lee approving Consent Calendar items 1, 2, 3, 4, and 5; motion seconded by Director Weygandt and adopted by unanimous roll call vote of Directors present.

E. General Items

1. Receive Energy Marketing update report.

Ryan Cline gave a PowerPoint presentation. He reported on water storage October 2018 through September 2019. The Agency kept water in reservoirs low to make room for heavy snowpack melt and for the Hell Hole Dam Core Raise Project. The Agency kept reservoirs from spilling so generators were run hard last year. He showed chart of January through December 2019 showing water flow through powerhouses, inflow of water into reservoirs, and reservoir capacity. Generators were run almost 24 hours a day February through October. He showed comparison of each month's individual inflow v. historical average. He went over 2019 energy and natural gas prices and compared 2018 monthly prices v. 2019. He went over 2019 revenue forecast and performance. A preliminary look

at 2019 revenue is \$61.9 M. Revenue forecast was made off 800,000 MWhrs and we wound up with 1.4 million MWhrs. He explained what makes up revenue in 2020—resource adequacy, renewable energy credits, and carbon free energy. Energy contracts total revenue is \$7.5 million. Resource adequacy revenue will move up to \$15 M in 2021. The 2020 total revenue budget forecast is \$38.6 M. We are conservative with revenue and budget forecasting, using 80% of average hydrology to forecast revenue for budget purposes. We are below average hydrology for January, however, snowpack is 4-5 higher than during the drought a few years ago.

2. Receive 2019 Budget and Preliminary schedules for the fiscal year-end December 31, 2019.

Joseph Parker reported on the preliminary numbers of the 2019 year-end budget. He pointed out some details in the 2019 Budget Schedule, Budget to Preliminary Schedule, Preliminary Reserve Schedule, Capital Projects, Power Sales Revenue, and Power Operating Expenses.

3. Consider approving \$140,000 budget amendment from the Middle Fork Project FA Operating Reserve for purchase of a utility work vessel.

Jay L'Estrange explained the condition of the work vessel that has been used 54 years on the Middle Fork American River Project. It doesn't serve the needs of the Agency any longer, e.g. installing/removing log booms, log boom repair, supporting divers, and accommodating submersible remote operating vehicles. The new vessel will be used on the MFP for the work listed above, in addition to gate inspection, equipment and personnel ferrying, intake structure cleaning, use by environmental and biologists for studies, and rescue of distressed boats on the reservoir.

Motion by Director Lee approving agenda item E.3.; motion seconded by Director Santini and adopted by unanimous vote of Directors present.

4. Consider approving a budget amendment for the Project Wide Communications Upgrade Project in the amount of \$350,000 from the MFPFA Project Adjustment Fund.

Jay L'Estrange reported the contractor is past their due date, which was a year ago, and are into liquidated damages. Because of the extended period, the construction manager and designer has incurred additional costs that have been paid out of the existing budget. We need additional money to finish the project.

Motion by Director Weygandt approving agenda item E.4.; motion seconded by Director Santini and adopted by unanimous vote of Directors present.

5. Receive report regarding emergency Middle Fork penstock coupling repair.

Jay L'Estrange provided a PowerPoint report. In 2012 an inspection revealed a pipe on a concrete saddle had moved. Data has been collected remotely and monitored since 2013 by SAGE Engineers.

Two saddles were not anchored to bedrock. One has moved ¼". An internal inspection was done and it was found there is ¼" of one piece of the pipe on the coupling. Because the water pressure is high going down that slope, if a leak sprung, it could wash down the hill and cause problems with the saddles beneath it. The connection will be unbolted, the middle ring slid forward a couple of inches, and re-bolted.

6. Consider the following for debt refinancing:
 - a. Adopt Resolution 20-02 authorizing issuance and sale of refunding bonds, authorizing the execution and delivery of an indenture, a bond purchase contract, and a continuing disclosure certificate; approving the form of an official statement and the related distributions thereof and approving other actions related thereto.
 - b. Consider approving agreement for tax counsel services related to the refunding of the 2006 Revenue Bond with Orrick, Herrington & Sutcliffe LLP in an amount not to exceed \$45,000, payable at closing.

Joseph Parker reported item 6.a needs to be continued because the Joint Exercise of Powers Act requires that bond issuances be approved at regular meetings. Staff anticipates issuing the refinance bonds prior to the April meeting, so staff is asking the Board to adjourn this meeting to February 20.

Joe stated that in July 2019, he met with the County Treasurer and has kept her informed throughout the process. She is fine with the closing in early March 2020. In October 2019 he received approval from this Board to move forward with due diligence and contracts associated with refinancing. One contract is a financial feasibility study and is with Horizons Energy for \$30,000. The outstanding balance on the bonds is \$71,028,393. We are doing the refinancing to save money. He provided a handout that shows projected future debt service payments, with annual savings of more than \$350,000 subject to change of the market. The reason for such a significant saving is that the new bonds will be tax-exempt, thus at a lesser cost than the existing 2006 taxable bonds. Because the market isn't as familiar with the MFPFA, we had to have a financial feasibility report, which entailed modeling cash flows, nine different pricing scenarios, hydrology conditions, and to assess the degree of which the MFPFA can meet the obligations under the various alternative future conditions. He went through a few of the almost 2,000 different scenarios. In November seven bids were received for underwriters and Goldman Sachs was selected. This will be a negotiated issuance because this is the first time on the market and is a unique project. Because we are moving from a taxable bond to tax-exempt bond issuance there is a need for an opinion from separate tax counsel, which is why he is asking the Board to approve the Orrick contract. The sale will be tax-exempt. He explained some required modifications to the covenants. After today's meeting, staff will finalize documents

and present to the rating agency, then back to MFP Finance Authority and PCWA Board on February 20. The bonds will be priced on March 4 and close on March 15.

Jon Cristy noted several provisions were put into the covenants to make it very explicit that the Agency doesn't have a financial obligation. The Agency incurs costs, but all are reimbursable from the Authority's revenues. It doesn't create any future financial obligation on the water division or the water ratepayers.

The Chair opened the item for public comment at 11:00 a.m. and closed it at 11:01 a.m.

Motion by Director Weygandt approving agenda item E.6.b.; motion seconded by Director Lee and adopted by unanimous vote of Directors present.

7. Receive report regarding Federal Energy Regulatory Commission relicense of Middle Fork American River Project.

Dan Kelly gave an update on status of the relicensing. On January 25, 2019, the federal D.C. Circuit Court issued the Hoopa Decision, which was about a state's waiver of authority to issue a 401 water quality certification for a hydroelectric project. Our request for a 401 certification had been submitted to the State Water Resources Control Board (SWRCB) almost a decade ago. Within a month of the Hoopa Decision, we filed a petition for declaratory order with FERC for finding the SWRCB had waived its authority for the MFARP. On March 13, 2019, FERC noticed the petition as a separate proceeding. On March 27 the U.S. Department of Agriculture, Merced Irrigation District, and the SWRCB all intervened in that proceeding. On March 28 Placer County intervened to protect the County. The California Department of Fish and Wildlife protested but didn't intervene. A group of non-governmental organizations (NGOs) intervened. On April 12, 2019, PCWA responded to all those intervention papers. On April 17 the SWRCB issued a 401 certification. On April 18 FERC issued its order finding a waiver, which means we didn't have to have a 401 certification. On April 26, the D.C. Circuit Court denied a rehearing in the Hoopa Decision. Some of the parties to the denial rehearing, petitioned the U.S. Supreme Court for a petition to hear Hoopa and get it overturned. In May, the SWRCB and NGOs requested a rehearing before FERC of the finding of waiver. On October 17 FERC denied rehearing. So the finding of waiver became final on October 17. On December 9 the U.S. Supreme Court denied the petition for certification in Hoopa, which made the decision final. On December 11 FERC asked us for some technical data for the project boundary. We had submitted it in 2011, but resent it. FERC also contacted the U.S. Forest Service for Word version of the mandatory 4(E) conditions to be included in the permit. It is clear FERC is moving forward on preparing the license.

8. Receive report regarding French Meadows Forest Restoration Project 2019 Operations.

Brett Storey provided a PowerPoint. He gave the background of the partnerships on the project. Almost \$2,000,000 of funding was received from the Tahoe National Forest (TNF) Chief of Forest Service. Multiple contracts were approved in 2019. The Board of Supervisors approved Supplemental Project Agreement modifications. He described the area of project. There are 22,000 acres of forest to treat. It includes four years of on-the-ground hand mechanical work, several years of prescribed fire by the TNF, and removing and utilizing timber and biomass. We are also supporting 10,000 acres of private and work. He described work accomplished in 2019. There were \$3,600,000 in expenditures and funding. In 2020 there will be over 3,800 acres of forest treatments, finish 2019 acres, reforestation, water study control treatments, approximately 9 million board feet of timber, and 15,000 green tons of biomass. 2020 expenditures and funding are expected to be \$6,000,000.

F. Reports by Directors:

No reports received.

G. Reports by Legal Counsel

Legal Counsel noted the legislature reconvened in session on January 6. They have to pass two year bills by January 31. The last day for new legislation to be introduced is January 21.

H. Reports by Secretary

None received

I. Reports by Executive Director

Andy Fecko thanked the PCWA refinance team for their hard work on the bond refinancing. There will be significant savings and benefits. Receiving funds out of the project is an important step.

He pointed out this is Cheri Sprunck's last meeting and she is retiring January 31 after 29 years with PCWA. He recognized Ms. Sprunck's service to the Finance Authority and PCWA.

J. Adjournment: Adjourn to February 20, 2020, 11:00 a.m., Regular meeting.

At 11:27 a.m. motion by Director Santini to adjourn the meeting to February 20, 2020, 11:00 a.m.; motion seconded by Director Weygandt and adopted by unanimous vote of Directors present.

ATTEST:

Cheri Sprunck
Clerk to the Board



MINUTES

**MIDDLE FORK PROJECT
FINANCE AUTHORITY**

**Thursday, February 20, 2020
11:00 a.m., Adjourned Regular Meeting**

Board Members Present: Chairman Jim Holmes, Vice-Chair Primo Santini, III, Robert Weygandt, and Mike Lee

Board Members Absent: None

PCWA Personnel Present: Einar Maisch, General Manager and MFP Finance Authority Executive Director; Scott Morris; General Counsel and MFP Finance Authority Legal Advisor; Joseph Parker, Director of Financial Services and MFP Finance Authority Treasurer; Ryan Cline, Director of Energy Marketing; Melissa Cope, Financial Analyst; Andy Fecko, Director of Strategic Affairs; Dan Kelly, Staff Counsel; Jay L'Estrange, Director of Power Generation; Shane Motely, Energy Marketing Manager; Carrie Parks, Deputy Director of Financial Services; Michael Willihnganz, Director of Administrative Services; Lori Young, Clerk

County Personnel Present: Todd Leopold, County Executive Officer and MFP Finance Authority Secretary; Jared Deck, Program Manager, Senior Civil Engineer; Dave Defanti, Deputy County Executive Officer; Vanessa Lieberman, Senior Management Analyst; Beverly Roberts, District 3 Director for Supervisor Jim Holmes; Robert Sandman, Deputy County Counsel

A. Call to Order

1. Roll call

Chairman Holmes called the adjourned regular meeting of the Middle Fork Project (MFP) Finance Authority Board of Directors to order at 11:00 a.m. in the American River Room, Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.

The Clerk conducted roll call.

2. Pledge of Allegiance

Led by Chair Holmes.

B. Agenda Review and Changes

There were no changes.

C. Consent Calendar

There were no items on the Consent Calendar.

D. General Items

1. Consider **Adopting Resolution 20-02 authorizing issuance and sale of refunding bonds, authorizing the execution and delivery of an indenture, a bond purchase contract, and a continuing disclosure certificate; approving the form of an official statement and the related distributions thereof and approving other actions related thereto.**

Joseph Parker gave a PowerPoint presentation. He reported the 2006 Bond current outstanding balance is \$71,028,393 plus accrued interest. Refinancing to tax exempt bonds will save approximately \$4.7 million or a little more since the market is moving in our favor. The new bonds will be priced on March 3 or 4 and the transaction will close on March 17.

There is a new debt covenant to include the Agency as a signer on the Bond Purchase Contract in the Indenture because the Agency operates and maintains the system. There is also a covenant to establish an Operation and Maintenance Reserve Fund equal to six months of projected operation and maintenance expenses based on the Authority's annual operating budget - the Authority's current policy requires one year of projected expenses. This new requirement will be a component of the Authority's existing Operating Reserve. The Operations and Maintenance Reserve Fund will be set at \$14 million and can only be used for operations and maintenance.

There is a debt covenant that specifies the priority order in regard to the flow of funds. Revenue from power sales would first have to fund operations and maintenance, then fund debt service paid to next principal payment date (paid to the Trustee), and as needed fill any reserve deficiency both at the Trustee and the Authority's new Operations and Maintenance Reserve Fund, prior to all other uses such as capital projects and distributions.

Motion by Director Santini approving item D.1.; motion seconded by Director Weygandt and adopted by unanimous roll call vote of Directors present.

E. Reports by Directors:

No reports received.

F. Reports by Legal Counsel

No report received.

G. Reports by Secretary

No report received.

H. Reports by Executive Director

Einar Maisch stated the project has come so far from where it started off to where it stands today, and this is due to the excellent working relationship between the County and the Agency and the great team of people. He thanked everyone saying he is happy to have been a part of it.

Chair Holmes said on behalf of the Board of Supervisors, he is very proud to be a part of this as well. He thanked Mr. Maisch for his work.

J. Adjournment

At 11:10 a.m. the Chair adjourned the meeting.

Lori Young, Clerk to the Board

Date

MIDDLE FORK PROJECT FINANCE AUTHORITY

Check Register # 20-02

The Board of Directors of the Middle Fork Project Finance Authority as of this date 4/16/2020, do hereby receive and file the following check register listing for the period from 1/04/2020 to 4/03/2020 from the MFP Finance Authority Checking Account.

PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Jan 10, 2020	210,012.41
BP ENERGY COMPANY	FORWARD MARKET TRANSACTION	Jan 15, 2020	544,000.00
THOMAS R JOHNSON LLC	PROFESSIONAL SERVICES	Jan 17, 2020	2,632.50
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Jan 17, 2020	419,993.48
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Jan 24, 2020	449,222.85
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Jan 31, 2020	356,940.18
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Feb 07, 2020	172,647.22
THOMAS R JOHNSON LLC	PROFESSIONAL SERVICES	Feb 07, 2020	4,875.00
UNION BANK	ADMINISTRATION FEES	Feb 14, 2020	875.00
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Feb 14, 2020	854,703.27
HORIZONS ENERGY LLC	PROFESSIONAL SERVICES	Feb 21, 2020	30,000.00
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Feb 21, 2020	61,390.23
DAVIS FARR LLP	PROFESSIONAL SERVICES	Feb 28, 2020	1,100.00
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Feb 28, 2020	391,843.84
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Mar 06, 2020	433,871.59
CA INDEPENDENT SYS OPERATOR	POWER SALES	Mar 12, 2020	113,972.97
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Mar 13, 2020	316,875.49
THOMAS R JOHNSON LLC	PROFESSIONAL SERVICES	Mar 20, 2020	3,000.00
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Mar 20, 2020	590,810.18
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	Mar 26, 2020	470,067.86
KRONICK MOSKOVITZ TIEDEMANN GIRARD	LEGAL SERVICES	Mar 26, 2020	1,893.62
CHECK REGISTER TOTAL			\$5,430,727.69

Office of
Joseph H. Parker, CPA
Middle Fork Project Finance Authority - Treasurer



Middle Fork Project Finance Authority

Treasurer's Investment Report January 31, 2020

144 Ferguson Road • Auburn, California 95604
Telephone: (530) 823-4875

Treasurer's Discussion

Middle Fork Project Finance Authority Treasurer's Report

January 31, 2020

This Treasurer's Report includes three sections: 1. Portfolio Summary, 2. Portfolio Details – Investments, and 3. Activity by Type for the prior month.

For the purpose of clarification, the following definitions of investment terms are provided:

Book Value is the purchase price of a security plus amortization of any premium or discount. This may be more or less than face value depending upon whether the security was purchased at a premium or at a discount.

Par (Face) Value is the principal amount of a security and the amount of principal that will be paid at maturity.

Market Value is the value at which a security can be sold at the time it is priced including accrued interest. Individual securities market prices are obtained from Union Bank, (safekeeper and third party custodian). Market values are only relevant if the investment is sold prior to maturity. A gain or loss would be realized only if the specific investment were to be sold. It is the Authority's practice to hold to maturity.

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



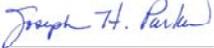
**MFP Finance Authority
Portfolio Management
Portfolio Summary
January 31, 2020**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Mat./Call	YTM 365 Equiv.
Local Agency Investment Funds	48,133,096.19	48,133,096.19	48,133,096.19	41.16	1	1	1.967
Checking Accounts	5,159,588.50	5,159,588.50	5,159,588.50	4.41	1	1	0.004
Medium Term Notes	12,000,000.00	12,268,800.00	12,007,982.83	10.27	1,377	992	2.555
Federal Agency Coupon Securities	40,000,000.00	40,146,280.00	39,964,569.50	34.17	976	467	2.016
Treasury Coupon Securities	9,000,000.00	9,063,150.00	9,027,825.03	7.72	861	681	1.855
Miscellaneous Coupon Securities	2,700,000.00	2,736,504.00	2,655,095.01	2.27	1,400	1,018	2.681
	116,992,684.69	117,507,418.69	116,948,157.06	100.00%	574	338	1.965
Investments							
Cash and Accrued Interest							
Accrued Interest at Purchase *		0.00	0.00				
Ending Accrued Interest		346,498.40	346,498.40				
Subtotal		346,498.40	346,498.40				
	116,992,684.69	117,853,917.09	117,294,655.46		574	338	1.965
Total Cash and Investments Value							

Total Earnings	January 31 Month Ending	Fiscal Year To Date	
Current Year	193,821.80	193,821.80	* 250.00 Accrued at Purchase is Included in Book Value.

Average Daily Balance	114,977,811.98	107,522,905.66
Effective Rate of Return	1.98%	0.17%

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


Joseph H. Parker, CPA

**MFP Finance Authority
Portfolio Management
Portfolio Details - Investments
January 31, 2020**

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			48,133,096.19	48,133,096.19	48,133,096.19	1.967	1	1	1.967	
Subtotal and Average			47,854,311.09		48,133,096.19	48,133,096.19	48,133,096.19		1	1	1.967	
Checking Accounts												
5616-OPERATIONS	10000	Union Bank of California			1,893,790.95	1,893,790.95	1,893,790.95	0.010	1	1	0.010	
1265-OPERATIONS	10100	US Bank		12/11/2019	3,265,797.55	3,265,797.55	3,265,797.55		1	1	0.000	
Subtotal and Average			4,894,706.14		5,159,588.50	5,159,588.50	5,159,588.50		1	1	0.004	
Medium Term Notes												
037833AR1	10072	Apple Inc.		05/03/2018	3,000,000.00	3,049,290.00	2,997,617.87	2.850	1,099	460	2.916	05/06/2021
13063DDG0	10078	State of California		01/31/2019	3,000,000.00	3,060,420.00	2,940,364.29	2.250	1,704	1,338	2.832	10/01/2023
459058GH0	10085	INTL BK BECON & DEVELOP		02/26/2019	3,000,000.00	3,057,330.00	3,010,198.20	2.750	878	538	2.511	07/23/2021
742651DP4	10092	Private Export Funding		07/15/2019	3,000,000.00	3,101,760.00	3,059,802.47	2.450	1,827	1,626	1.978	07/15/2024
Subtotal and Average			12,008,067.56		12,000,000.00	12,268,800.00	12,007,982.83		1,377	992	2.555	
Federal Agency Coupon Securities												
3133EFDT1	10063	Federal Farm Credit Bank		09/28/2017	1,000,000.00	1,000,870.00	1,000,000.00	1.660	1,085	229	1.658	09/17/2020
3133EKL61	10094	Federal Farm Credit Bank		09/04/2019	3,000,000.00	3,006,600.00	2,998,908.33	1.550	547	397	1.584	03/04/2021
3133EKP75	10095	Federal Farm Credit Bank		09/17/2019	3,000,000.00	3,017,160.00	2,998,667.20	1.600	1,827	1,690	1.610	09/17/2024
3133EKP67	10096	Federal Farm Credit Bank		09/17/2019	3,000,000.00	3,012,510.00	2,998,144.33	1.625	731	594	1.664	09/17/2021
3133EK3B0	10097	Federal Farm Credit Bank		10/18/2019	3,000,000.00	3,003,030.00	2,981,216.60	1.500	1,825	1,719	1.641	10/16/2024
3130AF2D8	10075	Federal Home Loan Bank		01/31/2019	3,000,000.00	3,027,150.00	3,004,877.30	2.860	623	257	2.621	10/15/2020
313378WG2	10086	Federal Home Loan Bank		03/20/2019	3,000,000.00	3,069,420.00	3,004,066.11	2.500	1,087	769	2.433	03/11/2022
3130ADN32	10088	Federal Home Loan Bank		06/07/2019	3,000,000.00	3,000,240.00	3,000,000.00	2.125	249	10	2.123	02/11/2020
3130AGH99	10089	Federal Home Loan Bank		06/04/2019	3,000,000.00	3,006,000.00	3,000,478.45	2.250	353	111	2.197	05/22/2020
3137EAEF2	10068	Federal Home Loan Mtg Corp		01/31/2018	3,000,000.00	2,999,580.00	2,995,073.13	1.375	810	79	2.145	04/20/2020
3134GTYP2	10090	Federal Home Loan Mtg Corp		07/01/2019	3,000,000.00	3,001,290.00	3,000,000.00	2.000	1,005	60	2.000	04/01/2022
3134GTWG4	10091	Federal Home Loan Mtg Corp		07/01/2019	3,000,000.00	3,005,520.00	3,000,000.00	2.000	1,822	146	2.000	06/26/2024
3135G0D75	10069	Federal National Mtg Assn		01/31/2018	3,000,000.00	2,998,890.00	2,992,601.18	1.500	873	142	2.149	06/22/2020
3135G0T60	10070	Federal National Mtg Assn		01/31/2018	3,000,000.00	2,998,020.00	2,990,536.87	1.500	911	180	2.155	07/30/2020
Subtotal and Average			39,962,367.30		40,000,000.00	40,146,280.00	39,964,569.50		976	467	2.016	
Treasury Coupon Securities												
9128284C1	10074	U.S. Treasury		01/31/2019	3,000,000.00	3,002,820.00	2,998,542.35	2.250	425	59	2.556	03/31/2020
9128285V8	10093	U.S. Treasury		08/30/2019	3,000,000.00	3,065,850.00	3,058,911.16	2.500	869	714	1.472	01/15/2022

**MFP Finance Authority
Portfolio Management
Portfolio Details - Investments
January 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Term	Days to Mat./Call	YTM 365	Maturity Date
Treasury Coupon Securities												
912828S92	10101	U.S. Treasury		01/16/2020	3,000,000.00	2,994,480.00	2,970,371.52	1.250	1,292	1,276	1.541	07/31/2023
Subtotal and Average			7,603,892.49		9,000,000.00	9,063,150.00	9,027,825.03		861	681	1.855	
Miscellaneous Coupon Securities												
742651DR0	10073	Private Export Funding		01/15/2019	2,700,000.00	2,736,504.00	2,655,095.01	2.050	1,400	1,018	2.681	11/15/2022
Subtotal and Average			2,654,467.40		2,700,000.00	2,736,504.00	2,655,095.01		1,400	1,018	2.681	
Total and Average			114,977,811.98		116,992,684.69	117,507,418.69	116,948,157.06		574	338	1.965	

**MFP Finance Authority
Portfolio Management
Portfolio Details - Cash
January 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Term	YTM Mat./Call 365
		Average Balance	0.00	Accrued Interest at Purchase *		0.00	0.00		0	0
				Ending Accrued Interest		346,498.40	346,498.40			
				Subtotal		346,498.40	346,498.40			
		Total Cash and Investment Value	114,977,811.98		116,992,684.69	117,853,917.09	117,294,655.46		574	338 1.965

* 250.00 Accrued at Purchase is Included in Book and Market Values

**MFP Finance Authority
Portfolio Management
Activity By Type
January 1, 2020 through January 31, 2020**

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	1.967		288,077.94	0.00	
Subtotal					288,077.94	0.00	48,133,096.19
Checking Accounts (Monthly Summary)							
5616-OPERATIONS	10000	Union Bank of California	0.010		1,326,771.37	2,987,311.91	
1265-OPERATIONS	10100	US Bank			3,917,053.73	1,982,801.42	
Subtotal					5,243,825.10	4,970,113.33	5,159,588.50
Medium Term Notes							
Subtotal							12,007,982.83
Federal Agency Coupon Securities							
Subtotal							39,964,569.50
Treasury Coupon Securities							
912828S92	10101	U.S. Treasury	1.250	01/16/2020	2,970,000.00	0.00	
Subtotal					2,970,000.00	0.00	9,027,825.03
Miscellaneous Coupon Securities							
Subtotal							2,655,095.01
Total					8,501,903.04	4,970,113.33	116,948,157.06

Office of
Joseph H. Parker, CPA
Middle Fork Project Finance Authority - Treasurer



Middle Fork Project Finance Authority

Treasurer's Investment Report February 29, 2020

144 Ferguson Road • Auburn, California 95604
Telephone: (530) 823-4875

Treasurer's Discussion

Middle Fork Project Finance Authority Treasurer's Report

February 29, 2020

This Treasurer's Report includes three sections: 1. Portfolio Summary, 2. Portfolio Details – Investments, and 3. Activity by Type for the prior month.

For the purpose of clarification, the following definitions of investment terms are provided:

Book Value is the purchase price of a security plus amortization of any premium or discount. This may be more or less than face value depending upon whether the security was purchased at a premium or at a discount.

Par (Face) Value is the principal amount of a security and the amount of principal that will be paid at maturity.

Market Value is the value at which a security can be sold at the time it is priced including accrued interest. Individual securities market prices are obtained from Union Bank, (safekeeper and third party custodian). Market values are only relevant if the investment is sold prior to maturity. A gain or loss would be realized only if the specific investment were to be sold. It is the Authority's practice to hold to maturity.

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



**MFP Finance Authority
Portfolio Management
Portfolio Summary
February 29, 2020**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Mat./Call	YTM 365 Equiv.
Local Agency Investment Funds	48,133,096.19	48,133,096.19	48,133,096.19	41.23	1	1	1.912
Checking Accounts	7,958,795.51	7,958,795.51	7,958,795.51	6.82	1	1	0.006
Medium Term Notes	12,000,000.00	12,405,810.00	12,007,801.65	10.28	1,377	963	2.555
Federal Agency Coupon Securities	37,000,000.00	37,345,280.00	36,969,274.02	31.66	1,035	475	2.007
Treasury Coupon Securities	9,000,000.00	9,125,640.00	9,026,822.12	7.73	861	652	1.855
Miscellaneous Coupon Securities	2,700,000.00	2,767,284.00	2,656,436.79	2.28	1,400	989	2.681
	116,791,891.70	117,735,905.70	116,752,226.28	100.00%	568	323	1.891
Investments							
Cash and Accrued Interest							
Accrued Interest at Purchase *		0.00	0.00				
Ending Accrued Interest		493,238.41	493,238.41				
Subtotal		493,238.41	493,238.41				
	116,791,891.70	118,229,144.11	117,245,464.69		568	323	1.891
Total Cash and Investments Value							

Total Earnings February 29 Month Ending

Current Year 183,506.95

* 250.00 Accrued at Purchase is Included in Book Value.

Average Daily Balance 115,081,584.75

Effective Rate of Return 2.01%

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

Joseph H. Parker

Joseph H. Parker, CPA

Reporting period 02/01/2020-02/29/2020

Run Date: 03/06/2020 - 08:48

No fiscal year history available

Portfolio MFP
AC
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.6.1

**MFP Finance Authority
Portfolio Management
Portfolio Details - Investments
February 29, 2020**

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			48,133,096.19	48,133,096.19	48,133,096.19	1.912	1	1	1.912	
Subtotal and Average			48,133,096.19		48,133,096.19	48,133,096.19	48,133,096.19		1	1	1.912	
Checking Accounts												
5616-OPERATIONS	10000	Union Bank of California			4,925,616.59	4,925,616.59	4,925,616.59	0.010	1	1	0.010	
1265-OPERATIONS	10100	US Bank		12/11/2019	3,033,178.92	3,033,178.92	3,033,178.92		1	1	0.000	
Subtotal and Average			5,256,112.88		7,958,795.51	7,958,795.51	7,958,795.51		1	1	0.006	
Medium Term Notes												
037833AR1	10072	Apple Inc.		05/03/2018	3,000,000.00	3,052,080.00	2,997,774.93	2.850	1,099	431	2.916	05/06/2021
13063DDG0	10078	State of California		01/31/2019	3,000,000.00	3,107,400.00	2,941,719.64	2.250	1,704	1,309	2.832	10/01/2023
459058GH0	10085	INTL BK BECON & DEVELOP		02/26/2019	3,000,000.00	3,071,100.00	3,009,623.11	2.750	878	509	2.511	07/23/2021
742651DP4	10092	Private Export Funding		07/15/2019	3,000,000.00	3,175,230.00	3,058,683.97	2.450	1,827	1,597	1.978	07/15/2024
Subtotal and Average			12,007,892.03		12,000,000.00	12,405,810.00	12,007,801.65		1,377	963	2.555	
Federal Agency Coupon Securities												
3133EFDT1	10063	Federal Farm Credit Bank		09/28/2017	1,000,000.00	1,003,040.00	1,000,000.00	1.660	1,085	200	1.658	09/17/2020
3133EKL61	10094	Federal Farm Credit Bank		09/04/2019	3,000,000.00	3,017,850.00	2,998,991.67	1.550	547	368	1.584	03/04/2021
3133EKP75	10095	Federal Farm Credit Bank		09/17/2019	3,000,000.00	3,079,410.00	2,998,691.20	1.600	1,827	1,661	1.610	09/17/2024
3133EKP67	10096	Federal Farm Credit Bank		09/17/2019	3,000,000.00	3,032,220.00	2,998,239.33	1.625	731	565	1.664	09/17/2021
3133EK3B0	10097	Federal Farm Credit Bank		10/18/2019	3,000,000.00	3,066,840.00	2,981,553.48	1.500	1,825	1,690	1.641	10/16/2024
3130AF2D8	10075	Federal Home Loan Bank		01/31/2019	3,000,000.00	3,031,380.00	3,004,301.24	2.860	623	228	2.621	10/15/2020
313378WG2	10086	Federal Home Loan Bank		03/20/2019	3,000,000.00	3,093,060.00	3,003,905.60	2.500	1,087	740	2.433	03/11/2022
3130AGH99	10089	Federal Home Loan Bank		06/04/2019	3,000,000.00	3,005,970.00	3,000,349.14	2.250	353	82	2.197	05/22/2020
3137EAEF2	10068	Federal Home Loan Mtg Corp		01/31/2018	3,000,000.00	2,999,430.00	2,996,944.09	1.375	810	50	2.145	04/20/2020
3134GTYP2	10090	Federal Home Loan Mtg Corp		07/01/2019	3,000,000.00	3,001,740.00	3,000,000.00	2.000	1,005	31	2.000	04/01/2022
3134GTWG4	10091	Federal Home Loan Mtg Corp		07/01/2019	3,000,000.00	3,008,280.00	3,000,000.00	2.000	1,822	117	2.000	06/26/2024
3135G0D75	10069	Federal National Mtg Assn		01/31/2018	3,000,000.00	3,001,620.00	2,994,175.40	1.500	873	113	2.149	06/22/2020
3135G0T60	10070	Federal National Mtg Assn		01/31/2018	3,000,000.00	3,004,440.00	2,992,122.87	1.500	911	151	2.155	07/30/2020
Subtotal and Average			38,001,409.92		37,000,000.00	37,345,280.00	36,969,274.02		1,035	475	2.007	
Treasury Coupon Securities												
9128284C1	10074	U.S. Treasury		01/31/2019	3,000,000.00	3,001,890.00	2,999,258.82	2.250	425	30	2.556	03/31/2020
9128285V8	10093	U.S. Treasury		08/30/2019	3,000,000.00	3,087,660.00	3,056,518.41	2.500	869	685	1.472	01/15/2022
912828S92	10101	U.S. Treasury		01/16/2020	3,000,000.00	3,036,090.00	2,971,044.89	1.250	1,292	1,247	1.541	07/31/2023

**MFP Finance Authority
Portfolio Management
Portfolio Details - Investments
February 29, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Term Mat./Call	YTM 365	Maturity Date
Subtotal and Average			9,027,306.29		9,000,000.00	9,125,640.00	9,026,822.12		861 652	1.855	
Miscellaneous Coupon Securities											
742651DR0	10073	Private Export Funding		01/15/2019	2,700,000.00	2,767,284.00	2,656,436.79	2.050	1,400 989	2.681	11/15/2022
Subtotal and Average			2,655,767.44		2,700,000.00	2,767,284.00	2,656,436.79		1,400 989	2.681	
Total and Average			115,081,584.75		116,791,891.70	117,735,905.70	116,752,226.28		568 323	1.891	

**MFP Finance Authority
Portfolio Management
Portfolio Details - Cash
February 29, 2020**

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		493,238.41	493,238.41				
				Subtotal		493,238.41	493,238.41				
		Total Cash and Investment Value	115,081,584.75		116,791,891.70	118,229,144.11	117,245,464.69		568	323	1.891

* 250.00 Accrued at Purchase is Included in Book and Market Values

**MFP Finance Authority
Portfolio Management
Activity By Type
February 1, 2020 through February 29, 2020**

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Local Agency Investment Funds (Monthly Summary)							
Subtotal							48,133,096.19
Checking Accounts (Monthly Summary)							
5616-OPERATIONS	10000	Union Bank of California	0.010		3,031,904.88	79.24	
1265-OPERATIONS	10100	US Bank			1,283,715.93	1,516,334.56	
Subtotal							7,958,795.51
Medium Term Notes							
Subtotal							12,007,801.65
Federal Agency Coupon Securities							
3130ADN32	10088	Federal Home Loan Bank	2.125	02/11/2020	0.00	3,000,000.00	
Subtotal							36,969,274.02
Treasury Coupon Securities							
Subtotal							9,026,822.12
Miscellaneous Coupon Securities							
Subtotal							2,656,436.79
Total					4,315,620.81	4,516,413.80	116,752,226.28

Office of
Joseph H. Parker, CPA
Middle Fork Project Finance Authority - Treasurer



Middle Fork Project Finance Authority

Treasurer's Investment Report March 31, 2020

144 Ferguson Road • Auburn, California 95604
Telephone: (530) 823-4875

Treasurer's Discussion

Middle Fork Project Finance Authority Treasurer's Report

March 31, 2020

This Treasurer's Report includes three sections: 1. Portfolio Summary, 2. Portfolio Details – Investments, and 3. Activity by Type for the prior month.

For the purpose of clarification, the following definitions of investment terms are provided:

Book Value is the purchase price of a security plus amortization of any premium or discount. This may be more or less than face value depending upon whether the security was purchased at a premium or at a discount.

Par (Face) Value is the principal amount of a security and the amount of principal that will be paid at maturity.

Market Value is the value at which a security can be sold at the time it is priced including accrued interest. Individual securities market prices are obtained from Union Bank, (safekeeper and third party custodian). Market values are only relevant if the investment is sold prior to maturity. A gain or loss would be realized only if the specific investment were to be sold. It is the Authority's practice to hold to maturity.

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



**MFP Finance Authority
Portfolio Management
Portfolio Summary
March 31, 2020**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Mat./Call	YTM 365 Equiv.
Local Agency Investment Funds	54,633,096.19	54,633,096.19	54,633,096.19	47.15	1	1	1.912
Checking Accounts	3,567,115.44	3,567,115.44	3,567,115.44	3.08	1	1	0.009
Medium Term Notes	12,000,000.00	12,366,390.00	12,007,620.49	10.36	1,377	932	2.555
Federal Agency Coupon Securities	37,000,000.00	37,553,550.00	36,973,978.54	31.91	1,035	444	2.007
Treasury Coupon Securities	6,000,000.00	6,215,520.00	6,025,725.35	5.20	1,078	931	1.506
Miscellaneous Coupon Securities	2,700,000.00	2,785,077.00	2,657,778.57	2.29	1,400	958	2.681
Investments	115,900,211.63	117,120,748.63	115,865,314.58	100.00%	562	309	1.947
Cash and Accrued Interest							
Accrued Interest at Purchase *		0.00	0.00				
Ending Accrued Interest		523,101.91	523,101.91				
Subtotal		523,101.91	523,101.91				
Total Cash and Investments Value	115,900,211.63	117,643,850.54	116,388,416.49		562	309	1.947

Total Earnings **March 31 Month Ending**

Current Year 185,822.75

* 250.00 Accrued at Purchase is Included in Book Value.

Average Daily Balance **116,726,028.35**

Effective Rate of Return **1.87%**

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

Joseph H. Parker

Joseph H. Parker, CPA

Reporting period 03/01/2020-03/31/2020

Run Date: 04/06/2020 - 05:56

No fiscal year history available

Portfolio MFP
AC
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.6.1

**MFP Finance Authority
Portfolio Management
Portfolio Details - Investments
March 31, 2020**

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			54,633,096.19	54,633,096.19	54,633,096.19	1.912	1	1	1.912	
Subtotal and Average			48,342,773.61		54,633,096.19	54,633,096.19	54,633,096.19		1	1	1.912	
Checking Accounts												
5616-OPERATIONS	10000	Union Bank of California			3,176,801.45	3,176,801.45	3,176,801.45	0.010	1	1	0.010	
1265-OPERATIONS	10100	US Bank		12/11/2019	390,313.99	390,313.99	390,313.99		1	1	0.000	
Subtotal and Average			7,817,128.41		3,567,115.44	3,567,115.44	3,567,115.44		1	1	0.009	
Medium Term Notes												
037833AR1	10072	Apple Inc.		05/03/2018	3,000,000.00	3,029,520.00	2,997,931.99	2.850	1,099	400	2.916	05/06/2021
13063DDG0	10078	State of California		01/31/2019	3,000,000.00	3,073,680.00	2,943,075.00	2.250	1,704	1,278	2.832	10/01/2023
459058GH0	10085	INTL BK BECON & DEVELOP		02/26/2019	3,000,000.00	3,086,310.00	3,009,048.03	2.750	878	478	2.511	07/23/2021
742651DP4	10092	Private Export Funding		07/15/2019	3,000,000.00	3,176,880.00	3,057,565.47	2.450	1,827	1,566	1.978	07/15/2024
Subtotal and Average			12,007,705.23		12,000,000.00	12,366,390.00	12,007,620.49		1,377	932	2.555	
Federal Agency Coupon Securities												
3133EFDT1	10063	Federal Farm Credit Bank		09/28/2017	1,000,000.00	1,006,650.00	1,000,000.00	1.660	1,085	169	1.658	09/17/2020
3133EKL61	10094	Federal Farm Credit Bank		09/04/2019	3,000,000.00	3,040,320.00	2,999,075.00	1.550	547	337	1.584	03/04/2021
3133EKP75	10095	Federal Farm Credit Bank		09/17/2019	3,000,000.00	3,128,670.00	2,998,715.20	1.600	1,827	1,630	1.610	09/17/2024
3133EKP67	10096	Federal Farm Credit Bank		09/17/2019	3,000,000.00	3,053,880.00	2,998,334.33	1.625	731	534	1.664	09/17/2021
3133EK3B0	10097	Federal Farm Credit Bank		10/18/2019	3,000,000.00	3,117,330.00	2,981,890.35	1.500	1,825	1,659	1.641	10/16/2024
3130AF2D8	10075	Federal Home Loan Bank		01/31/2019	3,000,000.00	3,041,040.00	3,003,725.18	2.860	623	197	2.621	10/15/2020
313378WG2	10086	Federal Home Loan Bank		03/20/2019	3,000,000.00	3,124,560.00	3,003,745.10	2.500	1,087	709	2.433	03/11/2022
3130AGH99	10089	Federal Home Loan Bank		06/04/2019	3,000,000.00	3,007,950.00	3,000,219.83	2.250	353	51	2.197	05/22/2020
3137EAEF2	10068	Federal Home Loan Mtg Corp		01/31/2018	3,000,000.00	3,001,440.00	2,998,815.06	1.375	810	19	2.145	04/20/2020
3134GTYP2	10090	Federal Home Loan Mtg Corp		07/01/2019	3,000,000.00	3,000,000.00	3,000,000.00	2.000	1,005	0	2.000	04/01/2022
3134GTWG4	10091	Federal Home Loan Mtg Corp		07/01/2019	3,000,000.00	3,010,260.00	3,000,000.00	2.000	1,822	86	2.000	06/26/2024
3135G0D75	10069	Federal National Mtg Assn		01/31/2018	3,000,000.00	3,008,430.00	2,995,749.62	1.500	873	82	2.149	06/22/2020
3135G0T60	10070	Federal National Mtg Assn		01/31/2018	3,000,000.00	3,013,020.00	2,993,708.87	1.500	911	120	2.155	07/30/2020
Subtotal and Average			36,971,776.32		37,000,000.00	37,553,550.00	36,973,978.54		1,035	444	2.007	

**MFP Finance Authority
Portfolio Management
Portfolio Details - Investments
March 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	Days to Mat./Call	YTM 365	Maturity Date
Treasury Coupon Securities												
9128285V8	10093	U.S. Treasury		08/30/2019	3,000,000.00	3,122,340.00	3,053,960.64	2.500	869	654	1.472	01/15/2022
912828S92	10101	U.S. Treasury		01/16/2020	3,000,000.00	3,093,180.00	2,971,764.71	1.250	1,292	1,216	1.541	07/31/2023
Subtotal and Average			8,929,493.81		6,000,000.00	6,215,520.00	6,025,725.35		1,078	931	1.506	
Miscellaneous Coupon Securities												
742651DR0	10073	Private Export Funding		01/15/2019	2,700,000.00	2,785,077.00	2,657,778.57	2.050	1,400	958	2.681	11/15/2022
Subtotal and Average			2,657,150.97		2,700,000.00	2,785,077.00	2,657,778.57		1,400	958	2.681	
Total and Average			116,726,028.35		115,900,211.63	117,120,748.63	115,865,314.58		562	309	1.947	

**MFP Finance Authority
Portfolio Management
Portfolio Details - Cash
March 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Term	YTM	
		Average Balance	0.00	Accrued Interest at Purchase *		0.00	0.00		0	0	
				Ending Accrued Interest		523,101.91	523,101.91				
				Subtotal		523,101.91	523,101.91				
		Total Cash and Investment Value	116,726,028.35		115,900,211.63	117,643,850.54	116,388,416.49		562	309	1.947

* 250.00 Accrued at Purchase is Included in Book and Market Values

**MFP Finance Authority
Portfolio Management
Activity By Type
March 1, 2020 through March 31, 2020**

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	1.912		7,250,000.00	750,000.00	
		Subtotal			7,250,000.00	750,000.00	54,633,096.19
Checking Accounts (Monthly Summary)							
5616-OPERATIONS	10000	Union Bank of California	0.010		3,151,184.86	4,900,000.00	
1265-OPERATIONS	10100	US Bank			6,538,726.78	9,181,591.71	
		Subtotal			9,689,911.64	14,081,591.71	3,567,115.44
Medium Term Notes							
		Subtotal					12,007,620.49
Federal Agency Coupon Securities							
		Subtotal					36,973,978.54
Treasury Coupon Securities							
9128284C1	10074	U.S. Treasury	2.250	03/31/2020	0.00	3,000,000.00	
		Subtotal			0.00	3,000,000.00	6,025,725.35
Miscellaneous Coupon Securities							
		Subtotal					2,657,778.57
		Total			16,939,911.64	17,831,591.71	115,865,314.58



M E M O R A N D U M

TO: Middle Fork Project Finance Authority

FROM: Katie Swanberg, Energy Marketing Manager

DATE: April 16, 2020

RE: Annual NERC/WECC Compliance Report

BACKGROUND

On April 18, 2013, PCWA's Board of Directors adopted a Board Resolution 13-11 approving an Internal Compliance Program for the Middle Fork Project to facilitate compliance with North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) energy industry regulations. The 2019 Annual Compliance Assessment, prepared by GridSME in consultation with Agency staff, summarizes the Agency's compliance record for the past calendar year.

PCWA was fully compliant with all applicable Reliability Standards in 2019 with one exception. While performing the annual review with GridSME, it was discovered that PCWA did not contact its transmission planner, Pacific Gas & Electric, indicating that no changes to specific modeling data took place within the 13-calendar month timeframe as required by the MOD-032-1 Reliability Standard. PCWA staff is reviewing the issue and expects full mitigation prior to self-reporting to Western Electricity Coordinating Council (WECC), NERC's western Regional Entity, in the near future.

The CIP-003-6 self-report presented at the board meeting on April 18, 2019, has been resolved. WECC granted PCWA a compliance exception on February 28, 2020.

PCWA is on track to remain compliant in 2020.

RECOMMENDATION

Information item, no action required.

2019 Annual Compliance Assessment

4/8/2020

Placer County Water Agency

Report on Compliance with the NERC and WECC Reliability Standards

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EXECUTIVE SUMMARY

Agency Overview

Placer County Water Agency's (PCWA's) maturing compliance program continues to perform well in meeting the Requirements of the North American Electric Reliability Corporation (NERC) and Western Reliability Coordinating Council (WECC) Reliability Standards for both its Generator Owner (GO) and Generator Operator (GOP) functions.

In 2019, PCWA continued its effort in relation to the required policies and procedures it has developed to maintain compliance with applicable Reliability Standards while reducing and mitigating regulatory, reliability, and security risks to PCWA. This report summarizes the reliability compliance efforts put forth by PCWA during calendar year 2019, and anticipates the efforts needed in 2020 and beyond to remain compliant with the NERC and WECC Reliability Standards.

Scope

This compliance assessment represents the annual assessment of PCWA's compliance with the NERC and WECC mandatory Reliability Standards during calendar year 2019.¹ An annual assessment is required by the PCWA Internal Compliance Program (ICP) and is used to apprise management and the Board of Directors of the status of compliance with PCWA's NERC and WECC compliance program. This assessment summarizes the reliability compliance efforts put forth by the PCWA compliance team in 2019 and previews the efforts needed in the year ahead and beyond to remain compliant with the NERC and WECC Reliability Standards.

This compliance assessment is based primarily on written narratives, selected documentation and evidence provided by PCWA personnel in March 2019 concerning the status of compliance for specific GO and GOP NERC Standards.

ICP Background

A robust ICP, such as the one established and maintained by PCWA, is strongly encouraged by the Federal Energy Regulatory Commission (FERC), NERC, and WECC, and allows a registered entity to earn mitigating credit for any possible penalties for non-compliance. It is the belief of these regulators that a well-designed and implemented ICP is the foundation for a "culture of compliance" to be instilled within an organization and promotes the identification, prevention, and effective mitigation, of reliability compliance risks.

Findings

GridSME has reviewed (i) the responses from PCWA concerning its NERC/WECC compliance program and activities and (ii) evidence for selected Standards and associated Requirements. The review revealed that PCWA is substantially compliant with all applicable NERC and WECC regulatory requirements as of the date of this assessment. GridSME discovered a possible issue of potential non-compliance with a minor reporting requirement deadline that has been missed for Reliability Standard MOD-032. It has no impact to the Bulk Electric System as the report is a null value and will likely be treated as a Compliance Exception in our opinion.

GridSME anticipates continuing to work with PCWA in 2020, noting instances where it may be appropriate for PCWA to update policies, procedures, and attestations to reflect program maturation, new Standards,

¹ The use of capitalized terms in this document indicates that the term is a defined term from either the [NERC Glossary of Terms Used in Reliability Standards](#) or [Appendix 2 to the NERC Rules of Procedure: Definitions Used in the Rules of Procedure](#).

and a better understanding of operational or compliance needs. Based on GridSME’s review at the time this 2019 assessment was prepared, Reliability Standards listed in the table below will require PCWA’s focus and attention during 2020 and into 2021 to ensure compliance in advance of the respective enforcement dates. See Section 4.0 (“Looking Ahead”) of this assessment for details regarding impending changes.

NERC Reliability Standard	Effective/Enforcement Date	PCWA Functional Registration/System Applicability	New or Revised Standard
CIP-003-7/8 <i>Security Management Controls</i>	01/01/2020 & 4/1/2020	Low Impact BES Cyber Systems	Revised Standard – affecting Requirements R1 and R2. New topics need to be addressed in PCWA’s CIP Low Impact Policy, and new Plans were developed and implemented prior to enforcement date.
PRC-026-1 <i>Relay Performance During Stable Power Swings</i>	01/01/2020 (R2-R4 enforcement date)	GO	New Standard – applicability of R2.1 dependent on notification from PCWA’s Planning Coordinator that certain generation elements fall under R1 criteria listed in the Standard (if applicable).
PER-006-1 – <i>Specific Training for Personnel</i>	10/1/2020	GOP	New Standard – adds additional training obligations for PCWA’s applicable personnel.
PRC-027-1 – <i>Coordination of Protection Systems for Performance During Faults</i>	10/1/2020	GO	New Standard – imposes additional Protection System coordination study and settings requirements.
TPL-007-3 – <i>Transmission System Planned Performance for Geomagnetic Disturbance Events</i>	01/01/2022 (R6/R10 enforcement date)	GO	Revised Standard – includes assessment requirements to GOs with applicable BES power transformers (PCWA applicability subject to further evaluation and action by planning entities).

1.0 PCWA COMPLIANCE ACTIVITIES YEAR IN REVIEW

1.1 ICP Activities

PCWA’s ICP team is comprised of PCWA management representing Power System Operations, Administrative Services, and the NERC Compliance Administrator. As stated above, this annual assessment has been prepared under the requirements of PCWA’s ICP. Throughout 2019, PCWA’s ICP team discussed current and pending NERC and WECC reliability compliance issues, areas of possible non-compliance, and other associated issues affecting PCWA’s electric operations.

Under the Coordinated Functional Registration (CFR) Agreement with Northern California Power Agency (NCPA), effective January 1, 2018, PCWA and NCPA have allocated complete and partial responsibility for certain Requirements applicable to the GOP function (CFR000555). PCWA and NCPA completed an update to the CFR to account for changes in the requirements during 2018 and 2019. The update was accepted by WECC on April 1, 2019. The next annual update will be undertaken in the 2nd quarter of 2020 with only minor, non-material changes anticipated.

1.2 Data Submittals

In accordance with WECC and NERC periodic submittal requirements, PCWA data submittals for applicable Requirements occurred as detailed below. **PCWA made all required submittals on a timely basis.**²

Applicable Standard	Item	Periodicity	Submissions
FAC-003-4	GO reporting - Transmission Vegetation Management	Quarterly (<i>due by the 20th of the month following the quarter</i>)	Completed for Q1 on 4/1/2019 Completed for Q2 on 7/1/2019 Completed for Q3 on 10/16/2019 Completed for Q4 on 1/23/2020
PRC-004-5(i)	GO reporting - Protection System Misoperation Identification and Correction	Quarterly (<i>due 60 days following the end of each quarter</i>)	Completed for Q1 on 2/4/2019 Completed for Q2 on 4/11/2019 Completed for Q3 on 8/12/2019 Completed for Q4 on 2/6/2020
PRC-006-WECC-CRT-3	GO reporting - Underfrequency Load Shedding	Annual (<i>complete by June 1</i>)	Completed on 5/1/2019

1.3 NERC Alerts

NERC Alerts are initiated by NERC to advise industry of emerging or developing threats to the reliability of the Bulk Electric System (BES). Depending on the nature of each alert, registered entities may be required to acknowledge and respond to the NERC Alert. Only one alert was issued by NERC during 2019 (listed in the table below) that required a response from PCWA as a GO/GOP.

Alert Type	Title	Action
Industry Recommendation	Supply Chain II Risk	Acknowledged and Responded 7/17/2019

On July 16, 2019, NERC issued a NERC Alert on the topic of Supply Chain Risk II. The Alert was classified as an “Industry Recommendation” in order to address supply chain concerns regarding certain Chinese suppliers. Acknowledgement of the Alert was required by all GO/GOPs by July 19, 2019. A response to the questionnaire in the *NERC Alert System* was required by August 30, 2019 for GOs and GOPs pertaining to their ownership of certain telecommunications and surveillance equipment and unmanned aerial

² PCWA indicated that it has not been required to submit quarterly reports for PRC-004-WECC-2 due to the fact that it does not own or operate a Remedial Action Scheme (RAS). Similarly, PCWA has indicated it has not been required to submit periodic reports to WECC for PRC-012-WECC-CRT-2.2 and PRC-023-4, R5, due to its lack of ownership of the respective applicable equipment.

systems (UAS or drones) manufactured in or by companies in the Peoples Republic of China. PCWA acknowledged and responded to the NERC Alert Data Request in a timely manner on July 17, 2019.

1.4 Additional WECC Reporting

On 2/27/2019 PCWA submitted Self-Certification for CY 2018 to WECC. The Self-Certification covered Standards CIP-002-5.1 R1 and R2 as well as CIP-003-6 R1 and R2.

PCWA Self-Reported a violation of CIP-003-6 R1 on 5/20/2019 as it was discovered PCWA had failed to review and obtain CIP Senior Manager approval of the Policy within the 15 month requirement of R1.

This violation has been mitigated internally and validated by WECC. PCWA received disposition as a Compliance Exception on 2/28/2020.

Compliance Entity Mapping

Entity Role	Entity Name
Balancing Authority (BA)	CAISO
Generator Operator (GOP)	NCPA
Planning Coordinator (PC)	CAISO
Point of Interconnection Transmission Owner (TO)	PG&E
Regional Entity (RE)	WECC
Reliability Coordinator (RC)	Peak Reliability/RC West ³
Transmission Operator (TOP)	PG&E/CAISO
Transmission Planner (TP)	PG&E

2.0 GENERATOR OWNER RELIABILITY STANDARDS COMPLIANCE

2.1 2019 Generator Owner Reliability Standards

Below are the Reliability Standards containing Requirements applicable to PCWA as a GO during the assessment period:

Reliability Standard	Standard Description
CIP-002-5.1a ⁴	Cyber Security – BES Cyber System Categorization
CIP-003-6	Cyber Security – Security Management Controls
EOP-004-4	Event Reporting
FAC-001-2	Facility Interconnection Requirements
FAC-002-2	Facility Interconnection Studies
FAC-003-4	Vegetation Management
FAC-008-3	Facility Ratings
IRO-010-2 ⁵	Reliability Coordinator Data Specification and Collection
MOD-025-2	Verification and Data Reporting of Generator Real and Reactive Power Capability and Synchronous Condenser Reactive Power Capability
MOD-026-1	Verification of Models and Data for Generator Excitation Control System or Plant Volt/Var Control Functions

³ Effective July 1, 2019

⁴ CIP-002-5.1a, CIP-003-6, EOP-004-4, and IRO-010-2 apply to both the GO and GOP functions but do not require different actions for each function.

⁵ NCPA and PCWA share partial responsibility for IRO-010-2 R3 under the current CFR.

MOD-027-1	Verification of Models and Data for Turbine/Governor and Load Control or Active Power/Frequency Control Functions
MOD-032-1	Data for Power System Modeling and Analysis
NUC-001-3⁶	Nuclear Plant Interface Coordination
PRC-002-2	Disturbance Monitoring and Reporting Requirements
PRC-004-5(i)	Protection System Misoperation Identification and Correction
PRC-004-WECC-2	Protection System and Remedial Action Scheme Misoperation
PRC-005-6	Protection System, Automatic Reclosing, and Sudden Pressure Relaying
PRC-015-1	Remedial Action Scheme Data and Documentation
PRC-016-1	Remedial Action Scheme Misoperations
PRC-017-1	Remedial Action Scheme Maintenance and Testing
PRC-018-1	Disturbance Monitoring Equipment Installation and Data Reporting
PRC-019-2	Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection
PRC-023-4	Transmission Relay Loadability
PRC-024-2	Generator Frequency and Voltage Protective Relay Settings
PRC-025-2	Generator Relay Loadability
TOP-003-3	Operational Reliability Data
VAR-002-4.1	Generator Operation for Maintaining Network Voltage Schedules
VAR-501-WECC-3.1	Power System Stabilizer (PSS)

2.2 Reliability Standards or Regional Criterion for which PCWA Maintains Attestations

For the following Reliability Standards, PCWA maintains an attestation as evidence that the Standard or Requirements therein are not applicable to PCWA. For some Standards, an attestation may be maintained in conjunction with other procedure or policy documentation. PCWA updated all its attestations in 2019 to reflect current conditions and relationships with other entities and per recommendations from last year's assessment, developed new attestations to cover other Reliability Standards that PCWA does not have obligations under.

Reliability Standard	Attestation Title
CIP-003-6	CIP-003-6 Attestation (dated 7/17/2019)
EOP-004-4	EOP-004-4 Attestation (dated 7/19/2019)
EOP-005-3	EOP-005-3 Attestation (dated 7/17/2019)
FAC-001-3	FAC-001-3 and FAC-002-2 Attestation (dated 7/17/2019)
FAC-002-2	FAC-001-3 and FAC-002-2 Attestation (dated 7/17/2019)
FAC-003-4	FAC-003-4 Attestation (dated 7/17/2019)
FAC-008-3	FAC-008 Attestation (dated 7/17/2019)
PRC-002-2	PRC-002-2 and PRC-018-1 Attestation (dated 7/17/2019)
PRC-004-WECC-2	PRC-004-WECC Attestation (dated 7/17/2019)
PRC-005-6	PRC-005-6 Performance-Based Attestation (dated 10/21/2019)
PRC-012-WECC-CRT-1.1	PRC WECC Attestation 7/17/2019
PRC-015-1	PRC RAS Standards Attestation (dated 7/17/2019)
PRC-016-1	PRC RAS Standards Attestation (dated 7/17/2019)
PRC-017-1	PRC RAS Standards Attestation (dated 7/17/2019)
PRC-018-1	PRC-002-2 and PRC-018-1 Attestation (dated 7/17/2019)

⁶ PCWA has no obligations to support Nuclear Power Interface Requirements.

Reliability Standard	Attestation Title
PRC-023-4	PRC-023-3 Attestation (dated 7/17/2019)
PRC-026-1	PRC-026-1 Attestation (dated 2/10/2020)

2.3 Analysis of Compliance to Applicable Reliability Standards

CIP-002-5.1a – Cyber Security – BES Cyber System Categorization

Summary of Standard

Reliability Standard CIP-002-5.1a requires the identification and evaluation of BES Cyber Systems as assessed against the Impact Rating Criteria included in Attachment 1 to CIP-002-5.1a.

Analysis

PCWA has determined via its BES Cyber System Categorization Procedure that it has no medium or high impact BES Cyber Systems and that the BES Cyber Systems associated with PCWA therefore default to classification as low impact BES Cyber Systems.

This Standard requires PCWA to conduct a BES Cyber System analysis and seek approval by the CIP Senior Manager of the R1 identification of BES Cyber Systems at least once every 15 calendar months. The CIP Senior Manager (David Russel) reviewed and approved the BES Candidate Asset List Evaluation on December 19, 2019, satisfying the 15-calendar month requirement, as the previous review and CIP Senior Manager approval of the R1 identification occurred on December 28, 2018.

GridSME recommends PCWA perform the next review and CIP Senior Manager approval no later than 12 calendar months from the prior review (and not to exceed 15 calendar months), which would be the end of December 2020.

CIP-003-6 – Cyber Security – Security Management Controls

Summary of Standard

Requirements R1.2 and R2 (and the corresponding Attachment 1) of CIP-003-6 require applicable entities with low impact BES Cyber Systems to have certain security controls in place to protect their BES Cyber Systems, including one or more documented cyber security policies and plans.

Analysis

Cyber Security Policy

For its low impact BES Cyber Systems, PCWA developed and maintains a cyber security policy addressing the following topics: 1) cyber security awareness; 2) physical security controls; 3) electronic access controls; 4) incident response to a Cyber Security Incident; 5) Transient Cyber Assets and Removable Media; and 6) CIP Exceptional Circumstances. PCWA's policy includes attachments that address each of these topics.

PCWA first approved its low impact Cyber Security and Policy in accordance with Requirement R1 of the Standard via Version 1.0, dated December 14, 2016 (to become effective in advance on April 1, 2017). Requirement R1 requires PCWA to review its Cyber Security Policy at least once every 15 calendar months

and obtain CIP Senior Manager approval. This Policy was last reviewed and approved by the CIP Senior Manager on May 26, 2017 (Version 1.1, dated May 24, 2017).

It was determined in the previous year's assessment that PCWA had failed to review and obtain CIP Senior Manager approval of the Policy within the 15 calendar month requirement. PCWA remedied this deficiency effective March 14, 2019 and self-reported a violation of R1 to WECC Compliance. On February 28, 2020 WECC issued PCWA a Notice of Compliance Exception for this deficiency noting that it would not pursue an enforcement action regarding the issue and that proper mitigation had taken place.

The Cyber Security Policy, updated for CIP-003-7 was approved on 12/31/2019 for the V7 implementation requirements and then updated and approved again on 3/30/2020 to reflect the V8 implementation.

Cyber Security Awareness

Cyber Security Awareness materials were distributed 3 times in 2019 that reinforce cyber security awareness.

- Posters were posted on 6/27/2019,
- The CIP Senior Manager sent out company-wide emails during cyber security month on 10/3/2019, and
- The CIP Senior Manager sent out company-wide emails on phishing on 12/18/2019

The posting of posters on June 27th met the 15-calendar month requirement for reinforcement of Cyber Security Awareness.

Incident Response

PCWA maintains a stand-alone Cyber Security Incident Response Plan (CSIRP). PCWA did not experience an actual Reportable Cyber Security Incident in 2019 requiring activation of the CSIRP. There were no updates to PCWA's CSIRP in 2019.

PCWA conducted CSIRP tabletop exercise on March 30, 2017 in accordance with Requirement R2 and guidance from NERC and WECC. In accordance with the 36-calendar month requirement, the next exercise or drill was required to be conducted by April 30, 2020. PCWA conducted a CSIRT tabletop exercise on 1/29/2020 ahead of the deadline. The next required exercise will be required prior to February 28, 2023.

CIP Senior Manager Designation

In accordance with R3, which requires entities to designate a CIP Senior Manager, PCWA designated Michael Willihnganz, PCWA's Director of Administrative Services, as the CIP Senior Manager for PCWA on April 11, 2013. David Breninger and Michael Willihnganz signed an acknowledgement form on April 11, 2013. This acknowledgement was updated on March 11, 2015 to reflect the change at General Manager from David Breninger to Einar Maisch. David Russel was designated the CIP Sr. Manager on 12/12/ 2019 by PCWA General Manager Einar Maisch.

Additionally, PCWA has implemented a documented process to delegate authority in accordance with Requirement R4. During 2019 there were no delegations of CIP Senior Manager authority from Michael Willihnganz or David Russel to any other PCWA staff member.

EOP-004-4 – Event Reporting

Summary of Standard

EOP-004-4 replaced EOP-004-3 on April 1st 2019 with no material changes impacting PCWA. This Standard requires GOs and GOPs (called “Responsible Entities”) to maintain an event reporting Operating Plan and report qualifying events within 24 hours of recognition of meeting an event-type threshold. GOs and GOPs were also required to perform an annual validation of contact information in their Operating Plan under EOP-004-3 (this Requirement R3 was retired effective April 1, 2019).

Analysis

Under the CFR Agreement with NCPA, PCWA is responsible for EOP-004-4 as it pertains to its own Facilities and operations. PCWA will notify NCPA and local law enforcement, as necessary, in accordance with its Emergency Operations Plan.

PCWA maintained compliance with this Standard throughout 2019. Based on information provided by PCWA, the Emergency Action Plan (EAP) was reviewed and updated on December 18, 2019. As part of this comprehensive review, PCWA made phone calls to confirm that the contact information listed on the EAP notification flowchart was correct. During 2019, PCWA did not experience any events triggering its EAP or any suspicious events that warranted investigation to determine if they were reportable.

FAC-001-2 – Facility Connection Requirements

Summary of Standard

This Standard requires applicable GOs to establish Facility interconnection requirements for entities seeking to interconnect. FAC-001-3 applied to GOs with a fully executed Agreement to conduct a study on the reliability impact of interconnecting a third-party Facility to the GO’s existing Facility.

Note: FAC-001-3 became effective on January 1, 2019.

Analysis

PCWA maintains an attestation for FAC-001-2 (dated July 17, 2019) asserting this Standard does not apply to PCWA as PCWA does not currently have “an executed Agreement to evaluate the reliability impact of interconnecting a third-party Facility to the GO’s existing Facility that is used to interconnect to the interconnected Transmission systems.”

FAC-002-2 – Facility Interconnection Studies

Summary of Standard

This Standard requires applicable GOs to study the impact of interconnecting new or materially modified Facilities on the Bulk Electric System. FAC-002-2 applies to GOs with a fully executed Agreement to conduct a study on the reliability impact of interconnecting a third-party Facility to the GO’s existing Facility.

Analysis

PCWA maintains an attestation for FAC-002-1 (dated July 17, 2019) asserting this Standard does not apply to PCWA because it was not planning to integrate new applicable Facilities at that time. PCWA did not seek to interconnect new generation Facilities during 2019 or materially modify existing interconnections of generation Facilities, nor did PCWA receive any requests for interconnections to its Facilities in 2019.

FAC-003-4 – Transmission Vegetation Management

Summary of Standard

FAC-003-4 intends to prevent transmission outages by requiring applicable entities to develop and implement a Transmission Vegetation Management program to prevent encroachments into the right-of-way. This Reliability Standard is primarily aimed at Transmission Owners but certain Generator Owners that also own high-voltage (greater than 200 kV) overhead transmission lines at least one mile long or with no line of sight between the generator and the interconnection point are also impacted by this standard.

Analysis

PCWA does not own any generator tie-lines and is therefore exempt from this Standard. PCWA maintains an attestation (dated July 17, 2019) stating the Standard does not apply to PCWA's Ralston or Middlefork Facilities. There were no changes in 2019 regarding the non-applicability of this Standard to PCWA.

FAC-008-3 – Facility Ratings

Summary of Standard

The purpose of FAC-008-3 is:

To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System is based on technically sound principles.

These Facility Ratings, in turn, are used by Planning Coordinators (PCs) to develop System Operating Limits. Accordingly, this Standard requires PCWA to have a documented methodology for determining its Facility Ratings, a documented Facility Rating(s), and a documented most limiting element.

Analysis

PCWA is compliant with this Standard. In support of this Standard, PCWA has compiled several pieces of evidence including functional tests on Ralston (March 14, 2013) and Middle Fork (June 14, 2013) equipment. This procedure was updated in 2015, with the new version implemented on October 8, 2015. PCWA made no changes or modifications to its Facilities in 2019 that necessitated updates to its Facility Ratings documentation.

PCWA was not required to provide its Facility Ratings to any third-party entities as scheduled in 2019, nor did PCWA receive a request from any such entities for its Facility Ratings and identity of the most limiting equipment in 2019.

PCWA maintains an attestation for this Standard (dated July 17, 2019), for the purpose of asserting that it had not been asked to provide either its Facility Ratings or its methodology to its RC, BA, or TOP. GridSME recommends that PCWA consider an update to this attestation since the 2013 timeframe to validate this statement.

IRO-010-2 – Reliability Coordinator Data Specification and Collection

Summary of Standard

IRO-010-2 Requirement R3 requires GOs and GOPs to submit data to their Reliability Coordinator (RC) upon request in a mutually agreeable format, following a mutually agreeable process, and utilizing a mutually agreeable security protocol.

Analysis

Peak Reliability, maintained a *Reliability Coordinator Data Request and Specifications for Data Provision* to address IRO-010-2; that document contained no explicit GO requirements for PCWA. RC West took over responsibility on July 1, 2019 and published its own data request, procedure 3140A which contains one item of data related to Modeling that is satisfied by PCWA's MOD-025 submission described below.

NCPA has accepted full responsibility for this Standard on behalf of the GOP function under its CFR Agreement (data request No. 2.11 of the Peak RC data specifications contains GOP obligations).

MOD-025-2 – Verification and Data Reporting of Generator Real and Reactive Power Capability and Synchronous Condenser Reactive Power Capability

Summary of Standard

The purpose of this Standard is:

To ensure that accurate information on generator gross and net Real and Reactive Power capability and synchronous condenser Reactive Power capability is available for planning models used to assess Bulk Electric System (BES) reliability.

MOD-025-2 requires GOs to provide its Transmission Planner with verification of the real and reactive power capability of applicable Facilities.

Analysis

PCWA completed its MOD-025 testing on December 14, 2017. Absent any modifications to facilities that affect the real or reactive power capabilities the next required verification due date is July 31, 2023. Due to the potential for delays in testing GridSME recommends the next verification take place in the second half of 2022.

PCWA did not make any modifications to applicable Facilities warranting MOD-025 testing of real or reactive power capability during 2019.

MOD-026-1 - Verification of Models and Data for Generator Excitation Control System or Plant Volt/Var Control Functions

Summary of Standard

The purpose of this Standard is:

To verify that the generator excitation control system or plant volt/var control function1 model (including the power system stabilizer model and the impedance compensator model) and the model parameters used in dynamic simulations accurately represent the generator excitation

control system or plant volt/var control function behavior when assessing Bulk Electric System (BES) reliability.

MOD-026-1 Requirement 2 requires GOs to provide its Transmission Planner (TP) a verified generator excitation control system or plant volt/var control function model for each applicable unit, including documentation and data specified in Part 2.1. This Requirement R2 became effective July 1, 2018.

Analysis

PCWA submitted an email including its verified modeling information to its TP on June 5, 2018.

No affirmative action is required for Requirements R3, R4, or R5 as of this assessment. The TP has not made any request for information or changes to the data submitted by PCWA in 2018; nor has PCWA made any change in 2019 to its excitation control system or plant volt/var control function that required it to provide revised modeling data.

MOD-027-1 - Verification of Models and Data for Turbine/Governor and Load Control or Active Power/Frequency Control Functions

Summary of Standard

The purpose of this Standard is:

To verify that the turbine/governor and load control or active power/frequency control model and the model parameters, used in dynamic simulations that assess Bulk Electric System (BES) reliability, accurately represent generator unit real power response to system frequency variations.

MOD-027-1 Requirement 2 requires GOs to provide its TP a verified turbine/governor and load control or active power/frequency control model for each applicable unit, including documentation and data specified in Part 2.1. Requirement R2 became effective July 1, 2018.

Analysis

PCWA submitted an email including its verified modeling information to its TP on June 5, 2018.

No affirmative action is required for Requirements R3 or R4 as of this assessment. The TP has not made any request for information or changes to the data submitted by PCWA in 2018; nor has PCWA made any change in 2019 to its turbine/governor and load control or active power/frequency control system that required it to provide revised modeling data.

MOD-032-1 – Data for Power System Modeling and Analysis

Summary of Standard

Requirement R2 of this Standard requires GOs to “...provide steady-state, dynamics, and short circuit modeling data to its Transmission Planner(s) and Planning Coordinator(s) according to the data requirements and reporting procedures developed by its Planning Coordinator and Transmission Planner in Requirement 1. For data that has not changed since the last submission, a written confirmation that the data has not changed is sufficient”

Analysis

PCWA conducted the applicable modeling for R2 through its obligations to the previously enforceable Reliability Standards MOD-010 and MOD-012 and subsequent modeling performed by Kestrel at the time of excitation upgrades in 2015 and 2017.

A potential issue of non-compliance was identified during this review as it was discovered that PCWA has not submitted a written confirmation by November 15th of each subsequent year as required by PG&E, as the Transmission Planner, that the data has not changed. This item is under current review by PCWA to determine if a Self-Report to WECC is required.

Requirement R3 requires action from PCWA if PCWA receives written notification from CAISO or PG&E with technical concerns with the data submitted under Requirement R2, including the technical basis or reason for the technical concerns. In such instance PCWA would be required to respond to such notification within 90 days. PCWA did not receive any such written notifications in 2019.

PRC-002-2 – Disturbance Monitoring and Reporting Requirements

Summary of Standard

This Standard requires applicable GOs to have sequence of event or fault recording data if related to specific BES buses identified by the respective TO.

Analysis

PCWA does not interconnect to any BES buses identified by the TO as requiring sequence of event or fault recording devices or data, in accordance with Requirement R1. Therefore, this Standard is not applicable to PCWA. PCWA maintains an attestation (dated July 17, 2019) affirming this fact. Nothing occurred in 2019 to change PCWA's obligations under this Standard.

PRC-004-5(i) – Protection System Misoperation Identification and Correction

Summary of Standard

The purpose of this Standard is:

To identify and correct the causes of Misoperations of Protection Systems for Bulk Electric System (BES) Elements.

This standard requires PCWA to analyze its BES generators and generator interconnection Facilities' Protection System operations to determine whether a Misoperation may have occurred. If a determination is made that an operation was a Misoperation, PCWA must develop and implement a Corrective Action Plan to avoid similar future Misoperations.

Analysis

PCWA implemented PCWA's most recent version of its Misoperations procedure on June 28, 2016. PCWA did not experience any Misoperations of applicable Protection Systems in 2019. PCWA reviewed all event reports to determine if a Misoperation occurred and maintains all breaker operations in its PI Historian.

PCWA timely made required quarterly MIDAS filings with NERC indicating whether there were any operations (or Misoperations) of applicable Protection Systems during the previous quarter, as follows:

- Q1: April 11, 2019
- Q2: August 12, 2019

- Q3: November 4, 2019
- Q4: February 6, 2019

PRC-004-WECC-2 – Protection System and Remedial Action Scheme Misoperation

Summary of Standard

The purpose of WECC Regional Reliability Standard PRC-004-WECC-2 is:

To ensure all transmission and generation Protection System and Remedial Action Scheme (RAS) Misoperations on Transmission Paths and RAS defined in [the Major WECC RAS table] are analyzed and/or mitigated.

Analysis

PCWA is not subject to PRC-004-WECC-2 as it does not own applicable equipment. PCWA maintains an attestation (dated July 17, 2019) affirming this fact.

PRC-005-6 – Protection System, Automatic Reclosing, and Sudden Pressure Relaying Maintenance

Summary of Standard

The purpose of PRC-005-6 is to ensure all transmission and generation Protection Systems affecting the reliability of the BES *are kept in working order*. PRC-005 in all its various forms remains one of the most commonly violated Reliability Standards. This Standard requires applicable entities to have and implement a Protection System Maintenance Program (PSMP) that includes maintenance and testing for all Protection System Components, and to implement that program in a manner that ensures the intervals are not exceeded.

Analysis

PCWA's PSMP is a time-based maintenance program for all of PCWA's BES Protection Systems and their associated elements. William Newman maintains a shared evidence folder of all maintenance and testing activities which is shared with PCWA Compliance personnel.

PCWA indicated that it maintains evidence of all battery checks and Protection System maintenance conducted in 2019. PCWA has also indicated that no Protection System devices were commissioned or retired in 2019 that would have required updates to the PSMP. PCWA's PSMP was updated on December 18, 2018 to reflect the six-year (instead of five-year) requirement to load test battery banks. PCWA did not have any Unresolved Maintenance Issues occur in 2019.

PCWA maintains an attestation (dated October 21, 2019) asserting that it has elected to not use a performance-based maintenance methodology for its PSMP.

PRC-015-1 – Remedial Action Scheme Data and Documentation; PRC-016-1 – Remedial Action Scheme Misoperations; PRC-017-1 – Remedial Action Scheme Maintenance and Testing

Standard Summary

These Standards require specific activities and obligations for GOs that own Remedial Action Schemes (RAS).

Analysis

PCWA does not own or operate any RAS and its Facilities are therefore is not subject to these Standards. PCWA maintains an attestation (dated July 17, 2019) affirming this fact. Nothing occurred in 2019 to change PCWA's obligations under this Standard.

PRC-018-1 – Disturbance Monitoring Equipment Installation and Data Reporting

Summary of Standard

PRC-018-1 sets forth requirements for Disturbance Monitoring Equipment (DME) installation and data reporting for applicable GOs.

Analysis

PCWA neither owns nor is required to install any DME and is therefore not subject to this Standard. PCWA maintains an attestation (dated July 17, 2019) affirming this fact. Nothing occurred in 2019 to change PCWA's obligations under this Standard.

PRC-019-2 – Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection

Summary of Standard

The purpose of the Standard is:

To verify coordination of generating unit Facility or synchronous condenser voltage regulating controls, limit functions, equipment capabilities and Protection System settings.

PRC-019-2 requires GOs to coordinate the voltage regulating system controls, (including in-service limiters and protection functions) with the applicable equipment capabilities and settings of applicable Protection System devices and functions.

Analysis

In 2016, William Newman verified that all of the Protection System settings for PCWA's applicable Protection System devices were set in accordance with PRC-019-2. There were no changes to Protection Systems, electrical equipment or settings in 2019 which would impact settings coordination under this Standard. The next require coordination evaluation of PCWA's Protection System settings is due for Middlefork in 2020 and Ralston in 2022.

PRC-023-4 – Transmission Relay Loadability

Summary of Standard

PRC-023-4 addresses transmission relay loadability and establishes Requirements for GOs, but only applies to a limited set of generators that meet certain threshold criteria (namely connected to transmission at or above 200 kV) and have a load-responsive phase protection system).

Analysis

This Standard is not applicable to PCWA, because PCWA does not own or operate any of the Facilities or Elements addressed by the Standard. PCWA maintains an attestation for PRC-023-4 (dated July 17, 2019) affirming this fact. Nothing occurred in 2019 to change PCWA's obligations under this Standard.

PRC-024-2 – Generator Frequency and Voltage Protective Relay Settings

Summary of Standard

The purpose of PRC-024 is to:

Ensure that Generator Owners set their generator protective relays such that generating units remain connected during defined frequency and voltage excursions.

Analysis

William Newman reviewed PCWA's relay settings prior to July 1, 2016, the date this standard became enforceable. PCWA determined that the protective relays tolerance ranges are set within the acceptable limits in accordance with PRC-024-2.

PCWA did not make any relay replacements or changes to relay settings during 2019 since the settings were last documented. PCWA did not receive any requests for its relay settings in 2019.

PRC-025-1 – Generator Relay Loadability

Summary of Standard

The purpose of PRC-025-2 is:

To set load-responsive protective relays associated with generation Facility at a level to prevent unnecessary tripping of generators during a system disturbance for conditions that do not pose a risk of damage to the associated equipment.

Requirement R1 requires GOs to apply relay settings on applicable equipment that are in accordance with PRC-025-2 – Attachment 1: Relay Settings.

Analysis

PCWA reviewed all applicable devices and has determined it was in compliance with PRC-025-1, the predecessor version of PRC-025-2 which became effective October 1, 2018.

PCWA has identified overcurrent elements that are now in scope for the updated standard. These elements will need to be updated by 7/1/2023

TOP-003-3 – Operations Reliability Data

See discussion below concerning GOP Reliability Standards for activities under this Standard.

VAR-002-4.1 – Generation Operation for Maintaining Network Voltage Schedules

Summary of Standard

The purpose of VAR-002-4.1 is:

To ensure generators provide reactive support and voltage control, within generating Facility capabilities, in order to protect equipment and maintain reliable operation of the Interconnection.

This Standard requires GOs to provide their TOP and TP with certain information regarding their step-up and auxiliary transformers within 30 calendar days of a request and ensure that transformer tap positions are changed according to the specifications provided by the TOP. GOs are also responsible for ensuring that transformer tap positions are changed according to the specifications provided by the TOP, unless such action would violate safety, an equipment rating, a regulatory requirement, or a statutory requirement.

Analysis

As of this assessment, PCWA has neither received a request from its TOP (PG&E and CAISO) or TP (PG&E) nor been provided specifications for setting the transformer tap settings. If PCWA receives a request for either, it will fulfill the request. Likewise, PCWA has not received any request from its TOP to modify its tap settings or positions. GridSME recommends that PCWA consider an attestation affirming these facts through the date of the attestation.

VAR-501-WECC-3.1 – Power System Stabilizer (PSS)

Summary of Standard

The purpose of VAR-501-WECC-3.1 is:

To ensure the Western Interconnection is operated in a coordinated manner under normal and abnormal conditions by establishing the performance criteria for WECC power system stabilizers.

This Standard has four GO Requirements applicable to PCWA. VAR-501-WECC-3 Requirement R1 requires GOs to provide to their TOP a written procedure or other document that indicates when the GO's PSS will not be providing an active signal to the Automatic Voltage Regulator (AVR), within 180 days of the effective date of the Standard (i.e., July 1, 2017) and any changes to the PSS operating specifications.

R3, R4 and R5 detail tuning requirements for new PSS, the testing of a new PSS and the repair of PSS incapable of meeting tuning requirements.

Analysis

PCWA did not experience any items that would trigger obligations under R3, R4 or R5. PCWA did not make any changes to its PSS operating specifications in 2019 but did make an update to its AVR/PSS SCADA alarms on March 6, 2019. PCWA provided the changes to its TOP (PG&E) on August 26, 2019 within the 180-day requirement.

PCWA operated with its PSS in service at all times when required in 2019 in accordance with R2 has not experienced any events that effect the tuning of its PSS in accordance with R3 and has not connected any new generation to the BES or replaced a voltage regulator on an existing excitation system during 2019 per R4.

3.0 GENERATOR OPERATOR RELIABILITY STANDARDS COMPLIANCE

3.1 Generator Operator Reliability Standards

Below are the Reliability Standards containing Requirements applicable to PCWA as a GOP during the assessment period:

Reliability Standard	Standard Description	CFR Treatment
CIP-002-5.1a⁷	BES Cyber System Categorization	NCPA/PCWA (Normal)
CIP-003-6	Security Management Controls	NCPA/PCWA (Normal)
BAL-005-0.2b	Automatic Generation Control	NCPA only
COM-001-3	Communications	NCPA and PCWA (Partial)
COM-002-4	Operating Personnel Communications Protocol	NCPA and PCWA (Normal)
EOP-004-3	Event Reporting	NCPA/PCWA (Normal)
EOP-005-2	System Restoration from Blackstart Resources	NCPA/PCWA (Normal)
IRO-001-4	Reliability Coordination – Responsibilities and Authorities	NCPA only
IRO-010-2	Reliability Coordinator Data Specification and Collection	NCPA/PCWA (Partial)
NUC-001-3	Nuclear Plant Interface Coordination	Not included in CFR (N/A to PCWA)
PER-005-2	Operations Personnel Training	Included in CFR (N/A to PCWA and NCPA)
PRC-001-1.1(ii)	System Protection Coordination	NCPA and PCWA (Normal & Partial)
TOP-001-4	Transmission Operations	NCPA/PCWA (Normal)
TOP-003-3	Operational Reliability Data	NCPA and PCWA (Partial)
VAR-001-4.2	Voltage and Reactive Control	NCPA only
VAR-002-4.1	Generator Operation for Maintaining Network Voltage Schedules	NCPA only
VAR-002-WECC-2 (retired 9/5/2018)	Automatic Voltage Regulators	PCWA only
VAR-501-WECC-3.1	Power System Stabilizer (PSS)	PCWA only

BAL-005-0.2b/ BAL-005-1 – Automatic Generation Control

Summary of Standard

BAL-005-0.2b was retired by NERC on December 31, 2018 and was replaced by BAL-005-1 on January 1, 2019. The retirement of BAL-005-0.2b removed GOP applicability altogether, with the primary obligation for ensuring applicable facilities are within a BAA’s metered boundaries addressed in FAC-001-3 (not GOP applicable).

Analysis

PCWA had no obligations in 2019 due to the change in applicability.

⁷ CIP-002-5.1a, CIP-003-6, EOP-004-3, and IRO-010-2 apply to both the GO and GOP functions but do not require different actions for each function.

COM-001-3 – Communications

Summary of Standard

This Standard requires GOPs to have Interpersonal Communication capability with its BA and TOP (R8), and for the exchange of information necessary for reliable BES operation, which includes communication capabilities between Control Centers within the same functional entity, and/or between Control Centers and field personnel (R12). Upon detecting a failure of its Interpersonal Communication capability, the GOP shall consult each entity affected by the failure to determine a mutually agreeable action for restoring Interpersonal Communication capability (R11).

Analysis

Due to the nature of this Standard – requiring communication with the TOP and BA – NCPA continues to hold complete responsibility for complying with R8 and R11 under the terms of the CFR Agreement, with no change in 2019. PCWA maintains Interpersonal Communications capabilities with NCPA as per the terms in the CFR for R12.

COM-002-4 Operating Personnel Communications Protocols

Summary of Standard

COM-002-4 includes requirements for GOPs to provide initial training for operating personnel and utilize three-part communications when receiving Operating Instructions.

Analysis

PCWA and NCPA accepted the Requirements under this Standard and each “separately and wholly maintain compliance” with applicable requirements under the CFR Agreement. PCWA provides initial training to its operators to use three-part communications for Operating Instructions.

PCWA has an established training program for system operators. It was utilized to train a new operator with 3-part communication training completed on March 27, 2019.

PCWA did not receive any Operating Instructions during an Emergency in 2019 necessitating the use of three-part communication.

EOP-005-3 – System Restoration from Blackstart Resource

Summary of Standard

This Standard is designed to ensure Facilities and personnel are prepared to enable System restoration from Blackstart Resources to assure reliability is maintained during restoration, with numerous requirements applicable to GOPs with a Blackstart Resource.

Analysis

GridSME’s understanding is that the requirements applicable to GOPs with a Blackstart Resource are not applicable to PCWA. While PCWA owns blackstart capable units it does not maintain a Blackstart Resource that is part of any TOP’s system restoration plan nor have a Blackstart Resource Agreement with any TOP. There were no changes to PCWA’s status in this regard in 2019.

Additionally, PCWA was not requested by its RC to participate in any restoration drills, exercises, or simulations (R16) in 2019.

PCWA maintains an attestation for EOP-005-3 (dated July 17, 2019) affirming these items.

IRO-001-4 – Reliability Coordination Responsibilities

Summary of Standard

Requirement R2 of IRO-001-4 requires that a GOP comply with directives from its RC unless such actions would violate safety, equipment, or regulatory or statutory requirements. Under those enumerated circumstances, the GOP must immediately inform the RC of the inability to perform the directive so that the RC may implement alternate remedial actions.

Analysis

This requirement continues to be performed solely by NCPA, which accepted responsibility for this activity under the terms of the applicable CFR Agreement.

PER-005-2 – Operations Personnel Training

Summary of Standard

PER-005-2 includes GOPs in its training requirements to use a Systematic Approach to Training. This applicability is limited, however, to GOPs with:

Dispatch personnel at a centrally located dispatch center who receive direction from the Generator Operator's Reliability Coordinator, Balancing Authority, Transmission Operator, or Transmission Owner, and may develop specific dispatch instructions for plant operators under their control. These personnel do not include plant operators located at a generator plant site or personnel who relay dispatch instructions without making modifications. (emphasis added)

Analysis

PER-005-2 does not apply to PCWA as it does not have the types of dispatch personnel indicated in the applicability section of the Standard. The CFR Agreement with NCPA lists this Standard as "N/A," and NCPA is responsible for ensuring its staff are properly trained, as applicable.

PRC-001-1.1(ii) – System Protection Coordination

Summary of Standard

The purpose of PRC-001-1.1(ii) is:

To ensure system protection is coordinated among operating entities.

This Standard includes two requirements specific to the GOP function. GOPs must "be familiar with the purpose and limitations of Protection System schemes applied in its area" (R1) and coordinate all new protective systems and all protective system changes with TOP and the Host BA (R3).

Analysis

Per the CFR, PCWA and NCPA both have "Normal" responsibilities for Requirement R1, and each is partially responsible for Requirement coordination pursuant to Requirement R3 as follows:

- R1 - both NCPA and PCWA are responsible for ensuring their own applicable staff are familiar with the purpose and limitations of Protection System Schemes in PCWA's generator area (PCWA provides training materials to NCPA); and
- R3 – NCPA is responsible for coordinating applicable protective system changes with PG&E and CAISO, while PCWA is responsible for notifying NCPA of all changes to its generator Protection Systems.

To satisfy Requirement R1, PCWA operators attended apprenticeship classes offered by PG&E at the PG&E training center in San Ramon, CA. The training courses addressed powerhouse fundamentals and basic electricity for operators including coursework on generator relay protection, automatic voltage regulation, turbines, schemes and governors.

PCWA has established a new training program for system operators, that includes familiarity with applicable Protection Systems. PCWA's newest operator was hired in Q1 2019 and received training under this Standard on March 27, 2019.

During 2019 PCWA did not make any changes to Protection Systems or install new Protection Systems that changed the protection settings on the relays requiring communication with NCPA.

TOP-001-4 – Transmission Operations

Summary of Standard

This Standard requires that the GOP comply with Operating Instructions issued by the TOP and BA, unless such actions would violate safety, equipment, regulatory or statutory requirements.

Analysis

NCPA maintains the complete responsibility for the Requirements in TOP-001-4 under the CFR Agreement with PCWA.

TOP-003-3 – Operations Reliability Data

Summary of Standard

Requirement R5 of TOP-003-3 requires that information submitted by responsible entities, including GOs, and GOPs, in response to a "data specification" from its BA and TOP, shall submit such information in "a mutually agreeable format; a mutually agreeable process for resolving data conflicts; and a mutually agreeable security protocol."

Analysis

PCWA shares the GOP responsibility for this Reliability Standard with NCPA under the terms of the current CFR ("Partial"). PCWA, as a Scheduling Coordinator (SC) for itself in the CAISO market is responsible for reporting all outages at PCWA's Facilities in accordance with the CAISO tariff. PCWA scheduled and reported all outages in accordance with CAISO requirement in 2019. There were no changes made to CAISO's TOP-003 data specifications necessitating additional PCWA data reporting during 2019. NCPA has GOP responsibility under the CFR to ensure all other data identified in CAISO's TOP-003 data specifications document are provided to the CAISO.

VAR-001-5 – Voltage and Reactive Control

Summary of Standard

In the Western Interconnection, GOPs have been added to the list of applicable entities for the Standard via a Regional Variance. As a result, the Standard has two applicable requirements for GOPs in WECC. Specifically, GOPs must (1) provide its voltage set point conversion methodology within 30 calendar days of a request by its TOP (EA 15); and (2) meet certain control loop specifications if control loops are used external to the Automatic Voltage Regulators to manage MVar loading (EA 17).

Note: VAR-001-5 went into effect 1/1/2019.

Analysis

NCPA maintains responsibility for EA 15 and EA 17 under the CFR Agreement, and there was no change to NCPA's responsibility in 2019. Additionally, EA 17 does not apply to PCWA as no control loops are used to control PCWA's hydroelectric Facilities.

VAR-002-4.1 – Generator Operation for Maintaining Network Voltage Schedules

Summary of Standard

The purpose of VAR-002-4.1 is:

To ensure generators provide reactive support and voltage control, within generating Facility capabilities, in order to protect equipment and maintain reliable operation of the Interconnection.

VAR-002-4.1 has four GOP Requirements (R1-R4). Specifically, a GOP must: operate each generator connected to the interconnected transmission system in the automatic voltage control mode (automatic voltage regulator in service and controlling voltage) with certain limited exceptions (R1); maintain the generator voltage or Reactive Power schedule (within applicable Facility Ratings) as directed by the TOP (R2); notify its TOP of a status change on the AVR, power system stabilizer, or alternative voltage controlling device within 30 minutes of the change (R3); and notify its associated TOP as soon as practical, but within 30 minutes of changes in reactive power capabilities (not including those conditions listed under R3) (R4).

Analysis

Under the terms of the CFR Agreement, NCPA has full responsibility for the GOP requirements of this Standard; PCWA only needs to inform NCPA's Dispatch Center (NDC) when an issue arises under Requirement R4.

NCPA self-reported violations of R1 and R3 in 2019. Middlefork Unit 2 was returned from an outage that was required to perform various activities including updating the DECS-2100 Excitation System firmware. The unit was returned to service and began experiencing VAR output control issues. It was later determined that the unit had been paralleled in 'Manual' mode and that no alarm of that mode of operation had been generated. Upon discovery of the operation in 'Manual' mode, the unit was returned to 'Auto'. NCPA was not able to meet the obligations of R1 during this time and did not notify its TOP within 30 minutes of a status change on the AVR in violation of R3.

PCWA implemented a formal written procedure for excitation firmware updates/programming changes to be submitted with outage requests and made changes to the visibility of AVR status and mode status alarming to prevent reoccurrence.

There were no changes to NCPA’s responsibility under this Standard in 2019. Further, during 2019 PCWA did not lose its reactive power capability due to factors other than a status change on the AVR, PSS, or alternative voltage controlling device requiring notice under R4. GridSME recommends PCWA consider an attestation to affirm this fact.

VAR-501-WECC-3.1 – Power System Stabilizer (PSS)

Summary of Standard

The purpose of Regional Reliability Standard VAR-501-WECC-3.1 is:

To ensure the Western Interconnection is operated in a coordinated manner under normal and abnormal conditions by establishing the performance criteria for WECC power system stabilizers.

Requirement R2 requires GOPs to have their PSS in service while synchronized, except under a limited set of enumerated circumstances.

Analysis

PCWA has full responsibility for Requirement R2 under the CFR with NCPA. During 2019 PCWA operated with the PSS in service while synchronized to the BES, unless the specified enumerated exceptions arose.

4.0 LOOKING AHEAD

The following Standards were approved by FERC for implementation and may require implementation activities by PCWA in 2020:

Reliability Standard	Title	Effective Date	Information
CIP-003-8	Cyber Security – Security Management Controls	4/1/2020	<p>Applies to PCWA as a CIP low impact entity and requires that PCWA:</p> <ul style="list-style-type: none"> develop <u>plans</u> and implement physical security and electronic access controls in Attachment 1 (Sections 2 & 3); <i>deferred requirement from 9/1/18.</i> implement a <u>plan</u> to mitigate the risk of introducing malicious code to Low Impact BCS through the use of Transient Cyber Assets or Removable Media (e.g., thumb drives, laptops, and other portable devices); and address in its cyber security <u>policy</u> declaring and responding to CIP Exceptional Circumstances

Reliability Standard	Title	Effective Date	Information
PRC-026-1	Relay Performance During Stable Power Swings	1/1/2018 (R1, PC only) 1/1/2020 (R2-R4 for GO)	<p>Applicable to GOs that apply load-responsive protective relays as described in the Standard.</p> <p>If applicable, if PCWA’s PC provides notice that any generator BES Element meets any of the R1 criteria, PCWA would be required within 12 months, to make a determination whether its associated load-responsive protective relay(s) meets the criteria in PRC-026-1 – Attachment B (in the manner set forth by Requirement R2.1).</p> <p>Also, PCWA would be required to determine, within 12 full calendar months of becoming aware of a generator BES Element that tripped in response to a stable or unstable power swing due to the operation of its protective relay(s), whether its load-responsive protective relay(s) applied to that BES Element meets the criteria in PRC-026-1 – Attachment B (in the manner set forth by Requirement R2.2)</p>
PER-006-1	Specific Training for Personnel	10/1/2020	Applies to PCWA as a GOP. PCWA will be required to train applicable personnel on the operational functionality of its Protection Systems (supersedes requirements in PRC-001-1.1(ii).
PRC-027-1	Coordination of Protection Systems for Performing During Faults	10/1/2020	Requires GOs to establish and utilize a process for developing new and revised Protection System settings for BES elements, such that Protection Systems operate in the intended sequence during faults (by the effective date); and to select one of three options to perform a Protection System Coordination Study on specific intervals (e.g., every 6 years). GridSME will be developing an implementation plan and communicate necessary actions in 2019.
TPL-007-3	Transmission System Planned Performance for Geomagnetic Disturbance Events	1/1/2022 (R6, R10)	If this Standard is applicable to PCWA, it may be required to conduct a thermal impact assessment for its applicable BES power transformers per Requirements R6 and R10.

Reliability Standard	Title	Effective Date	Information
CIP-012-1	Communication Between Control Centers	7/1/2022	Imposes requirements to protect the confidentiality and integrity of Real-time Assessment and Real-time monitoring data transmitted between Control Centers. Will not be applicable to PCWA unless it were to establish a Control Center.

GridSME is also continuing to monitor additional developments that may impact PCWA’s NERC compliance program:

- **CIP-012-1** (*Communications between Control Centers*) would be a NEW Standard that becomes effective 7/1/2022. Its purpose to protect Real-time Assessment and Real-time monitoring data transmitted between Control Centers. Currently PCWA does not operate a facility that meets the definition of a Control Center so no applicability is anticipated for PCWA as of the date of this assessment.

5.0 CONCLUSION

The NERC and WECC Reliability Standards continue to evolve, with certain of the O&P and CIP Standards requiring implementation activities with potentially long lead times, high levels of technical expertise and significant coordination.

PCWA’s NERC/WECC reliability compliance program continues to perform well into 2020. Katie Swanberg continues to prove steady leadership for PCWA’s NERC Compliance Program that successfully manages risk and exhibits organization, persistence, and awareness. In order to remain compliant, PCWA will need to maintain this level of focus on implementation, reviews, and continuous improvement. PCWA will also need to stay abreast of ongoing developments with the Reliability Standards.

PCWA continues to exert considerable effort to maintain compliance with the ever-changing NERC and WECC Reliability Standards. PCWA management and staff should be proud of their continued achievements in 2019.



M E M O R A N D U M

TO: Middle Fork Project Finance Authority

FROM: Ryan Cline, Director of Energy Marketing, PCWA

DATE: April 16, 2020

RE: April 16, 2020, Middle Fork Project Energy Marketing and Hydrology Update

RECOMMENDATION

Information only, no action required.

BACKGROUND

Staff will provide a presentation of 2020 Middle Fork Project hydrology, energy market prices, and their associated impacts on 2020 revenue.

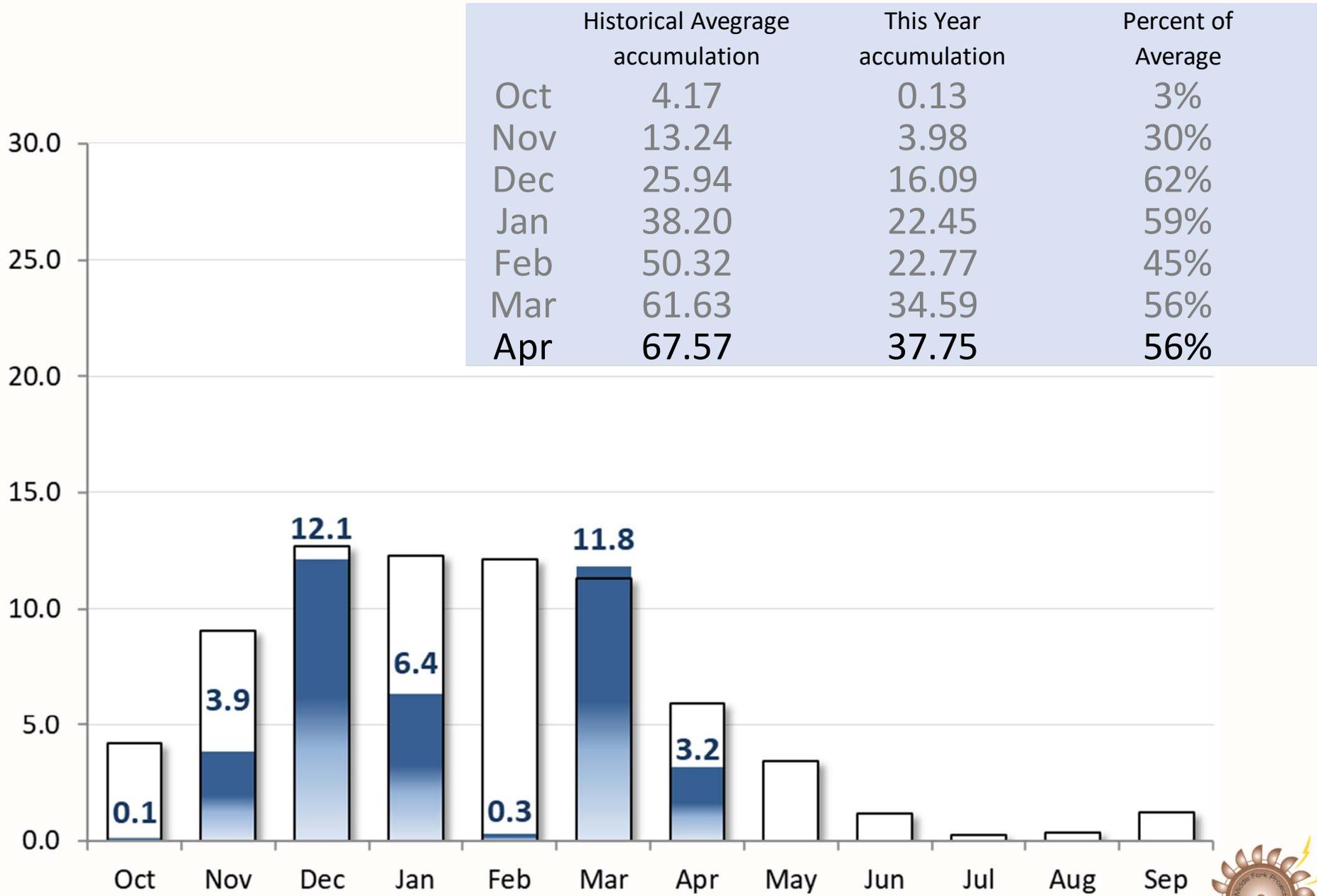


MIDDLE FORK PROJECT
FINANCE AUTHORITY

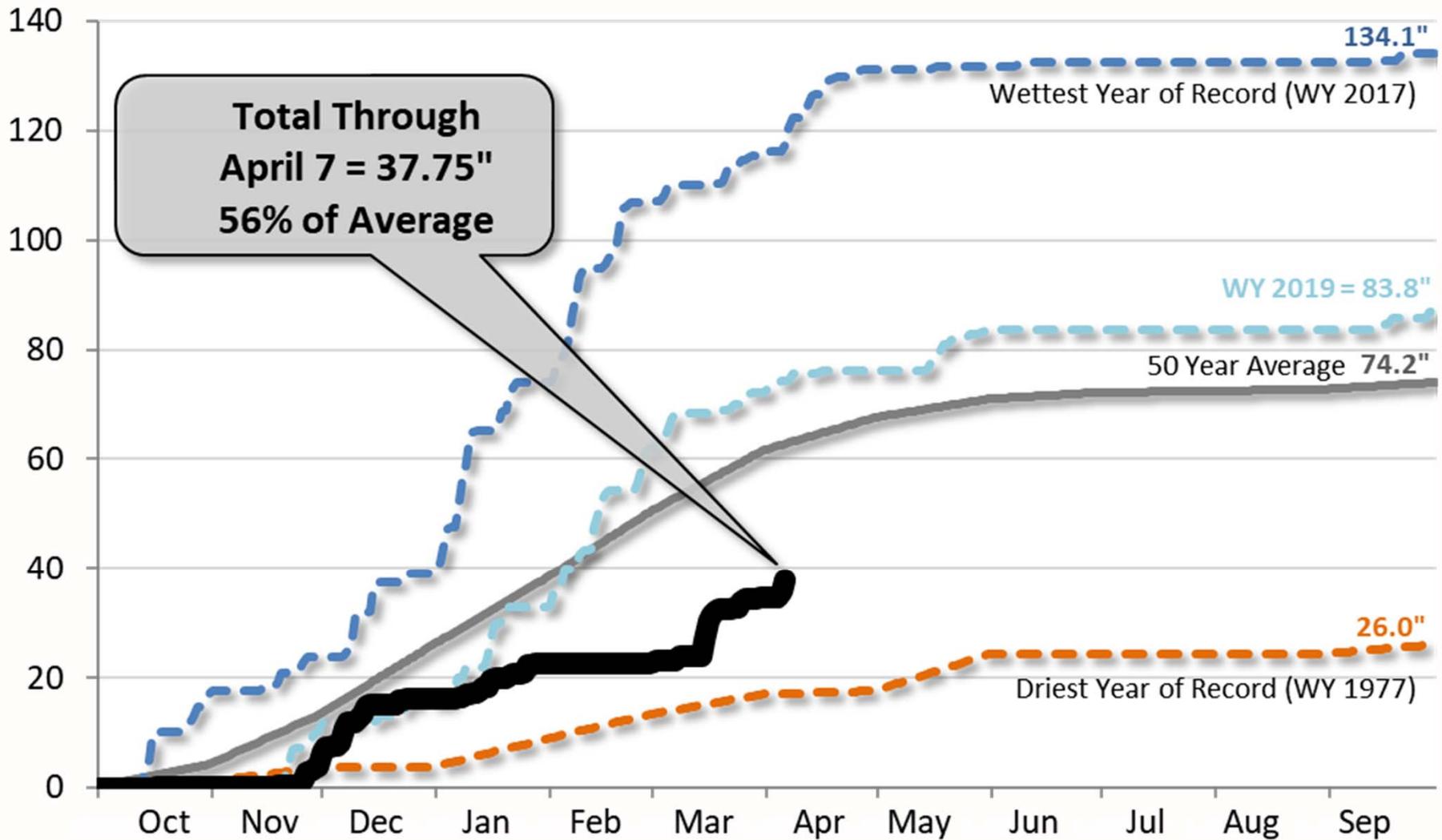
Energy Marketing and Hydrology Update

April 16, 2020

2020 Precipitation

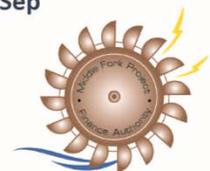
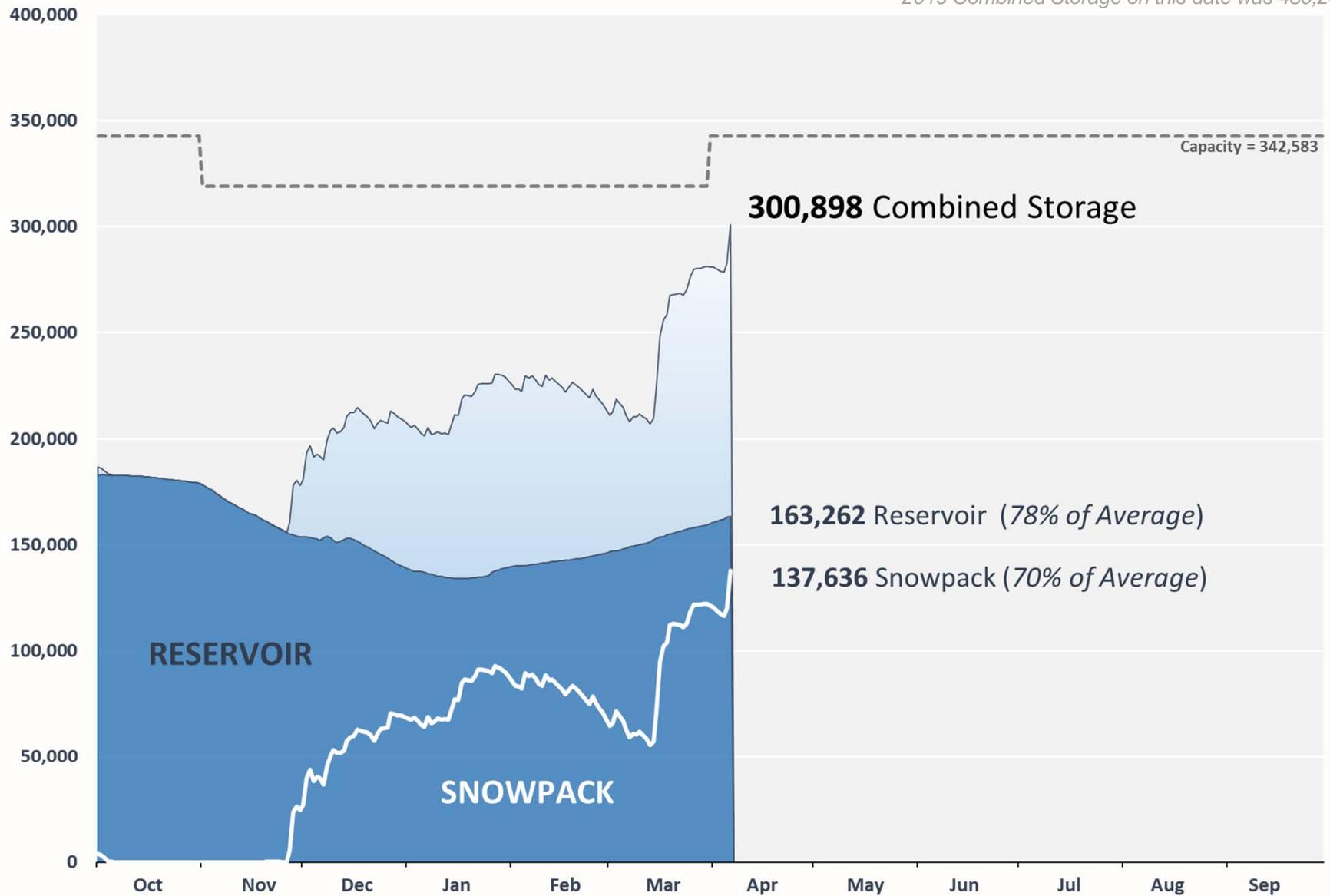


2020 Precipitation

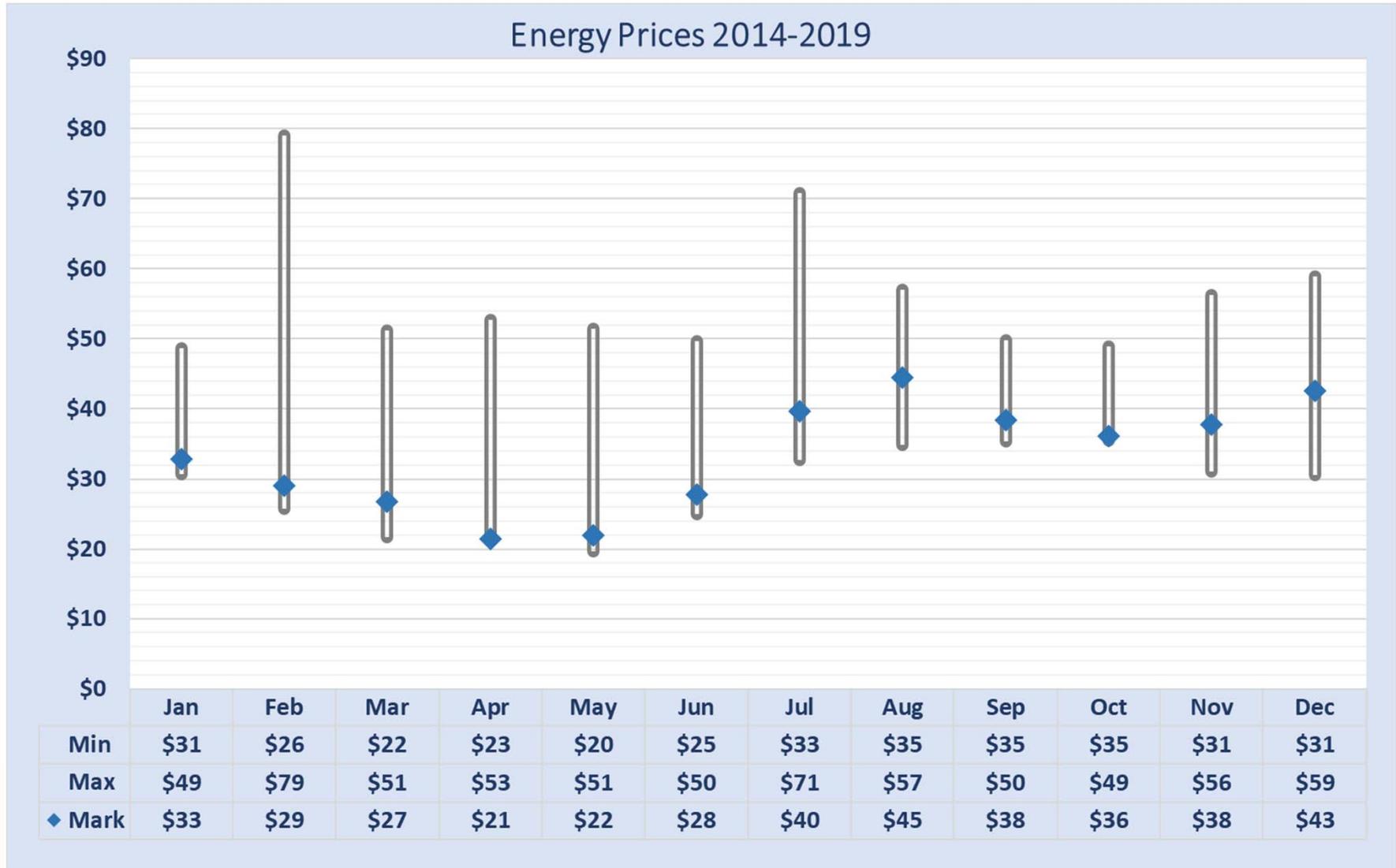


2020 Storage

2019 Combined Storage on this date was 480,250



2020 Energy Market



2020 Revenue expected to be 25% below budget





M E M O R A N D U M

TO: Board of Directors

FROM: Joseph H. Parker, CPA, Authority Treasurer

DATE: April 8, 2020

RE: 2019 Year-End Financial Report and Related Financial Documents

Recommended Action

Report on Middle Fork Project Finance Authority 2019 year-end reports; receive and file:

- a. Budget and Actual Schedules for the year-ended December 31, 2019;
- b. Audited Financial Statements;
- c. Independent Auditor's required communication letter based on their audit.

Year-End Summary

December 31, 2019 marks the completion of the second year as the Agency acting independently as its own scheduling coordinator since the expiration of PG&E's energy bundled contract in December 31, 2017. In addition to energy sales to the California Independent System Operator (CAISO), the Agency sold unbundled energy products including Renewable Energy Credits (RECs), Resource Adequacy (RA), and Carbon Free credits. In 2019, the Agency began transacting in the forward energy market, netting \$1 million in revenue for the Authority. For the first time since the Authority began receiving energy sales revenue, the reserves are fully funded to their target level and net revenue is available. Additionally, in the 2 prior years, 2017 and 2018, the source of the budget amendments for those years was not included in the year end schedule resulting in additional cash accumulation. The adjusted net revenue is detailed on the Net Revenue Annual Schedule for the years ended December 31, 2017 – 2019 with the Cumulative Net Revenue totaling \$20,854,199.

Hydrology Summary

2019 was a strong hydrologic year with annual precipitation approximately 146% of average, the majority of which occurred in the first quarter. Additionally, the early 2019 hydrology produced a near record level April snowpack, which due to the mild spring and summer

California weather, extended its melt further into the year, and allowed for higher generation into the summer months. To avoid spilling and to prepare reservoir levels for the upcoming water year, Agency staff continued to maximize generation throughout fall and into early winter. As a result of this above average hydrology, the Middle Fork Project generated 1,441,337 MWh, nearly 180% of budget.

Revenue

Power Sales revenue for 2019 totaled \$61.93 million inclusive of all energy products and forward market revenue. This is \$24.49 million or 65% above the \$37.44 million budget primarily due to above average annual hydrology and corresponding generation, offset by lower than expected energy prices for most of the year. However, a favorable spike in energy prices occurred during the first quarter and yielded substantial revenue, including the Middle Fork Project's highest ever one-month revenue in February. In addition, interest income totaled \$2.56 million for a favorable variance of \$2.36 million above the conservatively budgeted \$0.20 million budget amount. The total revenue variance, including both Power Sales and Interest is a favorable \$26.84 million.

Operating Expenditures

At year-end, the 2019 PCWA Power Division – Operating expenses had a favorable variance of \$4.01 million compared to the adjusted budget. This was primarily due to the continued delay of the FERC license that postponed implementation expenses, as well as lower than expected costs in cost share agreements, consulting services, and facilities repair and maintenance, along with unspent routine capital funds.

Capital Projects

Capital Projects in 2019 were originally budgeted at \$11.62 million. In April 2019, the Authority Board approved a budget amendment totaling \$7.80 million from the Capital Reserve for the Hell Hole Dam Core Raise Project redesign and expanded scope. This increased the adjusted budget amount to \$19.42 million for Capital Projects.

As detailed in the MFP Capital Projects schedule, significant 2019 Capital Project work was performed on the following major projects: 1. FERC License Implementation (Hell Hole Core Raise Project): \$4.11 million; 2. Project Wide Communications Upgrade: \$1.42 million; 3. Sediment Removal: \$0.71 million; 4. Oxbow Powerhouse Reliability Upgrades: \$0.62 million; and 5. French Meadows Powerhouse Reliability Upgrades: \$0.51 million.

Year-End Reserve Analysis

Pursuant to the Board's General Financial Policies, the reserves shall be fully funded to the established target amounts, currently set at \$49.97 million, prior to any net revenue being available for distributions. At the beginning of 2019, the reserve balance totaled \$45.08 million. With the 2019 reserve use stated above for the Hell Hole Dam Core Raise Project, as well as an increase to the operating reserve target to \$27.97 million to reflect the 2020 adopted budget's operating expenditures, the amount needed to fully fund the reserve target increased to \$12.69 million. As a result of 2019 activity, revenue over expenditures and appropriations totaled \$17.93 million. After appropriating for the 2020 adopted budget shortfall, \$13.84 million is available to sufficiently fully fund reserves to target levels.

2019 Audited Financial Statements

Attached are the Authority's audited financial statements for the year ending 2019, as well as the auditor's required communication letter.

As in the past, this year's financial statement audit received an unqualified "clean" audit opinion, meaning the financial statements are fairly presented in conformity with the accounting principles.

Attached Documents

Attached for the Board's information are the following:

- 2019 year-end Budget Schedule with discussion on various sections
- 2019 year-end Budget and Actual Schedule with discussion of significant variances
- 2017-2019 years-ended Net Revenue Annual Schedule
- 2019 year-end Reserve Schedule
- 2019 year-end MFP Capital Projects Budget and Expense
- 2019 year-end Charts: Powers Sales Revenue and Power Operating Expenses
- Authority's Financial Statements for the year ended December 31, 2019 with the Independent Auditor's Report (clean opinion) from the audit firm of Davis Farr LLP
- Independent Auditor's required communication letter

MIDDLE FORK PROJECT FINANCE AUTHORITY

**Budget Schedule
For the Year Ended
December 31, 2019**

	2019 Adopted Annual Budget	Budget Adjustments & Transfers (Note 4)	2019 Adjusted Annual Budget
Revenues and Other Financing Sources (Note 1) :			
Power Sales	\$ 37,440,000	-	37,440,000
Interest Income	200,000	-	200,000
Total Revenues and Other Financing Sources	37,640,000	-	37,640,000
Expenditures:			
Administration:			
Operating Supplies/Services	2,000	-	2,000
Administration	70,000	-	70,000
Professional Services	50,000	-	50,000
Total Administration Expenditures	122,000	-	122,000
PCWA Power Division - Operating:			
Power Operations	14,336,817	17,570	14,354,387
General and Administrative	5,847,672	283,292	6,130,964
Natural Resources Management	3,272,311	(300,862)	2,971,449
Power Resources Management	1,686,253	-	1,686,253
Routine Capital	716,800	-	716,800
Total PCWA Power Division - Operating	25,859,853	-	25,859,853
Debt Service	5,690,730	-	5,690,730
Capital Projects (Note 2) :			
Current Year Capital Project Appropriations	11,624,000	7,800,000	19,424,000
Total Expenditures and Appropriations	43,296,583	7,800,000	51,096,583
Revenue over (under) Expenditure and Appropriations	(5,656,583)	(7,800,000)	(13,456,583)
Reserve Activity (Funding)/Use (Note 3):			
Operating Reserve	-	-	-
Emergency Reserve	-	-	-
Capital Reserve:			
Used to fund budget deficit	5,656,583		5,656,583
Used to fund Budget Amendment	-	7,800,000	7,800,000
Total Reserve Use	5,656,583	7,800,000	13,456,583
Net Revenue	\$ -	-	-

Note: See reference discussion on the following page.

MIDDLE FORK PROJECT FINANCE AUTHORITY
2019 Budget Schedule
Note References
For the Year Ended December 31, 2019

Note 1: Revenues and Other Financing Sources

The MFPFA **Power Sales** budget includes the resource adequacy (RA), carbon free and renewable energy credit (REC) sales amounts based on bi-lateral contracts and energy sales based on 80% of estimated energy generation for the year. The Power Sales amounts have been determined by Energy Marketing projections based on anticipated sales of resource adequacy, carbon free, renewable energy credits and estimated energy sales for January 1 to December 31, 2019.

Note 2: The **Capital Projects** adopted budget totaling \$11.6 million has been mostly funded by year-end, except for the Enterprise Resource Project for \$500,000 as the project still has sufficient carryover funds from 2018. In April 2019, an additional \$7.8 million was added to Capital Projects through a Board approved budget amendment.

Note 3: The **Reserve Accounts** are fully funded to their respective target level at year-end 2019. As the Reserve Accounts are used or target funding is revised, replenishment or funding shall be performed at year-end.

Note 4: There are three **Budget Adjustments and Transfers** to report to the Board for the year-ended December 31, 2019, two of which occurred in the quarter ended June 30, 2019, and one in the quarter ended December 31, 2019, and are as follows:

1. In April 2019, the Board approved additional appropriations of \$7.8 million from Capital Reserves to the Hell Hole Dam Core Raise Project, resulting in a Capital Projects budget increase from \$11.6 million to \$19.4 million.
2. During the quarter ended June 30, 2019, the Board approved a budget transfer to move \$275,000 to cover unanticipated insurance costs for 2019 from Natural Resources Management to General Administration, both of which components are within the operating budget. This proposal had no new appropriations for the 2019 Budget.
3. During the quarter ended December 31, 2019, there were transfers between PCWA Power Division – Operating categories, all of which are components of the operating budget, and which did not result in any new appropriations to the 2019 budget; \$25,862 was transferred from Natural Resources Management to Power Operations and \$8,292 was transferred from Power Operations to General and Administrative. These transfers were made to cover unanticipated operating costs for consulting, labor and sundries.

MIDDLE FORK PROJECT FINANCE AUTHORITY
Budget and Actual Schedule
For the Year Ended
December 31, 2019

	2019 Adjusted Budget	Actual	Variances		Ref
			\$	%	
Revenues and Other Financing Sources:					
Power Sales	\$ 37,440,000	61,926,756	24,486,756	65%	
Interest Income	200,000	2,557,442	2,357,442	1179%	
Total Revenues and Other Financing Sources	37,640,000	64,484,198	26,844,198	71%	A
Expenditures:					
Administration (Note 1):					
Operating Supplies/Services	2,000	5,047	(3,047)	-152%	
Administration	70,000	46,919	23,081	33%	
Professional Services	50,000	35,094	14,906	30%	
Total Administration Expenditures	122,000	87,060	34,940	29%	B
PCWA Power Division - Operating:					
Power Operations	14,354,387	13,518,088	836,299	6%	
General and Administrative	6,130,964	5,507,089	623,875	10%	
Natural Resources Management	2,971,449	926,747	2,044,702	69%	
Power Resources Management	1,686,253	1,508,436	177,817	11%	
Routine Capital	716,800	387,842	328,958	46%	
Total PCWA Power Division - Operating	25,859,853	21,848,202	4,011,651	16%	C
Debt Service	5,690,730	5,690,729	1	0%	D
Capital Projects:					
Current Year Adopted Budget / Funded Budget Appropriations	11,624,000	11,124,000	500,000	4%	
Current Year Additional Capital Project Appropriations	7,800,000	7,800,000	-	0%	
Total Capital Project Appropriations	19,424,000	18,924,000	500,000	3%	E
Total Expenditures and Appropriations	51,096,583	46,549,991	4,546,592	9%	
Revenue over (under) Expenditures and Appropriations	\$ (13,456,583)	17,934,207	31,390,790	233%	F
Appropriated for 2020 Adopted Budget deficit	-	(4,098,337)	(4,098,337)	100%	G
Reserve Activity (Funding)/Use:					
Operating Reserve:					
Funded to 1 year target level	-	(2,219,305)			
Emergency Reserve	-	-			
Capital Reserve					
Used to fund deficit	5,656,583	-			
Funded at Year-end		(2,673,650)			
Used to fund Capital Budget Amendment	7,800,000	7,800,000			
Funded at YE to Replenish Use	-	(7,800,000)			
Total Reserve (Funding) Use	13,456,583	(4,892,955)			H
Net Revenue	\$ -	8,942,915			

General Note: See 2019 Budget to Actual Variances discussion on the following page.

Note 1: Administration does not include the non-cash mark-to-market adjustment.

MIDDLE FORK PROJECT FINANCE AUTHORITY
2019 Budget and Actual Schedule
Discussion of 2019 Budget to Actual Variances
For the Year Ended December 31, 2019

Ref **Revenues and Other Financing Sources:**

A **Power Sales Revenue** –Power Sales revenue for the year ended December 31, 2019 is \$61.93 million, \$24.49 million over budget, primarily due to above average annual precipitation and snowpack. This hydrology, coupled with mild weather that extended the snowpack melt further into the year, enabled Energy Marketing to maximize generation throughout 2019. Generation totaled 1,441,337 MWh for the year ended December 31, 2019. The 50-year average power generation for the MFP is about 1 million MWh, with the energy sales revenue budget based on 80% of average generation. However, this increased generation was offset by energy prices which were generally lower for the majority of the year due to decreased energy demand stemming from the mild California weather. Moreover, in early 2019, there was a favorable spike in energy prices due to limited natural gas supply and cold Pacific Northwest weather. This price increase in conjunction with strong generation produced substantial revenue, resulting in the Middle Fork Project’s highest ever one-month revenue in February.

Interest Income – Interest income for the period ended December 31, 2019 is \$2.56 million, \$2.36 million over budget.

Expenditures:

B **Administration** is under budget for the year ended December 31, 2019 by 29%.

C **PCWA Power Division – Operating** is under budget by 16% through the fourth quarter of the fiscal year due to unspent routine capital funds, and savings in cost share agreements, consulting, and facilities repair & maintenance expenditures. In addition, postponement of implementation costs related to the FERC license issuance into 2020 accounted for approximately \$1.6 million.

D **Debt Service** – Semi-annual debt service payments are recorded on April 1 and October 1.

Capital Projects:

E Based on 2019 hydrologic conditions and Power Sales revenue, the appropriations for the 2019 Capital Projects with an adopted budget of \$11.6 million have been mostly funded. As of December 31, 2019, \$11.1 million of the \$11.6 million has been funded, \$0.5 million of appropriations for ERP System costs were not funded due to carryover of funds from 2018. In April 2019, the Authority Board approved a budget amendment totaling \$7.8 million from the Capital Reserve for the Hell Hole Dam Core Raise Project for additional work that was anticipated to occur during 2019 and 2020. This increased the adjusted budget amount to \$19.4 million for Capital Projects.

MIDDLE FORK PROJECT FINANCE AUTHORITY
2019 Budget and Actual Schedule
Discussion of 2019 Budget to Actual Variances
For the Year Ended December 31, 2019

Ref **Revenues over (under) Expenditures and Appropriations – Budget Schedule to Financial Statements:**

F Revenues on the Authority Financial Statements vary from the revenues on the Budget and Actual Schedule due to the exclusion of the mark-to-market adjustment on the Budget and Actual Schedule. Expenditures on Authority Financial Statements vary from expenditures on the Budget and Actual Schedule primarily because there is a timing difference of payments. The Authority Financial Statements contain capital project expenditures while the Budget and Actual Schedule contain capital project appropriations.

Appropriated for 2020 Adopted Budget Shortage:

G The Authority's 2020 Budget which was Board adopted in October 2019 reflected Revenue under Expenditures and Appropriations totaling \$4.1 million. This amount has been appropriated to fund the 2020 Budget shortfall from 2019 Revenue over Expenditures and Appropriations.

Reserve Activity:

H The reserve accounts are funded in accordance with the Authority's General Financial Policies at year-end before any distributions of Net Revenue. 2019 results provide for a full funding of the reserve accounts to the target level of \$49.97 million.

MIDDLE FORK PROJECT FINANCE AUTHORITY
Net Revenue Annual Schedule
For the Years Ended
December 31, 2017 - 2019

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Revenues and Other Financing Sources:			
Power Sales	\$ 60,883,357	46,815,464	61,926,756
Interest Income	635,259	1,517,676	2,557,442
Total Revenues and Other Financing Sources	<u>61,518,616</u>	<u>48,333,140</u>	<u>64,484,198</u>
Expenditures:			
Total Administration Expenditures <i>(Note 1a)</i>	50,328	61,984	87,060
Total Power Division Operating	18,807,576	20,066,801	21,848,202
Funded Adopted Capital Project Appropriations	15,661,000	11,996,000	11,124,000
Additional Capital Project Appropriations	6,650,000	5,000,000	7,800,000
Debt Service <i>(Note 1b)</i>	5,690,729	5,690,729	5,690,729
Total Expenditures and Appropriations	<u>46,859,633</u>	<u>42,815,514</u>	<u>46,549,991</u>
Revenue over (under) Expenditures and Appropriations	<u>14,658,983</u>	<u>5,517,626</u>	<u>17,934,207</u>
Appropriation for 2020 Adopted Budget	-	-	(4,098,337)
Reserve Activity:			
Operating Reserve: Funded at YE for 1 Yr. Ops Target	-	-	(2,219,305)
Emergency Reserve: Funded at Year-end	-	-	-
Capital Reserve:			
Funded at Year-end	(7,825,395)	(439,930)	(2,673,650)
Used to fund Capital Budget Amendment <i>(Note 1c)</i>	6,650,000	5,000,000	7,800,000
Funded at YE to Replenish Capital Reserve for Use	(6,650,000)	(5,000,000)	(7,800,000)
Total Reserve Funding	<u>(7,825,395)</u>	<u>(439,930)</u>	<u>(4,892,955)</u>
Net Revenue	<u>6,833,588</u>	<u>5,077,696</u>	<u>8,942,915</u>
Cumulative Net Revenue	<u>\$ 6,833,588</u>	<u>11,911,284</u>	<u>20,854,199</u>

Note 1: 2017 and 2018 Net Revenue has been restated to conform to 2019 presentation and revised to include the source of the budget amendments as noted below:

- a) Removed the non-cash mark-to-market adjustments, from the 2017 and 2018 amounts, totaling \$183,587 and \$77,696, respectively.
- b) Revised 2017 Debt Service by \$1 to \$5,690,729 from \$5,690,730, to reflect the actual debt payments made in 2017.
- c) Revised the Capital Reserve use to include the source amounts for Capital Budget Amendments in 2017 and 2018, totaling \$6,650,000 and \$5,000,000, respectively.

MIDDLE FORK PROJECT FINANCE AUTHORITY

**Reserve Schedule
For the Year Ended
December 31, 2019**

	2019 Target	Beginning Balance January 1, 2019	Year-to-Date Use	Year-End Funding	2019 Ending Balance	Amount Needed to Fund Target
	A	B	C	D	E=B+C+D	F=A-E
Operating Reserve	\$ 27,969,305	25,750,000	-	2,219,305	27,969,305	-
Emergency Reserve	2,000,000	2,000,000	-	-	2,000,000	-
Capital Reserve	20,000,000	17,326,350	(7,800,000)	10,473,650	20,000,000	-
Total	\$ 49,969,305	45,076,350	(7,800,000)	12,692,955	49,969,305	-

Notes:

General Note: This schedule summarizes the MFP Finance Authority reserve account activity through December 31, 2019 and are funded in accordance with the Authority's General Financial Policies at year-end before any distributions of Net Revenue.

Operating Reserve: The **Operating Reserve** is established by the Authority's General Financial Policies, which set a funding target minimum of one year of operating expenses, currently set at \$27.97 million. The Operating Reserve will provide readily available funds for the MFP operations and require prior approval of the Authority's Executive Director and Secretary, or Board before use.

Emergency Reserve: The **Emergency Reserve** is established by the Authority's General Financial Policies, which set a funding target amount that will be aligned with the needs under a severe outage contingency. The current \$2 million reserve is intended to fund insurance deductibles and seed monies to commence any significant unforeseen capital expenses. 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.

Capital Reserve: The **Capital Reserve** is established by the Authority's General Financial Policies and has two components - a sinking fund for current and prior year appropriated projects and a reserve for future capital projects. Currently, the long-term Capital Reserve target is \$20 million.

PLACER COUNTY WATER AGENCY
MFP Capital Projects
As Funded by the Middle Fork Project Finance Authority
For the Period Ended December 31, 2019

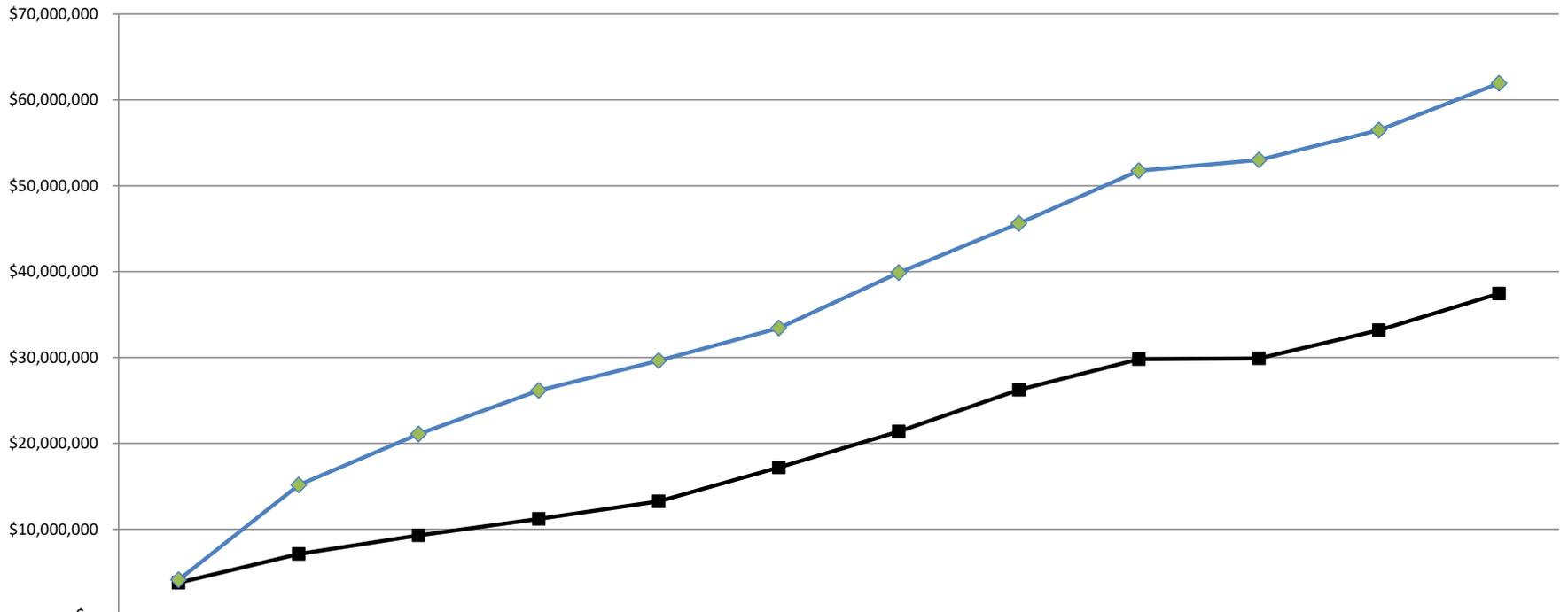
Project No.	Project Description	Total Estimated Project Cost (Note 1)	PTD Budget (December 31, 2018)	2019 Adopted Budget (Note 2)	2019 Budget Funded (Note 2)	Budget Adjustments Quarter 1-3	Budget Adjustments Quarter 4	Project-to-Date Adjusted Budget (December 31, 2019)	Prior Years' Expenses	2019 Year-to-Date Expenses	Project-to-Date Expenses	Closed Projects (Stand-Alone)	Outstanding Encumbrances	Project-to-Date Available Balance
		A	B	C	D	E=A+B+C+D	F	G	H	I	J=E-H-I			
MINOR PROJECTS - TOTAL			\$ 1,852,223	375,000	375,000	-	-	2,227,223	36,832	8,066	44,899		13,491	2,168,834
MAJOR PROJECTS - AUTHORIZED														
14007P	French Meadows Powerhouse Reliability Upgrades	Ongoing	1,880,424	1,450,000	1,450,000	77,345	-	3,407,769	1,019,500	506,623	1,526,123		95,872	1,785,774
14003P	Hell Hole Powerhouse Reliability Upgrades	Ongoing	668,009	-	-	-	-	668,009	4,840	41,348	46,188		50,652	571,169
14009P	Middle Fork Powerhouse Reliability Upgrades	Ongoing	1,250,219	2,700,000	2,700,000	25,394	25,342	4,000,955	5,064	121,774	126,838		63,047	3,811,070
14010P	Oxbow Powerhouse Reliability Upgrades	Ongoing	1,139,815	750,000	750,000	-	-	1,889,815	253,993	615,045	869,038		127,038	893,740
12015A	Project Wide Communications Upgrade		13,853,000	15,253,271	-	-	-	15,253,271	12,191,894	1,419,833	13,611,727		1,561,269	80,276
12029A	Project Wide SCADA Reliability Upgrades		670,000	670,000	100,000	100,000	-	770,000	565,407	31,492	596,899		15,936	157,165
14012P	Ralston Powerhouse Reliability Upgrades	Ongoing	1,330,089	2,650,000	2,650,000	-	-	3,980,089	45,673	350,011	395,684		336,190	3,248,215
14013P	FERC License Implementation - Project Infrastructure		28,464,000	17,327,275	1,105,000	1,105,000	7,800,000	26,232,275	8,161,149	4,107,884	12,269,033		9,834,706	4,128,535
14014P	FERC License Implementation - Project Recreation Facilities		16,686,000	1,812,040	944,000	944,000	-	2,756,040	867,150	242,100	1,109,250		1,607	1,645,183
17004P	French Meadows Forest Management		80,000	375,000	750,000	750,000	-	1,125,000	359,912	215,225	575,137		50,460	499,403
17013P	Sediment Removal		5,000,000	6,000,000	-	-	-	6,000,000	4,502,455	709,640	5,212,095		325,213	462,693
17019W	ERP System		1,802,691	1,477,691	500,000	-	-	1,477,691	589,067	15,559	604,626		-	873,065
TOTAL MAJOR PROJECTS			49,183,833	10,949,000	10,449,000	7,902,739	25,342	67,560,914	28,566,103	8,376,534	36,942,638		12,461,989	18,156,288
PROJECTS CLOSED IN 2019														
MAJOR PROJECTS CLOSED														
12003P	Hillside Slope Stability - Middle Fork Project		1,711,245	1,511,245	300,000	300,000	-	1,811,245	1,066,112	-	1,066,112	(745,133)	-	-
18013P	French Meadows Penstock Coupling Investigation		Ongoing	100,000	-	-	(77,345)	22,655	22,655	-	22,655		-	-
14033P	Middle Fork Powerhouse Battery Rooms		Ongoing	699,743	-	-	(125,394)	574,349	512,251	62,098	574,349		-	-
13027P	Middle Fork Powerhouse Cooling & Sump Upgrade		Ongoing	779,908	-	-	(3,604)	776,304	776,655	(351)	776,304		-	-
18019P	Middle Fork Power House Ibay Road Slope Stability		Ongoing	1,200,000	-	-	100,000	(21,738)	1,278,262	786,363	491,899	1,278,262		-
TOTAL PROJECTS CLOSED 2019 (Note 3)			4,290,896	300,000	300,000	(102,739)	(25,342)	4,462,815	3,164,036	553,646	3,717,682	(745,133)	-	-
TOTAL CAPITAL PROJECTS			\$ 55,326,952	11,624,000	11,124,000	7,800,000	-	74,250,952	31,766,972	8,938,247	40,705,218	(745,133)	12,475,479	20,325,121

Note 1: Major Projects may be comprised of a variety of sub-projects for which appropriations will be allocated, administered and accounted for as separate "Projects" at the PCWA project management level, as PCWA is the lead entity for MFP Projects. For budgeting purposes, the **Total Estimated Project Cost** for the powerhouse reliability projects is defined as **"Ongoing"** because underlying sub-projects will be added, completed and removed over time.

Note 2: The 2019 Capital Project approved budget is \$11,624,000. A budget amendment in the amount of \$7,800,000 was approved by the Authority Board on April 18, 2019. The Adjusted 2019 CIP budget is \$19,424,000.

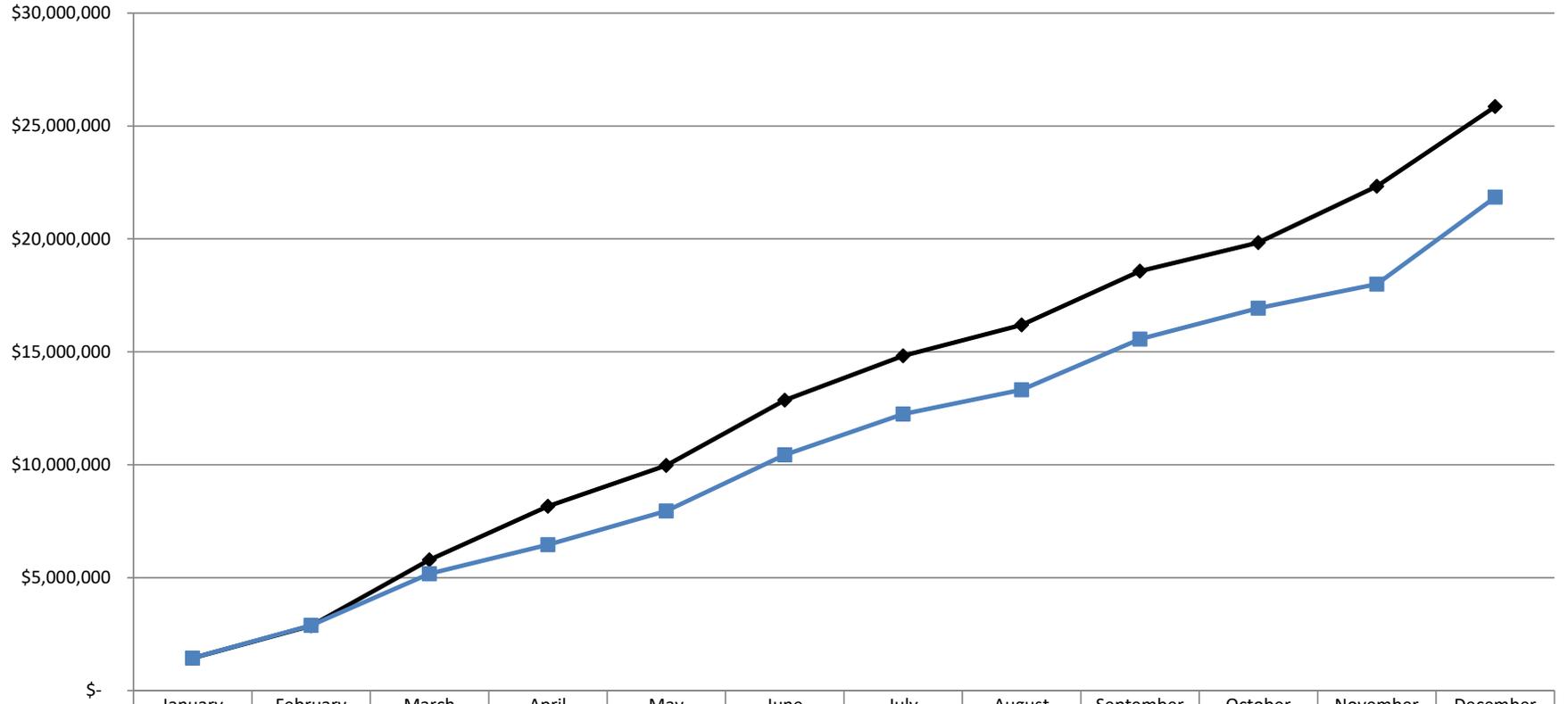
Note 3: During February 2019, the Middle Fork Power House Battery Room Addition project transferred \$100,000 to fund the Middle Fork Powerhouse Ibay Slope Stabilization project. In August 2019, the French Meadows Penstock Coupling Investigation project was closed. Accordingly, the remaining balance in the project's budget totaling \$77,345 was transferred to the French Meadows Powerhouse Reliability Upgrades project. In September 2019, the Middle Fork Powerhouse Battery Room project was closed, and remaining funds of \$25K were transferred to the Middle Fork Powerhouse Reliability Upgrades project. Additionally, the Middle Fork Powerhouse Cooling & Sump Upgrade and the Middle Fork Powerhouse Ibay Slope Stabilization projects were closed in November and December 2019, respectively, and remaining funds were transferred to Middle Fork Powerhouse Reliability Upgrades. In December 2019, the Hillside Slope Stability - Middle Fork project was closed. As this project is a stand-alone project, remaining funds are assigned for budgeted operations. There are no changes to the overall budget for these transfers.

Middle Fork Project Finance Authority Power Sales Revenue Budget to Actual 2019



	January	February	March	April	May	June	July	August	September	October	November	December
■ Revenue Budget	\$3,774,909	7,128,690	9,281,094	11,194,977	13,247,213	17,181,180	21,387,488	26,222,459	29,795,031	29,897,926	33,184,440	37,440,000
◆ Actual Revenue	4,107,175	15,145,267	21,086,908	26,162,453	29,633,649	33,431,496	39,885,164	45,611,158	51,741,306	52,993,524	56,483,660	61,926,756

Middle Fork Project Finance Authority Power Operating Expenses Budget to Actual 2019



	January	February	March	April	May	June	July	August	September	October	November	December
Operating Exp Budget	\$1,437,808	2,870,444	5,795,193	8,158,784	9,966,388	12,857,521	14,820,284	16,193,442	18,569,962	19,839,681	22,335,157	25,859,853
Op Exp Actual Cumulative	1,439,740	2,886,472	5,179,775	6,455,426	7,952,062	10,440,112	12,240,268	13,319,253	15,564,363	16,936,166	18,002,828	21,848,202

MIDDLE FORK PROJECT FINANCE AUTHORITY

Financial Statements

For the Year Ended December 31, 2019

(With Independent Auditor's Report Thereon)

MIDDLE FORK PROJECT FINANCE AUTHORITY

For the Year Ended December 31, 2019

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Independent Auditor's Report

Board of Directors
Middle Fork Project Finance Authority
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and debt service fund of the Middle Fork Project Finance Authority ("Authority") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and debt service fund of the Middle Fork Project Finance Authority, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the 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 the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Irvine, California
April 3, 2020

MIDDLE FORK PROJECT FINANCE AUTHORITY

Management's Discussion and Analysis

December 31, 2019

This section presents management's narrative overview and analysis of the Middle Fork Project Finance Authority (Authority) financial activities as of and for the period ended December 31, 2019. This Management's Discussion and Analysis is intended to serve as an introduction to and should be read in conjunction with the Authority's basic financial statements that follow this section.

ORGANIZATION

The Authority was created in January 2006 as a joint powers authority (JPA) by the County of Placer (County) and the Placer County Water Agency (Agency) to serve the mutual interests of the County and the Agency to provide for the financing required to obtain a new Federal Energy Regulatory Commission (FERC) license. The Placer County Water Agency 'Agency Act' states that "no contract for the sale of electrical energy shall be executed, nor shall any revenues received pursuant to any contract for the sale of electrical energy entered into after January 1, 1975, be spent, unless previously approved by the Board of Supervisors of the County". The JPA Agreement effectively conveyed the Agency's and County's interest in the Middle Fork Project (MFP) electric power contained in the California Water Code, Placer County Water Agency Act, Chapter 81, section 7.3 and the related revenues to the Authority. Subsequent to the Agency's existing 50-year power sale agreement with PG&E, which ended in April 2013, the Authority will serve to approve future MFP electrical energy sales and to distribute revenues from those future MFP energy sales.

The Authority is governed by a four-member Board of Directors composed of two members of the Placer County Board of Supervisors and two members of the Placer County Water Agency Board of Directors. Each Board appoints their two members of the Authority Board.

The Authority was formed pursuant to the Joint Exercise of Powers Act and is legally separate and fiscally independent from the County and Agency. As such, the Authority can incur debt, set and modify its own budgets, and enter into contracts. The accompanying financial statements reflect the financial activity of the Authority. The Authority has no component units.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) Governmental Fund financial statements (debt service fund), and 2) Notes to Financial Statements. This financial information together provides a more complete view of the Authority's financial activities and financial position.

Government-wide Financial Statements are designed to provide readers with a broad overview of the Authority's finances used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

The *Statement of Net Position* presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Activities* presents the change in net position for the year in detail, with emphasis on measuring the net revenues or expenses of the Authority's activities over the course of the fiscal year ending December 31 and information as to how the net position changed during the year.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Management's Discussion and Analysis

December 31, 2019

Fund Financial Statements are designed to report detailed information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives, and focus primarily on the short-term activities of the Authority.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the governmental financial statements. However, their focus is on the near-term inflows and outflows of spendable resources, and the balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements. The governmental fund financial statements provide detailed information about the Authority's fund.

Notes to Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in the government wide financial statements. The notes to basic financial statements can be found on pages 9 through 20 of this report.

FINANCIAL ANALYSIS

Financial Highlights

Financial highlights of 2019 include the following:

- The Authority's assets exceeded its liabilities and deferred inflows of resources by \$44.2 million, an increase of \$29.2 million or 194% from the prior year.
- The Authority's total revenues exceeded total expenditures by \$29.2 million.

Financial Position (Table 1)

During 2019, the Authority's net position increased \$29.2 million from \$15 million to \$44.2 million. Key components of the increase are as follows:

- Investments increased \$17.5 million and cash and cash equivalents increased \$4.7 million as Authority assets increased in 2019.
- Power sales receivable increased by \$2.9 million over 2018 due to an increase in Power Sales revenue at the end of the year which was earned but not yet collected. Accounts payable decreased \$625,648.
- Interest payable increased by \$27,276 for the change in accrued interest on long-term debt.
- Long-term debt decreased by \$3.0 million which is the net effect of the debt service payments in 2019.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Management's Discussion and Analysis

December 31, 2019

Table 1
Net Position

	2019	2018	Increase (Decrease)
ASSETS:			
Cash and Cash Equivalents	\$ 4,885,877	176,556	4,709,321
Power Sales Receivable	4,436,254	1,555,903	2,880,351
Interest Receivable	621,322	323,704	297,618
Investments	108,924,349	91,424,594	17,499,755
Total Assets	<u>\$ 118,867,802</u>	<u>93,480,757</u>	<u>25,387,045</u>
LIABILITIES:			
Accounts Payable	\$ 2,999,515	3,625,163	(625,648)
Interest Payable	616,349	643,625	(27,276)
Long-term Debt	71,028,392	74,171,664	(3,143,272)
Total Liabilities	<u>74,644,256</u>	<u>78,440,452</u>	<u>(3,796,196)</u>
NET POSITION (DEFICIT):			
Unrestricted	<u>44,223,546</u>	<u>15,040,305</u>	<u>29,183,241</u>
Total Net Position (Deficit)	<u>\$ 44,223,546</u>	<u>15,040,305</u>	<u>29,183,241</u>

Results of Operations (Table 2)

The Authority ended the year with total revenues exceeding total expenditures by \$29.2 million. 2019 Power Sales of \$61.9 million were \$15.1 million more than 2018 while total expenditures of \$35.6 million reflected a decrease of \$2.3 million from 2018. Major contributing factors to this year's results are as follows:

- Power Sales revenue increased by \$15.1 million over 2018 due to higher generation during 2019.
- Total expenditures decreased by a net \$2.3 million, a \$1.2 million increase in operating reimbursements, and a \$3.3 million decrease for capital reimbursements due to reduced capital project expenses during 2019. The largest change over 2018 capital projects was the Communications Upgrade project, which experienced significant delays during 2019.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Management's Discussion and Analysis

December 31, 2019

Table 2
Statement of Activities

	2019	2018	Increase (Decrease)
REVENUES:			
Power Sales	\$ 61,926,756	46,815,464	15,111,292
Investment Income	3,226,617	1,517,676	1,708,941
Total Revenues	<u>65,153,373</u>	<u>48,333,140</u>	<u>16,820,233</u>
EXPENDITURES:			
Reimbursements for Middle Fork Project - Operating	21,558,456	20,322,912	1,235,544
Reimbursements for Middle Fork Project - Capital	11,804,435	15,137,141	(3,332,706)
Bond Interest	2,520,181	2,627,431	(107,250)
Miscellaneous	51,966	123,768	(71,802)
Professional Services and Office Supplies	35,094	15,912	19,182
Total Expenditures	<u>35,970,132</u>	<u>38,227,164</u>	<u>(2,257,032)</u>
Change in Net Position (Deficit)	29,183,241	10,105,976	19,077,265
Net Position (Deficit) Beginning of Year	15,040,305	4,934,329	10,105,976
Net Position (Deficit) End of Year	<u>\$ 44,223,546</u>	<u>15,040,305</u>	<u>29,183,241</u>

CAPITAL ASSETS

The Authority reserves for capital assets, which once appropriated to the Agency, are available for capital asset construction, rehabilitation and improvement. At year-end, the Authority's capital appropriation commitments totaled \$32.8 million. Capital assets of the Middle Fork Project are owned by the Agency and more detail can be found in the Agency's audited financial statements available at the Agency's finance office.

LONG-TERM DEBT

During 2019, the Authority paid \$3.0 million towards outstanding principal. At December 31, 2019, the Authority had total long-term debt outstanding of \$71 million. More detailed information about the Authority's long-term debt is presented in note 4 to the basic financial statements.

Subsequent to December 31, 2019, in March 2020, the Authority refunded its long term debt for debt service savings. More detailed information about the refunding is presented in note 6 to the basic financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Directors, creditors and interested parties with a general overview of the Authority's finances and demonstrate the Authority's accountability for the monies it receives. If you have questions about this report or need additional financial information, please contact: the Authority Treasurer c/o Placer County Water Agency, 144 Ferguson Road, Auburn, California, 95604. The report can also be found on the Authority's website at <https://www.placer.ca.gov/5413/Middle-Fork-Project-Finance-Authority>.

MIDDLE FORK PROJECT FINANCE AUTHORITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2019

	Debt Service Fund	Adjustments	Statement of Net Position
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 4,885,877		4,885,877
Investments (Note 3)	69,963,868		69,963,868
Power Sales Receivable	4,436,254		4,436,254
Interest Receivable	621,322		621,322
	<u>79,907,321</u>		<u>79,907,321</u>
Total Current Assets			
Non-current Assets:			
Investments (Note 3)	38,960,481		38,960,481
	<u>38,960,481</u>		<u>38,960,481</u>
Total Non-current Assets			
	<u>\$ 118,867,802</u>		<u>118,867,802</u>
Total Assets			
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 2,999,515		2,999,515
Interest Payable		616,349	616,349
	<u>2,999,515</u>	<u>616,349</u>	<u>3,615,864</u>
Total Current Liabilities			
Non-Current Liabilities:			
Long-Term Debt, Due Within One Year (Note 4)		3,253,321	3,253,321
Long-Term Debt, Due After One Year (Note 4)		67,775,071	67,775,071
		<u>71,028,392</u>	<u>71,028,392</u>
Total Non-Current Liabilities			
	<u>2,999,515</u>	<u>71,644,741</u>	<u>74,644,256</u>
Total Liabilities			
FUND BALANCE/NET POSITION			
Fund Balance:			
Assigned for Operational Reserve	27,969,305	(27,969,305)	
Assigned for Emergency Reserve	2,000,000	(2,000,000)	
Assigned for Capital:			
Reserve	20,000,000	(20,000,000)	
Capital Appropriations	32,800,600	(32,800,600)	
Assigned for Budgeted Operations	11,090,663	(11,090,663)	
Unassigned	22,007,719	(22,007,719)	
	<u>115,868,287</u>	<u>(115,868,287)</u>	
Total Fund Balance			
	<u>\$ 118,867,802</u>	<u>(44,223,546)</u>	
Total Liabilities and Fund Balance			
Net Position			
Unrestricted (Note 5)		<u>44,223,546</u>	<u>44,223,546</u>
		<u>44,223,546</u>	<u>44,223,546</u>
Total Net Position			

See accompanying notes to financial statements.

MIDDLE FORK PROJECT FINANCE AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Debt Service Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES			
Reimbursements for Middle Fork Project - Operating (Note 4)	\$ 21,558,456		21,558,456
Reimbursements for Middle Fork Project - Capital (Note 4)	11,804,435		11,804,435
Miscellaneous	51,966		51,966
Professional Services	35,094		35,094
Debt Service:			
Principal	3,143,272	(3,143,272)	-
Interest	2,547,457	(27,276)	2,520,181
	<u>39,140,680</u>	<u>(3,170,548)</u>	<u>35,970,132</u>
GENERAL REVENUES			
Power Sales	61,926,756		61,926,756
Investment Income	3,226,617		3,226,617
	<u>65,153,373</u>		<u>65,153,373</u>
Excess of Revenues over Expenditures	<u>26,012,693</u>	<u>3,170,548</u>	<u>29,183,241</u>
Change in Fund Balance/Net Position (Deficit)	26,012,693	3,170,548	29,183,241
FUND BALANCE/NET POSITION (DEFICIT)			
Beginning of Year	<u>89,855,594</u>	<u>(74,815,289)</u>	<u>15,040,305</u>
End of Year	<u>\$ 115,868,287</u>	<u>(71,644,741)</u>	<u>44,223,546</u>

See accompanying notes to financial statements.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements
For the Year Ended December 31, 2019

1. Organization and Reporting Entity

The Middle Fork Project Finance Authority (Authority) was created in January 2006 as a joint powers authority by the County of Placer (County) and the Placer County Water Agency (Agency). The Authority is organized and operates pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and the joint exercise of powers agreement dated January 10, 2006 between the County and the Agency (JPA Agreement).

The Authority was formed to serve the mutual interests of the County and the Agency, exclusively, to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications and other costs that may be required to obtain a new Federal Energy Regulatory Commission (FERC) license or which may be completed under the current or subsequent FERC license of the Middle Fork American River Hydroelectric Project (MFP) by the Agency, to approve future MFP electrical energy sales and to distribute revenues from those future MFP energy sales.

The JPA Agreement effectively conveyed the Agency's and County's interest in the MFP electric power and related revenues to the Authority.

The Authority is governed by a four-member Board of Directors composed of two members of the Placer County Board of Supervisors and two members of the Placer County Water Agency Board of Directors. Each Board selects their two members to the Authority Board.

The Authority was formed pursuant to the Joint Exercise of Powers Act and is legally separate and fiscally independent from the County and Agency. As such, the Authority can incur debt, set and modify its own budgets, and enter into contracts. The accompanying financial statements reflect the financial activity of the Authority. The Authority has no component units.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Government-wide financial statements – The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all of the non-fiduciary activities of the Authority. The Authority uses only governmental activities.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements
For the Year Ended December 31, 2019

Fund financial statements – The accounts of the Authority are organized and operated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For reporting purposes, the Authority presents fund type activities as a governmental type debt service fund. The debt service fund is used to account for the accumulation of resources for, and the payment of, principal and interest and other charges on the bonds issued. The debt service fund is considered a major governmental fund.

The Authority maintains the debt service fund's accounting records on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Accounting Records

The Authority's accounting records are maintained by the Agency. Internal accounting controls are in place to ensure that transactions are initiated, approved and coded by the Authority's management.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments

Investments are stated at fair value. Included in investment income (loss) is the net change in the fair value of investments, which consists of the realized gains and losses and the unrealized appreciation (depreciation) of those investments.

Power Sales

Power Sales consists of power generation that is scheduled and sold directly into the California Independent System Operator (CAISO) spot market and short-term forward energy sales that are settled through Inter-SC Trades (ISTs) as well as energy products that are transacted bilaterally. The MFP is a merchant generating project and does not serve loads.

Fund Balance/Net Position

In the basic financial statements, governmental funds report assignments of fund balance for amounts that the Board of Directors has set aside for use for a specific purpose. The following is a description of the assignments used by the Authority:

Assigned for Operational Reserve – Used to represent a portion of fund balance assigned by policy for operations of the Middle Fork Project under conditions of significantly reduced revenue due to hydrology, energy prices and/or prolonged minor outages or unanticipated variations in expenses.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements
For the Year Ended December 31, 2019

Assigned for Emergency Reserve – Used to represent a portion of fund balance assigned by policy for significant unforeseen needs or events. This amount is only intended to meet the insurance deductible amounts.

Assigned for Capital Reserve – Used to represent a portion of fund balance assigned by policy for future years capital projects. This reserve works as a sinking fund to provide for the planning, design and construction of capital projects.

Assigned for Capital Appropriations – The portion of the Capital Reserve used to represent a portion of fund balance assigned for capital project appropriations.

Assigned for Budgeted Power Operations – Used to represent a portion of fund balance assigned for budgeted operations of the Middle Fork Project.

Unassigned – Used to represent a portion of fund balance, which is available for use at the discretion of the Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in the measuring fair value are observable in the market and are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019

3. Cash and Investments

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Cash Equivalents	\$ 4,885,877
Investments - Current Assets	69,963,868
Investments - Non-Current Assets	<u>38,960,481</u>
Total	<u>\$ 113,810,226</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with Financial Institutions	\$ 4,885,877
Investments	<u>108,924,349</u>
Total	<u>\$ 113,810,226</u>

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements
For the Year Ended December 31, 2019

Investments Authorized by the California Government Code and the Authority's Investment Policy

The California Government Code, Authority's Investment Policy and debt agreement allow the Authority to invest in the following authorized and permitted investment types provided the percentage and maturity limits are not exceeded.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % Holdings</u>	<u>Maximum % Per Issuer</u>
Securities of the U.S. Government	5 year	100%	100%
Securities of the U.S. Government Agencies and Instrumentalities - Primary (FFCB, FHLB, FNMA and FHLMC)	5 year	100%	50%
Securities of the U.S. Government Agencies and Instrumentalities - Secondary	5 year	50%	30%
Registered State Warrants, Treasury Notes, or Bonds of the State of California	5 year	25%	10%
Registered Treasury Notes or Bonds of Other U.S. States	5 year	25%	10%
Bonds, Notes, Warrants, or Other Evidences of Indebtedness of any Local Agency within the State of California	5 year	30%	10%
Commercial Paper	270 days	25%	5%
Corporate or Medium-Term Notes	5 year	30%	5%
Money Market Mutual Funds	N/A (2(A)7 Eligible)	20%	5%
Bonds of Supranational	5 year	15%	5%
Negotiable Certificates of Deposit	1 year	20%	5%
Repurchase Agreements	1 year	15%	5%
Bankers' Acceptance	180 days	25%	5%
Placer County Treasurer's Investment Pool	N/A	100%	100%
Local Agency Investment Fund	N/A	100%	100%
Collateralized Bank Deposits	5 year	100%	50%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer an investment's maturity, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy states that interest rate risk will be mitigated by:

- (a) Structuring the Authority's portfolio so that securities mature to meet the Authority's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market and incurring a possible loss prior to their maturity to meet those requirements; and
- (b) Managing the overall average maturity of the portfolio on a shorter term to maturity basis, not to exceed 2 ½ years.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's year-end investments by maturity:

Investment Type	Fair Value	Remaining Maturity				
		12 Months Or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
U.S. Treasury Securities	\$ 6,058,500	3,004,230		3,054,270		
U.S. Government Agencies - Primary:	40,031,000	19,029,920	6,002,700	6,056,670		8,941,710
U.S. Government Agencies - Secondary:	5,777,871			2,721,141		3,056,730
Corporate Notes	3,046,290		3,046,290			
Bonds of Supranationals	3,049,890		3,049,890			
CA State Municipalities	3,031,080				3,031,080	
LAIF	47,929,718	47,929,718				
Total Investments	\$ 108,924,349	\$ 69,963,868	\$ 12,098,880	\$ 11,832,081	\$ 3,031,080	\$ 11,998,440
Percentage of portfolio:	100.0%	64.2%	11.1%	10.9%	2.8%	11.0%

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The California Government Code governs the Authority's credit risk requirements and the Authority's investment policy and debt agreement do not place additional requirements relating to credit risk. Presented below are the December 31, 2019, actual credit quality ratings for each investment type as provided by Moody's Investor Services, Inc.

Investment Type	Fair Value	Minimum Authorized Rating	Rating as of Year-End		
			Aaa	Aa	Not Rated
U.S. Treasury Securities	\$ 6,058,500	N/A	6,058,500		
U.S. Government Agencies - Primary	40,031,000	N/A	40,031,000		
U.S. Government Agencies - Secondary	5,777,871	N/A	5,777,871		
Corporate Notes	3,046,290	Aa	3,046,290		
Bonds of Supranationals	3,049,890	AA	3,049,890		
CA State Municipalities	3,031,080	N/A		3,031,080	
LAIF	47,929,718	N/A			47,929,718
Total	\$ 108,924,349		57,963,551	3,031,080	47,929,718

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements
For the Year Ended December 31, 2019

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Authority's investment policy follows California Government Code regarding limitations on the amount that can be invested in any one investment type and does not further limit investments in any one issuer. Authority investments in the securities of any individual issuer, other than U.S. Treasury securities, LAIF, and mutual funds that represent 5% or more of total Authority investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percent of Portfolio</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	U.S. Government Agencies - Primary	11.88%	\$ 12,943,700
Federal Home Loan Bank	U.S. Government Agencies - Primary	11.10%	12,092,610
Federal Home Loan Mortgage Co	U.S. Government Agencies - Primary	8.26%	8,999,580
Federal National Mortgage Association	U.S. Government Agencies - Primary	5.50%	5,995,110
Private Export Funding	U.S. Government Agencies - Secondary	5.30%	5,777,871

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law and the Authority's investment policy require banks and savings & loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit as collateral for deposits. The third party bank trustee agreement must comply with California Government Code, which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Authority's deposits with financial institutions in excess of Federal Depository Insurance Corporation limits, totals \$4,385,877, which is collateralized with securities held by the pledging financial institution's trust department but not in the Authority's name.

Investment in State Investment Pool – Local Agency Investment Fund

The California State Treasurer maintains an investment pool in a special fund through which local governments may pool investments. The investment pool is named the Local Agency Investment Fund (LAIF). The Authority is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California and the Local Investment Advisory Board (Advisory Board). The Advisory Board consists of five members as designated by State Statute.

The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019

same as the value of the pool share. The balance available for withdrawal is the Authority's proportionate share of its investment in the LAIF, which amounted to \$47,929,718 at December 31, 2019.

Included in the LAIF's investment portfolio at December 31, 2019, are collateralized mortgage obligations, mortgaged backed securities, and other asset-backed securities, structured notes, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, US Treasury Notes and Bills and corporations. At December 31, 2019, the amount invested by all public agencies in the LAIF totaled \$88,927,564,494, which includes asset-backed securities totaling \$1.20 billion (1.35%). At December 31, 2019, the average days to maturity was 226 days.

Fair Value Measurement

The Authority categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Authority has the following recurring fair value measurements as of December 31, 2019:

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the Authority's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

Investments at Fair Value	Amount	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 6,058,500	6,058,500		
U.S. Government Agencies - Primary	40,031,000		40,031,000	
U.S. Government Agencies - Secondary	5,777,871		5,777,871	
Corporate Notes	3,046,290		3,046,290	
Bonds of Supranationals	3,049,890		3,049,890	
CA State Municipalities	3,031,080		3,031,080	
Total Investments at Fair Value	60,994,631	\$ 6,058,500	54,936,131	-
<u>Investments with Uncategorized Inputs</u>				
LAIF	47,929,718			
Total Investments	\$ 108,924,349			

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019

4. Long-term Debt

The following is a schedule of long-term debt for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019	Amount Due Within One Year	Non- Current Amount
2006 Revenue Bond	74,171,664	-	3,143,272	71,028,392	3,253,321	67,775,071

On March 27, 2006, the Authority’s Board of Directors approved and authorized a maximum principal amount of \$100,000,000 Middle Fork Project Finance Authority Revenue Bond, Series 2006 (2006 Revenue Bond). The 2006 Revenue Bond was issued to finance MFP FERC Relicensing Costs and related expenses. Quarterly, through March 31, 2013, amounts advanced in the form of draws to the Authority were added to the 2006 Revenue Bond’s principal amount, as well as capitalized interest through March 2015. The quarterly advances were based on projected and budgeted resources needs, primarily Relicensing expenses, for the subsequent quarter. The 2006 Revenue Bond interest rate on the outstanding balance from March 29, 2006 through June 30, 2006 was 5.691%. The interest rate for the period July 1, 2006 – April 1, 2015 was based on the yield on the United States Treasury Bond maturing February 15, 2036, plus 1% per annum. On April 1, 2015, per the requirements of the 2006 Revenue Bond, the interest rate converted from a variable rate to a fixed rate at 3.47%. The outstanding balance was then fully amortized over 20 years with semi-annual principal and interest payments starting October 1, 2015 and maturing April 1, 2036. The payment of principal and interest is secured by all revenues and all other funds after 2013 and accounts held by the Authority, which is primarily the MFP electric power and related revenues.

As of December 31, 2019, annual debt service requirements to maturity are as follows:

Year Ending December 31:	2006 Revenue Bond	
	Principal	Interest
2020	\$ 3,253,321	2,437,408
2021	3,367,224	2,323,505
2022	3,485,114	2,205,614
2023	3,607,132	2,083,596
2024	3,733,422	1,957,306
2025-2029	20,721,751	7,731,894
2030-2034	24,612,270	3,841,375
2035-2036	8,248,158	287,935
Total	\$ 71,028,392	22,868,633

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019

Future Revenues Pledged

In 2006, Resolution 06-66 authorized the issuance of a bond in the amount not to exceed \$100 million to provide financing for the MFP FERC relicensing costs and associated improvements and modifications. The Authority has pledged revenues from the energy sales generated by the MFP in amounts sufficient to cover the principal and interest requirements on the Authority's debt. As of December 31, 2019, the total principal and interest remaining on the debt is \$93.8 million with an annual amount of \$5.69 million. The bond matures April 1, 2036. For the current year, principal and interest paid by the Authority and the total power sales revenue recognized were \$5.69 million and \$61.9 million, respectively.

Pursuant to the Bond Purchase Contract, the allocation of all revenues after April 1, 2015, are to be as follows:

- First, to pay or set-aside amounts for the payment of Maintenance and Operating costs;
- Second, to pay interest on the Bond;
- Third, to pay or set-aside amounts for the repayment of Relicensing Costs, Capital Improvements or to fund or maintain Reserves;
- Fourth, to pay principal then due and payable on the Bond; and
- Fifth, for any other Authority purpose; provided, if any amounts are distributed to the County and the Agency, the Authority shall apply an amount equal to the aggregate amount distributed to the County and the Agency to prepay the principal on the Bond.

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019

5. Adjustment to Government-Wide Statements

Total Fund Balance – Debt Service Fund \$ 115,868,287

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds. (616,349)

Various long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:

Long-term debt (71,028,392)

Net Position of Governmental Activities \$ 44,223,546

Net Change in Fund Balance – Debt Service Fund \$ 26,012,693

Amounts reported for governmental activities in the Statement of Activities are different because:

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of the principal of long-term debt 3,143,272

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Interest payable on long-term debt 27,276

Change in Net Position of Governmental Activities \$ 29,183,241

MIDDLE FORK PROJECT FINANCE AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019

6. Subsequent Events

On March 17, 2020, the Authority completed refinancing of the 2006 Revenue Bond with the issuance of Revenue Bonds, Series 2020 Refunding (2020 Bonds) in the amount of \$64,280,000 to refund the outstanding 2006 Bonds in the amount of \$71,028,393. The 2020 Bonds were issued with a fixed coupon of 5% over a seventeen-year period maturing April 2036. The refunding was performed to save total debt service costs and the results of the refunding saved an average of over \$455,000 annually or \$7.7 million in gross savings over seventeen years with a net economic gain of \$6.7 million. The present value savings of the refunding totaled \$6.7 million and the borrowing had a True Interest Cost of 2.143%. With the issuance of the 2020 Revenue Bonds, there are new debt covenants that change the allocation of the Authority's revenues, establish a debt service reserve fund, and restrict a portion of the Authority's Operational Reserve.

As part of the refunding process, the Authority's 2020 Bonds was assigned an investment grade credit rating of Baa3 by Moody's Investors Service.

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Board of Directors
Middle Fork Project Finance Authority
Auburn, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and debt service fund of the Middle Fork Project Finance Authority (Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Dennis Fan LLP". The signature is written in a cursive, flowing style.

Irvine, California
April 3, 2020

Board of Directors
Middle Fork Project Financing Authority
Auburn, California

We have audited the financial statements of the governmental activities and debt service fund of the Middle Fork Project Finance Authority (Authority) for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. We noted no estimates made by management that we consider to be particularly sensitive. The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 4, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis*, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Middle Fork Project Financing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



Irvine, California
April 3, 2020



M E M O R A N D U M

TO: Board of Directors

FROM: Joseph H. Parker, CPA, Authority Treasurer

DATE: April 8, 2020

RE: 2020 Budget and Actual Schedules for the Quarter Ended March 31, 2020

Recommended Action:

Receive report on the Budget and Actual Schedules for the quarter ended March 31, 2020.

Summary – 2020 Quarter 1:

The Middle Fork Project Finance Authority begins 2020 coming off from a strong hydrologic and financial year in 2019, which allowed for a full funding of reserves for the first time in Authority history. PCWA, on behalf of the Authority, has continued to sell generated energy directly to the CAISO and has entered into bi-lateral contracts to sell energy products including resource adequacy, renewable energy credits (RECs) and carbon free credits for 2020. Energy products account for approximately 20% of the 2020 total Power Sales budget.

During March 2020, the Authority closed on its tax-exempt Series 2020 Refunding Revenue Bonds, which refunded the 2006 Revenue Bond, which was taxable and had an outstanding obligation of \$71 million. The 2020 Bonds are a tax-exempt bond issuance that received an investment grade rating from Moody's and were priced during a very favorable bond market, all of which resulted in the very favorable net present value savings of \$6.7 million. The Series 2020 Refunding Revenue Bonds have the same maturity as the 2006 Bond (term to year 2036) with annual debt service savings of \$460,000 starting in 2021.

The 2019-2020 water year (October 1 – September 30) began relatively dry and warm, particularly in February, which had no measurable precipitation. The dry hydrology conditions, coupled with low energy prices, has resulted in correspondingly low revenue. The warm winter weather, lack of energy demand, and COVID-19 impacts, contributed to low power prices

throughout the first quarter. Although precipitation in March was 102% of average, the cumulative precipitation for Q1 remains below average at 56%. The remaining water year is forecasted to continue to be dry. The April 1, 2020 snow survey recorded the snowpack's water equivalent at 53% of the 50-year average for the American River Watershed.

These factors, coupled with the dry forecast, have resulted in placing a hold on funding for the 2020 Capital Projects appropriations. As of March 31, only \$0.54 million of the \$10.1 million Capital Projects appropriation has been funded.

Attached for the Board's information are the 2020 Budget and Actual schedules for the period ended March 31, 2020 as follows:

MFP Finance Authority Budget Schedule with Note References – This schedule summarizes the 2020 adopted and adjusted budgets, proposed budget amendments and the adjusted March 31, 2020, year-to-date budget.

MFP Finance Authority Budget and Actual Schedule with Variances & Explanations – This schedule summarizes the MFP Finance Authority financial activity for the quarter ended March 31, 2020 with the adjusted year-to-date budget and year-to-date actual activity noting variances between the two amounts with referenced explanations.

MFP Finance Authority Reserve Schedule – This schedule summarizes the MFP Finance Authority reserve account activity through March 31, 2020 and indicates the full funding target for each reserve account.

PCWA MFP Capital Projects – This schedule summarizes the Project-to-Date Budget and Expenses through March 31, 2020. PCWA manages and administers these projects and are included because they are funded by the MFP Finance Authority. As the scope of these activities is multi-year, the budget and expense information is included.

MFP Finance Authority Power Sales Revenue Chart – This chart summarizes the revenue budget and the actual revenue by month through March 31, 2020.

MFP Finance Authority Power Operating Expenses Chart – This chart summarizes the expense budget and the actual expenses by month through March 31, 2020.

MIDDLE FORK PROJECT FINANCE AUTHORITY

**Budget Schedule
For the Quarter Ended
March 31, 2020**

	2020 Adopted Annual Budget January 1, 2020	Budget Adjustments & Transfers (Note 4)	2020 Adjusted Annual Budget March 31, 2020	March 31, 2020 Year-to-date Adjusted Budget
Revenues and Other Financing Sources (Note 1) :				
Power Sales	\$ 38,643,064	-	38,643,064	9,579,324
Interest Income	1,000,000	-	1,000,000	120,000
Total Revenues and Other Financing Sources	39,643,064	-	39,643,064	9,699,324
Expenditures:				
Administration:				
Operating Supplies/Services	2,000	-	2,000	473
Administration	98,000	-	98,000	23,157
Professional Services	50,000	-	50,000	11,815
Total Administrative Expenditures	150,000	-	150,000	35,445
PCWA Power Division - Operating:				
Power Operations	14,134,915	-	14,134,915	3,340,080
General and Administrative	7,252,397	-	7,252,397	1,713,741
Natural Resources Management	4,216,251	-	4,216,251	996,300
Power Resources Management	1,645,742	-	1,645,742	388,889
Routine Capital	570,000	140,000	710,000	167,773
Total PCWA Power Division - Operating	27,819,305	140,000	27,959,305	6,606,784
Debt Service	5,690,730	-	5,690,730	2,845,365
Capital Projects (Note 2) :				
Current Year Capital Project Appropriation	10,081,366	-	10,081,366	10,081,366
Total Expenditures and Appropriations	43,741,401	140,000	43,881,401	19,568,960
Revenue over (under) Expenditure and Capital Projects	(4,098,337)	(140,000)	(4,238,337)	(9,869,636)
Appropriated for 2020 Adopted Budget deficit	4,098,337	-	4,098,337	4,098,337
Reserve Activity (Funding)/Use (Note 3):				
Operating Reserve - Used to fund work vessel	-	140,000	140,000	140,000
Emergency Reserve	-	-	-	-
Capital Reserve	-	-	-	-
Total Reserve Use	-	140,000	140,000	140,000
Net Revenue	\$ -	-	-	-

Note: See reference discussion on the following page.

MIDDLE FORK PROJECT FINANCE AUTHORITY
2020 Budget Schedule
Note References
For the Quarter Ended March 31, 2020

Note 1: Revenues and Other Financing Sources

The MFPFA **Power Sales** budget includes the resource adequacy (RA), carbon free and renewable energy credit (REC) sales amounts based on bi-lateral contracts and energy sales based on 80% of estimated energy generation for the year. The Power Sales amounts have been determined by Energy Marketing projections based on anticipated sales of resource adequacy, carbon free, renewable energy credits and estimated energy sales for January 1 to December 31, 2020.

Note 2: The **Capital Projects** adopted budget totaling \$10.1 million has remained mostly unfunded due to unfavorable first quarter hydrology and forecasted 2020 revenue.

Note 3: The **Reserve Accounts** are fully funded to their respective target level at year-end 2019. As the Reserve Accounts are used or target funding is revised, replenishment or funding shall be performed at year-end.

Note 4: There is one **Budget Adjustment and Reserve Use Board** approved during the quarter ended March 31, 2020.

In January 2020, the Board approved use of the Operating Reserves for \$140,000 to fund the use of a routine capital purchase of a utility work vessel for on-water inspections, maintenance and construction activities.

MIDDLE FORK PROJECT FINANCE AUTHORITY
Budget and Actual Schedule
For the Quarter Ended
March 31, 2020

	March 31, 2020		Variances		Ref
	Year-to-date Budget	Actual	\$	%	
Revenues and Other Financing Sources:					
Power Sales	\$ 9,579,324	3,481,621	(6,097,703)	-64%	
Interest Income	120,000	162,050	42,050	35%	
Total Revenues and Other Financing Sources	9,699,324	3,643,671	(6,055,653)	-62%	A
Expenditures and Appropriations:					
Administration:					
Operating Supplies/Services	473	90	383	81%	
Administration	23,157	49,035	(25,878)	-112%	
Professional Services	11,815	34,894	(23,079)	-195%	
Total Administrative Expenditures	35,445	84,019	(48,574)	-137%	B
PCWA Power Division - Operating:					
Power Operations	3,340,080	2,842,163	497,917	15%	
General and Administrative	1,713,741	997,872	715,869	42%	
Natural Resources Management	996,300	181,555	814,745	82%	
Power Resources Management	388,889	382,675	6,214	2%	
Routine Capital	167,773	-	167,773	100%	
Total PCWA Power Division - Operating	6,606,784	4,404,265	2,202,519	33%	C
Debt Service	2,845,365	-	2,845,365	100%	D
Capital Projects:					
Current Year Adopted Budget / Funded Budget Appropriations	10,081,366	540,800	9,540,566	95%	
Current Year Additional Capital Project Appropriations	-	-	-	0%	
Total Capital Project Appropriations	10,081,366	540,800	9,540,566	95%	E
Total Expenditures and Appropriations	19,568,960	5,029,084	14,539,876	74%	
Revenue over/(under) Expenditures and Appropriations	(9,869,636)	(1,385,413)	8,484,223	86%	
Appropriated for 2020 Adopted Budget deficit	4,098,337	4,098,337	-	0%	F
Reserve Activity (Funding)/Use:					
Operating Reserve:					
Used to fund work vessel	140,000	-			
Year-end replenishment	-	(140,000)			
Emergency Reserve	-	-			
Capital Reserve	-	-			
Total Reserve (Funding)/Use	140,000	(140,000)			G
Revenue over/(under) Expenditures, Appropriations and Reserve Activity	\$ (5,631,299)	2,572,924			

Note: See 2020 Budget to Actual Variances discussion on the following page.

MIDDLE FORK PROJECT FINANCE AUTHORITY
Budget and Actual Schedule
Discussion of 2020 Budget to Actual Variances
For the Quarter Ended March 31, 2020

Ref **Revenues and Other Financing Sources:**

A **Power Sales Revenue** – The Power Sales revenue is subject to significant volatility due to variations in hydrology, energy market prices and a variety of other factors. Power Sales revenue for the first quarter ended March 31, 2020 is at \$3.5 million, 64% below budgeted revenue due to dry, and relatively warm weather, particularly in February which had no measurable precipitation. These conditions have led to decreased generation and lower power prices due to decreased demand, both of which negatively impact revenue. Due to first quarter results, as well as expectations for the remainder of the year which forecast a dry year, Power Sales revenue for 2020 is projected to be unfavorable as compared to the budget.

Interest Income – Interest income for the quarter ending March 31, 2020 is 35% above the conservative budget amount.

Expenditures:

B **Administration** appears to be significantly over budget for the quarter ending March 31, 2020 by 137%, because a small portion of the issuance costs of the Series 2020 Refunding Revenue Bonds for the feasibility study and POS work was paid by the Authority and reimbursement in the amount of \$43,725 is still pending from the trustee. Once this reimbursement is received, the Administration variance is only 14% or \$4,849. Additionally, internal labor costs related to the bond refinancing also contributed to this variance in Administrative expenses.

C **PCWA Power Division – Operating** is under budget by 33% through the first quarter primarily because the FERC license has not been issued causing postponement of the implementation costs. Additionally, expenses yet to be incurred including insurance, cost share agreements, and consulting contribute to this favorable variance.

D **Debt Service** – In October 2019 when the 2020 Budget was adopted, the debt service budget amount was based on the 2006 Revenue Bond debt service. The 2020 Refunding Revenue Bonds amortization schedule varies thus debt service for 2020 will be \$5.4 million as compared to \$5.7 million as budgeted. However, because of the 2020 Bond documents require debt service be paid through the next principal payment date in order to use current revenue for anything other than operations and debt service, (i.e. capital projects or distributions) debt service pre-payment may be considered.

MIDDLE FORK PROJECT FINANCE AUTHORITY
Budget and Actual Schedule
Discussion of 2020 Budget to Actual Variances
For the Quarter Ended March 31, 2020

Capital Projects:

- E** Based on current and forecasted hydrological conditions, coupled with the low energy prices, revenue projections are below budget, thus funding of the 2020 Capital Project appropriations has been placed on hold until the revenue projections improve. As of March 31, 2020, \$540,800 of the \$10,081,366 adopted by the Board has been funded.

Appropriated Use of Funds:

- F** The 2020 Budget appropriated \$4.1 million at year-end 2019 to provide for the adopted 2020 Budget's shortfall.

Reserve Activity:

- G** The reserve accounts are funded in accordance with the Authority's General Financial Policies at year-end before any distributions of Net Revenue.

MIDDLE FORK PROJECT FINANCE AUTHORITY
Reserve Schedule
For the Period Ended
March 31, 2020

	2020 Target	Beginning Balance January 1, 2020	Year-to-Date Activity	2020 Balance March 31, 2020	Amount Needed to Fund Target
	A	B	C	D=B+C	E=A-D
Operating Reserve	\$ 27,969,305	27,969,305	(140,000)	27,829,305	<i>140,000</i>
Emergency Reserve	2,000,000	2,000,000	-	2,000,000	-
Capital Reserve	20,000,000	20,000,000	-	20,000,000	-
Total	\$ 49,969,305	49,969,305	(140,000)	49,829,305	<i>140,000</i>

Notes:

- General Note:** The reserve accounts are funded in accordance with the Authority's General Financial Policies after the year-end closing process and before any distributions of Net Revenue.
- Operating Reserve:** The **Operating Reserve** is established by the Authority's General Financial Policies, which set a funding target minimum of one year of operating expenses, currently set at \$27.97 million. The Operating Reserve will provide readily available funds for the MFP operations and require prior approval of the Authority's Executive Director and Secretary, or Board before use. In January 2020, the Board approved use of the Operating Reserves for \$140,000 to fund the use of a routine capital purchase of a utility work vessel for on-water inspections, maintenance and construction activities.
- Emergency Reserve:** The **Emergency Reserve** is established by the Authority's General Financial Policies, which set a funding target amount that will be aligned with the needs under a severe outage contingency. The current \$2 million reserve is intended to fund insurance deductibles and seed monies to commence any significant unforeseen capital expenses. 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.
- Capital Reserve:** The **Capital Reserve** is established by the Authority's General Financial Policies and has two components - a sinking fund for current and prior year appropriated projects and a reserve for future capital projects. Currently, the long-term Capital Reserve target is \$20 million.

PLACER COUNTY WATER AGENCY
MFP Capital Projects
As Funded by the Middle Fork Project Finance Authority
For the Period Ended March 31, 2020

Project No.	Project Description	Total Estimated Project Cost (Note 1)	PTD Budget (December 31, 2019)	2020 Adopted Budget (Note 2)	2020 Budget Funded (Note 2)	Budget Adjustments Quarter 1 (Note 3)	Project-to-Date Adjusted Budget (March 31, 2020)	Prior Years' Expenses	2020 Year-to-Date Expenses	Project-to-Date Expenses	Outstanding Encumbrances	Project-to-Date Available Balance	
			A			B	C	D=A+B+C	E	F	G=E+F	H	I=D-G-H
MINOR PROJECTS - TOTAL			\$ 2,227,223	-			(350,000)	1,877,223	44,899	4,009	48,907	13,491	1,814,825
MAJOR PROJECTS - AUTHORIZED													
14007P	French Meadows Powerhouse Reliability Upgrades	Ongoing	3,407,769	450,000			3,407,769	1,526,123	29,864	1,555,987	65,751	1,786,032	
14003P	Hell Hole Powerhouse Reliability Upgrades	Ongoing	668,009	1,100,000			668,009	46,188	36,135	82,322	14,518	571,169	
14009P	Middle Fork Powerhouse Reliability Upgrades	Ongoing	4,000,955	1,450,000			4,000,955	126,838	21,334	148,172	727,426	3,125,358	
14010P	Oxbow Powerhouse Reliability Upgrades	Ongoing	1,889,815	950,000			1,889,815	869,038	35,939	904,976	172,950	811,888	
12015A	Project Wide Communications Upgrade	13,853,000	15,253,271	-		350,000	15,603,271	13,611,727	54,008	13,665,735	1,754,326	183,210	
12029A	Project Wide SCADA Reliability Upgrades	670,000	770,000	-			770,000	596,899	6,457	603,356	15,936	150,708	
14012P	Ralston Powerhouse Reliability Upgrades	Ongoing	3,980,089	800,000	250,000		4,230,089	395,684	50,870	446,554	866,830	2,916,705	
14013P	FERC License Implementation - Project Infrastructure	28,464,000	26,232,275	2,507,840	290,800		26,523,075	12,269,033	49,714	12,318,747	11,565,268	2,639,060	
14014P	FERC License Implementation - Project Recreation Facilities	16,686,000	2,756,040	673,526			2,756,040	1,109,250	-	1,109,250	1,663	1,645,127	
17004P	French Meadows Forest Management	80,000	1,125,000	650,000			1,125,000	575,137	121	575,259	50,526	499,215	
17013P	Sediment Removal	5,000,000	6,000,000	1,500,000			6,000,000	5,212,095	25,522	5,237,617	352,351	410,032	
17019W	ERP System	1,802,691	1,477,691				1,477,691	604,626	-	604,626	-	873,065	
TOTAL MAJOR PROJECTS			67,560,914	10,081,366	540,800	350,000	68,451,714	36,942,637	309,964	37,252,601	15,587,544	15,611,569	
TOTAL CAPITAL PROJECTS			\$ 69,788,137	10,081,366	540,800	-	70,328,937	36,987,536	313,972	37,301,508	15,601,035	17,426,394	

Note 1: Major Projects may be comprised of a variety of sub-projects for which appropriations will be allocated, administered and accounted for as separate "Projects" at the PCWA project management level, as PCWA is the lead entity for MFP Projects. For budgeting purposes, the **Total Estimated Project Cost** for the powerhouse reliability projects is defined as "**Ongoing**" because underlying sub-projects will be added, completed and removed over time.

Note 2: The 2020 Capital Project approved budget is \$10,081,366.

Note 3: During January 2020, the MFPFA Project Adjustment Fund, a Minor Project, transferred \$350,000 to fund the Project Wide Communications Upgrade Project.



M E M O R A N D U M

TO: Middle Fork Project Finance Authority Board of Directors
FROM: Joseph H. Parker, CPA - Treasurer
DATE: April 8, 2020
RE: Recap of the 2020 MFPFA Debt Refinancing of the 2006 Bonds

RECOMMENDATION:

Report on debt refunding and issuance of Revenue Bonds, Series 2020 Refunding closing - Information only.

SUMMARY:

On March 17, 2020, the MFPFA Series 2020 Refunding Bonds settled and the 2006 Bond held by the Placer County Treasurer was paid-off.

- Bonds were assigned an investment grade rating of Baa3 by Moody's Investor Services.
- Net present value savings totaled \$6.7 million.
- Annual debt service savings of \$460,000.
- New debt covenants to hold an operation and maintenance reserve and the flow of funds requires the payment of debt service through the next principal payment date to use funds for other than operations and debt service.

REFINANCING PROCESS HIGHLIGHTS:

- Refunding process commences in July 2019 and concluded on March 17, 2020.
- At the time of closing, the **current outstanding obligation totaled \$71,028,393** on the 2006 Bonds which was refunded plus accrued interest.
- The 2006 Bond was taxable.
- Determined the new 2020 bond issuance could be **tax exempt bonds**.
- Horizons Energy prepared a **Financial Feasibility Report** dated January 16, 2020 that concluded that the "MFP through a combination of annual free cash flows and, when needed financial risk mitigation measures, has sufficient funds available to meet annual obligations including the new bond debt service (principal and interest) and therefore pass the tests of financial feasibility."

- On January 29, 2020, Staff provided an in-depth **presentation to Moody's** Investor Services regarding the MFP and its financial capabilities. Over the next 3 weeks Staff responded to all of Moody's questions.
- Moody's assigned an **investment grade credit rating of Baa3** dated February 20, 2020, which we were very pleased with the investment "good credit" grade rating.
- March 3, 2020 the 2020 Bonds were priced and this was a **very good time for the tax-exempt market**.
- Final results of the MFPFA Series 2020 Refunding Bonds: Issued \$64,280,000 at a premium to pay off the 2006 Bond. On March 17, 2020, the County Treasurer's Office confirmed the receipt of a wire for \$72,160,049.83 (outstanding 2006 Bond plus interest) paying off the 2006 Bond.
- **Net Present Value Savings totaled \$6,683,530** with a true interest cost of 2.143% and debt service savings of \$460,000 per year over the next 16 years based on the 2020 Bonds' amortization schedule.
- The primary **factors for the significant savings** were:
 - The Authority was able to **structure the 2020 Bonds to be exempt** for State and Federal taxes, which resulted in approximately \$1.0 million in incremental savings compared to selling taxable bonds.
 - The 2020 Bonds received an **investment grade rating** from Moody's of Baa3 which resulted in an estimated \$1.8M to \$2.0M in additional savings over a non-investment grade bonds.
 - The **interest rate market** trended in better rates throughout the time of the refinancing was being prepared, moved substantially in our favor in the month prior to pricing.
- **New Debt Covenants:**
 - **PCWA to covenant** to protect the MFP as that is the source of revenue for the Authority's 2020 Bonds. Impact to the Authority: None.
 - **Establish an Operation and Maintenance Reserve** equal to 180 days of O&M expense/budget, which can only be used for O&M Expenses. Impact to the Authority: Little as this will be a component of the existing 1 year Operating Reserve. The restricted use on only O&M expenses could slightly limit flexibility.
 - **Flow of Funds requires the payment of debt service** through the next principal payment date before revenue can be used for matters other than O&M expenses and debt Service such as Capital Projects or distributions. Debt service is due October 1 and April 1 and after the October 1, 2020 principal payment, future principal payments are due April 1 or each year (2021 – 2036. Impact to the Authority: Could be significant. Two Options: **Option 1** - Establish a prepayment program in 2020 whereby debt service is prepaid to the trustee each year on April 2, just after the prior principal payment date. To do so, debt service payments would be \$9.25M in 2020 and then \$5.4M annually thereafter.

This would allow funding of appropriated Capital Projects early in the year for planning and design work. **Option 2** – Fund debt service through the next debt service principal payment date when capital project appropriation funding is needed, which may be later in the year or not all for poor hydrologic years.

FISCAL IMPACT:

Net present value savings of \$6.7 million including the cost of issuance.



M E M O R A N D U M

TO: Middle Fork Project Finance Authority

FROM: Jay L'Estrange, PCWA Director of Power Generation Services

DATE: April 16, 2020

RE: Middle Fork Project Communications Upgrade Project

RECOMMENDATION

Approve a budget amendment for the Middle Fork Project Communications Upgrade in the amount of \$1,000,000 from the following three Minor Projects: \$300,000 from the Existing Project Adjustment Fund, \$500,000 from the New Project Development Fund, and \$200,000 from the Project Wide Security Surveillance Improvement Project.

BACKGROUND

The Middle Fork Communications Upgrade Project consists of constructing new, and upgrading existing, communications infrastructure that will add redundancy and robustness to the Middle Fork Project control and communications system. Additionally the project will extend voice and data communications to the LL Anderson Dam which will allow remote control and monitoring. The improvements consist of installing new microwave towers and radios, underground fiber optic cables, buildings, and ancillary equipment.

The construction contract is a negotiated contract with Nokia of America Corporation (Nokia) previously known as Alcatel- Lucent USA Inc., in the amended amount of \$8,491,964.

Following the 2018/2019 winter it was revealed the three passive reflector towers on Bunker Hill had structural damage due to snow depth and loading on the tower structures. Engineering analysis concluded that the snow load specification used for tower design was incorrect for the potential snow load at that elevation in the Sierra Nevada Mountains. The single passive reflector tower on Red Star Ridge was not damaged but was also found to be insufficiently designed for potential snow loading.

This budget amendment will allow completion of the upper project Communications Upgrade Project. The Agency intends to seek reimbursement for these additional costs.

Staff is requesting additional funds be transferred from the minor projects identified in the total amount of \$1,000,000 for the demolition and re-construction of the four passive reflector towers.

FISCAL IMPACT:

Project to Date Budget	\$ 15,603,271
Additional Funding Requested	<u>1,000,000</u>
Subtotal Budget	16,603,271
Less Project to Date Expenses and Encumbrances	<u>15,427,111</u>
Total Remaining Budget	<u>\$ 1,176,160</u>

With approval of the Budget Amendment for the transfer of \$1,000,000 from the three minor projects, there are sufficient funds available to complete the project.



M E M O R A N D U M

TO: Board of Directors
FROM: Joseph Parker, CPA Treasurer
DATE: April 6, 2020
RE: Revised General Financial Policies

RECOMMENDATION:

Adopt Resolution 20 - ___ approving a revised General Financial Policies.

DISCUSSION:

The Middle Fork Project Finance Authority General Financial Polices was initially Board adopted on April 25, 2013, then was revised and Board approved on October 17, 2013. Since that time the General Financial Policies have served as financial guidance. The impetus for the current revisions is to remove the references to the 2006 Bond. In reviewing the policy, there are certain other minimal revisions that have been made for clarification and consistent application. The recommended changes have been review and agreed to by County and Agency Staff.

Attached for your reference is a redline (tracked changes) draft version so you can view the edits.

FURTHER REVIEW:

As this policy was initially constructed prior to the Authority receiving energy revenue and now this policy has been providing guidance for 8 years, other changes may be warranted. Capital Projects is an area that could benefit from certain revisions. Thus, over the coming months the County and Agency Staff will review this policy and practices to see if there are any needed revisions.

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**RESOLUTION NO. 20-____ OF THE BOARD OF DIRECTORS
OF THE MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
A REVISED GENERAL FINANCIAL POLICIES
FOR THE MIDDLE FORK PROJECT FINANCE AUTHORITY**

WHEREAS, Placer County Water Agency (“Agency”) is the owner of the Middle Fork American River Project (“MFP”) which produces hydroelectric power; and

WHEREAS, the County of Placer (“County”) is a financial partner in the energy sale output of the Project; and

WHEREAS, the County and the Agency formed the Middle Fork Project Finance Authority (“Finance Authority”), a joint powers authority, in part to manage the financial relationship between the two parties; and

WHEREAS, as a joint powers authority, the Finance Authority is accountable to both the County and the Agency, as the parties to the Joint Exercise of Powers Agreement and to the public for the use of public funds; and

WHEREAS, the Finance Authority initially adopted General Financial Policies on April 25, 2013, which were revised on October 17, 2013 to provide a framework to guide the Finance Authority’s decision making with respect to financial activities and planning; and

WHEREAS, the Finance Authority’s existing General Financial Policies needs certain revision as a result of the March 2020 debt refinancing; and

WHEREAS, this Board desires to incorporate the revisions displayed on the attached General Financial Policies for the Finance Authority’s use in decision making with respect to financial activities and planning.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Middle Fork Project Finance Authority that

1. The revised General Financial Policies for the Middle Fork Project Finance Authority attached and made a part of this Resolution, is hereby approved; and

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2. The Finance Authority directs the Treasure of the Finance Authority to implement the General Financial Policies and continue to recommend policy updates as needed.

The foregoing resolution was duly passed at a regular meeting of the Board of Directors of the Middle Fork Project Finance Authority held on April 16, 2020 by the following vote on roll call:

AYES DIRECTORS:

NOES DIRECTORS:

ABSENT DIRECTORS:

Signed and approved by me after its passage this 16th day of April 2020.

Chair, Board of Directors

MIDDLE FORK PROJECT FINANCE AUTHORITY

ATTEST:

Secretary

MIDDLE FORK PROJECT FINANCE AUTHORITY



MIDDLE FORK PROJECT
FINANCE AUTHORITY

General Financial Policies

Adopted: April 25, 2013
Amended with Revisions Approved on October 17, 2013
Draft April 23~~1~~, 2020

Middle Fork Project Finance Authority

General Financial Policies

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Middle Fork Project Finance Authority

General Financial Policies

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1.0 PURPOSE

These General Financial Policies provide a framework to guide the Middle Fork Project Finance Authority's (MFPFA or Authority) decision-making with respect to financial activities and financial planning. This Policy addresses budget, capital planning, reserves, net revenue distribution and other related financial policies for the Authority.

[The Authority was created by the Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority \(JPA\) between Placer County \(County\) and Placer County Water Agency \(Agency\), dated January 10, 2006.](#)

2.0 GENERAL POLICIES

2.1 The Authority will manage its financial assets in a sound and prudent manner, according to Policies adopted by the Authority Board of Directors.

2.2 The Authority will maintain sound financial practices in accordance with generally accepted accounting principles, legal documents (JPA and debt agreements) State

Middle Fork Project Finance Authority

General Financial Policies

and Federal laws and regulations. Should there be a conflict, these authoritative sources will be followed.

6.03.0 BUDGET POLICY:

6.13.1 Authority to Produce Budgets

6.1.13.1.1 Article 6 of the ~~Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority (JPA)~~ sets forth a number of requirements related to budgeting and expenses. ~~In the event of a conflict between these policies and the JPA, the JPA shall dictate.~~

6.23.2 General Conditions

6.2.13.2.1 The Middle Fork Project Finance Authority shall appropriate sufficient funds to provide for the efficient operation of the MFP through the adoption of an Annual Budget.

6.2.23.2.2 The Annual Budget shall incorporate planned expenses for the basic operation and maintenance of the MFP (Operational Budget), additions and betterment projects (Capital Budget), designation to and from reserves, changes in debt, and distributions to the Agency and the County.

6.2.33.2.3 The Annual Budget shall identify amounts encumbered for consulting and construction contracts that span more than one fiscal year.

6.2.43.2.4 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

Middle Fork Project Finance Authority

General Financial Policies

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.

6.2.53.2.5 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.

6.2.63.2.6 Once the Authority Board approves the Annual Budget, funds shall be appropriated and encumbered for the budgeted purposes and the expenditure of those funds shall be deemed authorized.

6.2.73.2.7 Failure to approve the annual budget:

- (1) Authority: Section 6.04 (c) of the JPA provides:

If the Authority fails to approve the Annual Budget by November 30 each year the matter shall be referred for dispute resolution as provided in Section 2.09.

While the dispute is pending resolution the Authority shall continue to fully appropriate and encumber funds for the basic operation and maintenance of the MFP, debt service, and to ensure the completion of any authorized consulting or construction contracts that will extend beyond the end of the current fiscal year as submitted as if the budget had been approved. However, if there is any dispute concerning any amount in the Annual Budget for additions and betterments, the amount in dispute shall be sequestered and shall not be distributed to the parties until the dispute has been resolved.

Middle Fork Project Finance Authority

General Financial Policies

6.2.83.2.8 Reporting: The Authority Treasurer shall submit quarterly budget reports to the Authority Board.

- (1) The report will include the annual budget and actual amounts to date for revenue and expense, and a summary of variances with explanations.
- (2) The report will include a statement of the reserve accounts including beginning balances, targets, activity and current balances.

6.33.3 Budget Timeline

6.3.13.3.1 General: The Finance Authority's fiscal year is the calendar year (January 1 - December 31). The regularly scheduled meetings of the Finance Authority Board of Directors are scheduled on the third Thursdays of January, April, July and October.

6.3.23.3.2 Annual Budget Timeline

- (1) Draft Budget: On or before August 1st ~~PCWA-the Agency~~ 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.
- (2) Capital Plan: ~~PCWA-The Agency~~ will develop a proposed capital project list with related costs and project expenditure schedule for inclusion with the draft Annual Budget.
- (3) Annual Budget Approval: Included with the Authority Board's October agenda, ~~PCWA-the Agency~~ 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) Mid-Year Review Budget: The Agency will prepare a budget update after the final snow survey and by June 21st of the current fiscal

Middle Fork Project Finance Authority

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year. The budget update shall give consideration to an updated estimate of the revenues and expenditures using actual hydrologic conditions and current energy market conditions, and expenses. If warranted, budget revisions may be submitted to the Authority Board of Directors in July.

- (5) Final Year-end Budget Report: Year-end budget and actual amounts along with carryover amounts, if any, will be provided to the Authority Board of Directors in April.

6.43.4 Annual Budget

6.4.13.4.1 Revenue

- (1) Revenue will be forecast for the current budget year and each of the following four years thereafter.
- (2) Revenue in the Proposed Annual Budget: MFP revenue is subject to significant volatility due to variations in hydrology, energy markets and other factors, therefore energy sales revenues shall be based on 80% of the average historical generation ~~for the past ten years~~.

6.4.23.4.2 Expenses

- (1) Expenses will be proposed for the current budget year and forecast for each of the following four years thereafter.
- (2) Expenditure of funds will be consistent with the priorities in the JPA Agreement, ~~the 2006 Bond Purchase Contract~~ debt agreements, and any other obligations that the Board authorizes that affect expenditures.

6.53.5 Working Cash

- 6.5.13.5.1 The Authority Treasurer is authorized to expend and/or transfer funds from revenue received by the Authority consistent with the authorized Annual Budget expenditures as needed for MFP operations, maintenance, capital appropriation and other current obligations.

Middle Fork Project Finance Authority

General Financial Policies

6.5.23.5.2 Working Cash shall be maintained in an amount sufficient to accommodate normal fluctuations in cash flow associated with MFP operations and other cash flow needs, which will approximate 25% of the operating budget.

7.04.0 CAPITAL PLAN POLICY

7.14.1 General

The MFP has infrastructure assets that require upgrades and replacement of equipment and facilities. These capital projects typically require multi-year phases of planning, design and construction until completed. In the annual budgeting process, capital upgrades and replacements must be identified, planned, evaluated and prioritized. Capital projects will be funded from the Authority's Capital Reserve and/or additional debt and/or available unrestricted current revenue. The funding for each capital project shall be identified in the Capital Plan and authorized by the Authority Board through the annual budget process. The Authority will follow the Agency's capitalization policies.

7.24.2 Capital Plan

As part of the annual budgeting process, the Capital Plan, the components of which are outlined herein, will be updated.

7.2.14.2.1 Capital Plan will be updated annually based on the capital requirements of the MFP.

7.2.24.2.2 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.

7.2.34.2.3 The Capital Plan will prioritize capital projects into three categories:

- (1) Potential Projects: Projects under consideration, but not yet authorized.

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- (2) Planned Projects: Projects authorized by the Authority Board for allocation of funds, but not yet authorized for design and construction expenditure of funds.
- (3) Authorized Projects: Projects authorized for design and construction by the Authority Board.

7.2.44.2.4 ~~PCWA~~ The Agency will provide Project descriptions, justification, estimated costs, and a proposed construction and expenditure schedule for each proposed project.

7.34.3 Capital Project Approvals

7.3.14.3.1 Through the Capital Plan, the Authority Board will designate projects as “Potential,” “Planned” or “Authorized” Projects.

- (1) For newly proposed Planned Projects, ~~PCWA~~ the Agency will provide the Authority Board with a preliminary funding plan that includes a recommendation of sources of funds. Authorized of the Planned Project shall include allocation of funds to the Capital Reserve.

7.44.4 Emergency Expenditures

7.4.14.4.1 Emergency or catastrophic events are those that create an immediate need for expenditures in order for the MFP to recover and restore operational capability. Under emergency conditions, expenditures necessary to restore operational capability will not be required to go through the annual capital planning process. If an emergency accelerates a Planned Project, funds collected for this project in the Capital Reserve shall be used prior to other funding sources.

8.05.0 RESERVE POLICY

8.15.1 General

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General Financial Policies

The Authority JPA requires the establishment and maintenance of prudent reserves. Reserve shall be established in the following three categories: Operating, Capital, and Emergency. As part of the annual budget process, a report of reserve account activity shall be presented to the Authority Board by the Authority Treasurer. The report shall include a summary of the use of reserves in the prior year and shall recommend annual and full funding levels. Reserve account funding allocations will be authorized through the annual budget process and may be revised by the Authority Board at any time.

8.25.2 Specific Reserve Accounts

8.2.15.2.1 Operating Reserve

- (1) Purpose: The Operating Reserve account provides readily available cash to operate the MFP under conditions of significantly reduced revenue due to hydrology, energy prices and/or prolonged minor outages or unanticipated variations in expenses.
- (2) Full Funding Target: Operating reserve target amount is set at a minimum of one year of operating expenses based on the following year's operating budget.
- (3) Funding Source: Contributions to the Operating Reserve from current revenue shall be included and authorized through the Annual Budget process or the year-end financial results.
- (4) Authorization Needed for Use: The Operating Reserve account shall be used for the purposes noted above based on determination of need with the prior approval of the Authority's Executive Director and Secretary, or Board. The Authority Board shall be notified of any use of Operating Reserves.

8.2.25.2.2 Capital Reserve

- (1) Purpose: The Capital Reserve account is intended to work as a sinking fund to provide funding for capital projects when needed for Planning and Design, and Construction.

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- (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.
- (3) Funding Source: Contributions to the Capital Reserve from current revenue shall be included and authorized through the Annual Budget process or the year-end financial results.
- (4) Authorization Needed for Use: Use of the Capital Reserve account funds shall be approved by the Authority Board through the annual budgeting process and throughout the year as budget amendments for capital projects are Board approved.

8.2.35.2.3 Emergency Reserve

- (1) Purpose: The Emergency Reserve account provides funding for significant unforeseen needs or events.
- (2) Full Funding Target: ~~PCWA~~ The Agency will prepare a study to determine a total amount of emergency funds that would be required under a severe outage contingency, along with a proposed strategy of insurance, available lines of credit and Emergency Reserve account funds that can respond to the emergency condition. This will define the target level of Emergency Reserve that would be required and, given its current level, an annual contribution needed to accomplish that target level. ~~PCWA~~ The Agency will annually assess the level of Emergency Reserve and propose recommended changes during the Annual Budget process.
- (3) Funding Source: Contributions to the Emergency Reserve from current revenue shall be included and authorized through the Annual Budget process.
- (4) Authorization Needed for Use: The Emergency Reserve account may be used for the purposes noted above based on determination of need with the prior approval of the Authority's Executive Director and Secretary, or Board. The Authority Board shall be notified of any use of Emergency Reserves.

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8.35.3 Funding of Reserve Accounts

8.3.15.3.1 General

It is the Board's intentions that reserves are fully funded or replenished ~~over a three year period~~ to their annual target amounts before net revenue are distributed.

Each of the ~~remaining~~ reserve accounts will have identified annual and full funding targets. ~~When resources are limited, the priority for funding reserves or restoring reserves to established levels after use shall be as follows:~~

- (1) First Priority: Operating Reserves. It is prudent to aggressively contribute to Operating Reserves until the account reaches its established target. The Operating Reserve shall be fully funded before any distributions of net revenues. Additionally, after the use of Operating Reserves, this reserve shall be restored to target levels prior to any distribution of net revenue resources.
- (2) Second Priority: Emergency Reserve. The Emergency Reserve must be funded to the adopted Annual Budget funding level each year before any distribution of net revenues.
- (3) Third Priority: Capital Reserves. The Capital Reserve must be funded to targeted amounts each year before any distribution of net revenues.

9.06.0 NET REVENUE DISTRIBUTION POLICY

9.16.1 General

9.1.16.1.1 Revenue distribution by the Authority is governed by the JPA. ~~two legal obligations: the Authority JPA Agreement between Placer County (County) and Placer County Water Agency (PCWA or the Agency), dated January 10, 2006, and the Bond Purchase Contract between the MFPFA and the Placer County Treasurer, dated March 29, 2006. Pursuant to these~~

Middle Fork Project Finance Authority

General Financial Policies

~~agreements, beginning on April 1, 2015 the Authority Board may consider distribution of net revenue to the Agency and the County.~~

~~9.1.26.1.2~~ Net Revenues is defined as revenue received from the sale of electric energy less expenses for the basic operation and maintenance of the MFP (including prior year expenses incurred but not paid), ~~additions and betterment~~capital project ~~appropriations~~, ~~amounts designated~~ designated to and from reserves, debt payments and ~~replenishment of~~ working cash ~~replenishment and any other Board designated~~ appropriation.

~~9.26.2~~ Periodic Distributions

~~9.2.16.2.1~~ ~~Beginning August 2015 after the Mid Year Review, and a~~Annually ~~thereafter~~, if the net revenue forecast supports distribution of Net Revenues to the County and Agency, the Authority Board may authorize the Distributions of up to 1/3 of the Budgeted Net Revenue, based on available funds, on the last business day of August.

~~9.2.26.2.2~~ ~~Beginning November 2015, and a~~Annually ~~thereafter~~, the Authority Board may authorize the Distributions of up to an additional 1/3 of the Budgeted Net Revenue, based on available funds, on the last business day of November.

~~9.36.3~~ Annual True-Up Distribution

~~9.3.16.3.1~~ ~~Beginning in 2016 and o~~On or before the last business day of ~~March~~ April following each fiscal year the Authority Treasurer, at the Board's direction, will distribute any remaining previous year's Net Revenue.

~~10.07.0~~ AUDIT POLICY

~~10.17.1~~ General

~~10.1.17.1.1~~ The Audit Policy is to assist the MFPFA Board of Directors and management in effective discharging of their fiduciary and administrative responsibilities regarding the required annual financial statement audit. Should changes occur in Federal, state or local laws regarding the auditing

Middle Fork Project Finance Authority

General Financial Policies

of public funds creating a conflict, the Federal, state or local regulations will be followed.

~~10.1.27.1.2~~ Annually, the Authority Treasurer shall coordinate a year-end financial statement audit of the Authority's financial transactions.

~~10.1.37.1.3~~ The annual financial statement audit shall be conducted in accordance with generally accepted auditing standards in the United States and shall include tests of accounting records and other procedures necessary to express an opinion.

~~10.1.47.1.4~~ As the Authority's accounting and recordkeeping are performed by the Agency and the internal control environment is the same, the Authority shall use the same audit firm as the Agency.

~~10.1.57.1.5~~ The Authority Treasurer shall submit to the Authority Board the audited financial statements within 180 days after the close of each fiscal year.

~~11.08.0~~ INVESTMENT POLICY

~~11.18.1~~ General

~~11.1.18.1.1~~ In conformance with California Government Code Sections 53600, *et seq*, the Authority Treasurer shall establish and maintain a statement of investment policy.

~~11.1.28.1.2~~ Annually, during the first quarter of each year, the Authority Treasurer shall submit to the Authority Board the statement of investment policy for authorized use during that year.

~~11.1.38.1.3~~ All funds held by the Authority are subject to this Investment Policy.

~~12.09.0~~ DEBT MANAGEMENT POLICY

~~12.19.1~~ General

The Authority's overriding goal in issuing debt is to provide for the needs of the Middle Fork Project. When the Authority issues debt instruments and makes debt service payments, it will act with prudence, diligence, and attention to prevailing economic

Middle Fork Project Finance Authority

General Financial Policies

conditions. The Authority will also seek to minimize borrowing costs by ensuring proper prioritization of Authority resources and taking advantage of favorable economic conditions. Timing debt issuance to accommodate market interest rates and investor sentiment is an important means of minimizing the cost of debt and the financial burden on the system users. To accomplish this, the Authority will seek input on market conditions from financial consultants who closely monitor the financial markets. The Authority will adhere to the following legal requirements for the issuance of debt:

- The Joint Powers Agreement , which established the powers of the Authority;
- State law, which authorizes the issuance of the debt;
- The Federal and state tax laws, which govern the eligibility of the debt for tax-exempt status;
- The Federal and state securities law, which govern disclosure, sale and trading of the debt. All proposed debt financings and re-financings shall be presented to and approved by the Authority Board. The Authority Treasurer will provide a preliminary proposal to the Board before final authorization is sought.

12.29.2 Financial Disclosure

The Authority Treasurer will meet ongoing disclosure requirements of nationally established and recognized municipal securities information repositories (NRMSIRs) and will maintain compliance with disclosure standards promulgated by state and national regulatory bodies. The Authority may also employ the services of firms that improve the availability of or supplement the Authority's NRMSIR filings.

12.39.3 Type of Debt

The Authority may finance acquisition or construction of projects and capital assets through the issuance and sale of municipal securities or other means. Authority long-term borrowing will primarily be for capital improvements or other projects with long-term benefit. The proceeds of debt obligations will be used for the cost of such acquisition or construction.

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12.49.4 Investment of Bond Proceeds

The proceeds of the bond sales will be invested until used for the intended project in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The Authority's investment policies and bond indentures should be referred to for more details on objectives and criteria for investment of bond proceeds. All bond proceeds will be invested by the Authority in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issue.

12.59.5 Term of Debt

Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current, future beneficiaries or users and the JPA document. Generally, borrowings by the Authority should be of a duration that does not exceed the economic life of the improvement that it finances and where feasible should be shorter than the projected economic life.

12.69.6 Duties of the Authority Treasurer

The Authority Treasurer shall coordinate the administration and issuance of debt and is responsible for selecting the financing team and for the accuracy of disclosure and other bond related documents.

12.6-19.6.1 In addition to the Authority Treasurer, members of the management team and financial advisors may serve on the financing team, along with any other staff member(s). The Authority Treasurer will coordinate the issuance of all debt, including issuance size, debt structuring, pledging of repayment sources and method of sale. All borrowing requests or debt refunding proposals are to be communicated to and coordinated by the Authority Treasurer.

12.6-29.6.2 The Authority Treasurer working with the Authority Counsel will manage any legal activities that may arise with respect to issuance of the debt. Furthermore, after the bonds are issued, the Authority (acting

Middle Fork Project Finance Authority

General Financial Policies

through the Authority Treasurer) will be ultimately responsible for the following:

- Supervising, investing and administering the expenditure of bond proceeds;
- Collecting, or monitoring the collection of, revenues;
- Applying pledged revenues to pay operating expenses and debt service;
- Complying with all undertakings, covenants and agreements;
- Reviewing expenditures of any enterprise funded by the debt;
- Filing of any reports required with various governmental regulators, a bond insurer or other credit enhancement provider, if any, and the credit rating agencies;
- Addressing any problem that may arise with respect to the debt, such as a shortfall in revenues, a tax audit or a regulatory issue;
- Preparing, reviewing and filing Annual Reports and Listed Event Notices under SEC Rule 15c2-12.

12.79.7 Restructuring of Debt

The Authority may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management.

12.89.8 Arbitrage Compliance

The Authority Treasurer shall establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the Federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the Federal government in a timely manner in order to preserve the tax-exempt status of the Authority's outstanding debt issues. Additionally, general

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General Financial Policies

financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are complied with.

13.010.0 INSURANCE COVERAGE POLICY

13.110.1 Risk mitigation will balance strategies that blend insurance and reserve funding (self-insurance) to produce optimal protection of all assets. This balancing will take into account both the potential losses of power revenue, due to unplanned outages or catastrophic conditions, and variances on projected business operations due to hydrologic conditions or power market fluctuations. The Agency will identify appropriate insurance policies and levels of coverage, commensurate with regulatory requirements and prudent business practices, and will secure insurance for the MFP. The amount of the insurance will be budgeted in the Operational Budget.

13.210.2 Property insurance provides protection against risks to property, such as fire, theft or weather damage. This will include boiler and machinery as well as construction equipment.

13.310.3 General Liability insurance provides protection against risks that may include bodily injury or property damage caused by direct or indirect actions of the insured.

13.410.4 Business interruption insurance covers the loss of income, and the expenses incurred, after a covered peril interrupts normal business operations.

13.510.5 ~~PCWA-The Agency~~ shall be required to provide a certificate of insurance and an additional insured endorsement for general liability and automobile liability policies, and it shall name the MFPFA, its directors, employees and volunteers as additional insureds.

13.610.6 For any claims related to the MFP, ~~PCWA's-the Agency's~~ insurance coverage shall be primary insurance as respects the MFPFA, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by MFPFA, its officers, officials, employees, or volunteers shall be excess of ~~PCWA's-the Agency's~~ insurance and shall not contribute with it.

Middle Fork Project Finance Authority

General Financial Policies

14.011.0 PROCUREMENT POLICY

14.111.1 The MFPFA grants all purchasing to the Agency. All Authority purchases shall be in accordance with Placer County Water Agency's Purchasing Policy and Procedures.



M E M O R A N D U M

TO: Board of Directors

FROM: Joseph Parker, CPA, Treasurer

DATE: April 8, 2020

RE: Revised Energy Marketing Oversight Policy

RECOMMENDATION:

Adopt Resolution 20 - ___ approving a revised Energy Marketing Oversight Policy (EMO Policy).

DISCUSSION:

The Energy Marketing Oversight Policy was originally adopted on October 16, 2014, then revised and Board approved on October 10, 2019.

The MFPFA 2006 Bond refunding process commenced in July 2019 and concluded on March 17, 2020 with the 2006 Bond being paid off, as a result, certain language in the existing EMO Policy that referenced the 2006 Bond had to be removed. In addition, the 2020 Bonds are tax exempt, thus in order to maintain the tax exempt status, the energy contracts are limited to a term of 36 months or less. The language has been updated in the revised EMO Policy to reflect this limitation. Certain other minimal revisions have been made for clarification as well. The recommended changes have been review and agreed to by County and Agency Staff.

Attached for you reference is a redlined/tracked change version. The final adopted version will be with the tracked changes accepted and without the redline changes.

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**RESOLUTION NO. 20-____ OF THE BOARD OF DIRECTORS
OF THE MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
A REVISED ENERGY MARKETING OVERSIGHT POLICY
FOR THE MIDDLE FORK PROJECT**

WHEREAS, Placer County Water Agency (“Agency”) is the owner of the Middle Fork American River Project (“Project”) which produces hydroelectric power; and

WHEREAS, the Agency holds license no. 2079, issued by the Federal Energy Regulatory Commission (“FERC”) and has submitted to FERC an application seeking relicensing of the Project to the Agency; and

WHEREAS, the Agency is authorized to operate and maintain the Project and to execute contracts for the sale of electrical energy products produced by the Project, subject to the approval of the County of Placer (“County”); and

WHEREAS, pursuant to Board of Supervisors Resolution 2006-13, adopted January 10, 2006, the County has delegated to the Middle Fork Project Authority (“Finance Authority”), a joint powers authority of which the County and the Agency are members, its authority to approve contracts for sale of power from the Project; and

WHEREAS, pursuant to Resolution 06-01 of the Board of Directors of the Agency, the Agency has delegated to the Finance Authority its authority to approve contracts for the sale of electric energy from the Project; and

WHEREAS, the Finance Authority has previously approved an Energy Marketing Oversight Policy (“Policy”) to direct staff-level coordination and information exchange regarding energy markets generally, and MFP participation in those markets specifically; and

WHEREAS, the Agency, as owner and operator of the MFP, maintains an Energy Risk Management Policy that authorized participation in energy markets with specified MFP energy products by designated Agency employees; and

WHEREAS, the Policy needs certain revisions as a result of the March 2020 debt refinancing.

1 NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Middle Fork Project
2 Finance Authority that

- 3 1. The revised Energy Marketing Oversight Policy for the Middle Fork Project, attached and
4 made a part of this Resolution, is hereby approved; and
5 2. The Finance Authority directs the Secretary and Executive Director of the Finance Authority
6 to implement the Policy and continue to recommend policy updates as needed.

7

8 The foregoing resolution was duly passed at a regular meeting of the Board of Directors of the
9 Middle Fork Project Finance Authority held on April 16, 2020 by the following vote on roll call:

10 AYES DIRECTORS:

11 NOES DIRECTORS:

12 ABSENT DIRECTORS:

13 Signed and approved by me after its passage this 16th day of April 2020.

14 _____

15 Chair, Board of Directors

16 MIDDLE FORK PROJECT FINANCE AUTHORITY

17 ATTEST:

18 _____

19 Clerk

20 MIDDLE FORK PROJECT FINANCE AUTHORITY

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Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

Initially Adopted: October 16, 2014

Prior Revised: ~~October 10, 2017~~ ~~July 20, 2017~~ and ~~January 17, 2019~~

Current Draft Revised and Adopted: April 16, 2019

Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

OVERVIEW

The Middle Fork Project Finance Authority (“Finance Authority” or “MFPFA”) was established on January 10, 2006, under a Joint Exercise of Powers Agreement (JPA) by and between the County of Placer (County) and the Placer County Water Agency (Agency). One of the primary responsibilities of the Finance Authority is the approval of electrical energy sales from the Middle Fork American River Hydroelectric Project (MFP).

The County and the Agency have adopted resolutions delegating their authority to approve contracts for sale of power from the Middle Fork Project to the MFPFA. All contracts for the sale of MFP energy and energy products must be reviewed and approved by the MFPFA as referenced by the Joint Exercise of Powers Agreement for the MFPFA, Article IV, Section 4.03. Through this policy, the MFPFA delegates certain authorities to the Agency to enter into and execute the contractual relationships necessary to sell MFP energy products, subject to the procedures defined herein. The Agency, through its Energy Risk Management (“ERM”) Policy further delegates certain energy contracting authority, subject to specified thresholds, to Agency staff in order to facilitate energy product transactions.

The Agency owns and operates the MFP to dispatch water and generate electrical energy consistent with the following prioritized objectives:

1. Operating the MFP in a Safe and Prudent Manner - All operations of the MFP facilities will be conducted with safety of staff and the public as a paramount concern.
2. Meeting Regulatory Requirements - All operations of the MFP will be conducted in accordance with regulatory requirements.
3. Reliability and Asset Preservation – The MFP shall be operated and maintained in a manner that ensures a high level of reliability and long-term preservation of asset value.
4. Managing Water Supply for Placer County – Water management within the MFP shall ensure a reliable water supply to meet the consumptive needs of Placer County residents and businesses.
5. Energy Generation – Consistent with the above priority objectives and the guidance contained in this policy, the Agency shall market, at favorable times and

Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

rates, the energy generation, ancillary services capabilities, and other energy attributes of the MFP with the goal of maximizing revenue.

PURPOSE

The purposes of this EMO Policy are to:

1. Provide a framework for cooperation between County and Agency staff to ensure that a high level of communication of information, strategies, opportunities, and perspectives on matters related to MFP energy marketing is maintained;
2. Ensure that the authority to engage in energy market transactions is provided and exercised in a manner consistent with the risk and revenue objectives of the Finance Authority as outlined in this and other Finance Authority policies;
3. Define an approach and the parameters for the marketing of MFP energy and energy related products that (a) reflects MFP's contractual, regulatory, and operational constraints, (b) promotes transparency and competition, (c) provides a framework for managing market and counter-party risks, and (d) maximizes the value of MFP energy products; and
4. Provide a framework through which recommendations to the Finance Authority Board by the Executive Director and Secretary, related to MFP energy marketing, can be developed.

SCOPE

This EMO Policy applies to all employees and authorized agents of the Agency and the County transacting directly or indirectly in energy markets with regard to the MFP.

ENERGY MARKETING OVERSIGHT WORKING GROUP (EMOWG)

Responsibility and Membership:

Energy marketing oversight will be the responsibility of the Finance Authority's Executive Director and Secretary. Together they will select staff from their respective organizations forming an Energy Marketing Oversight Working Group ("EMOWG") to prepare all information related to joint energy marketing and to provide information to the Executive Director and Secretary, allowing them the opportunity to make recommendations to the Finance Authority Board as needed. The EMOWG will ensure that energy marketing

Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

strategies are consistent with this EMO Policy, all Finance Authority Policies, and Federal and state regulations.

The EMOWG shall be comprised of six staff members: three from the Agency and three from the County, appointed by the Finance Authority Executive Director and Secretary, respectively. The EMOWG shall meet at least quarterly with the Executive Director and Secretary in order to inform them on items of interest to the Finance Authority.

The purpose and responsibilities of the EMOWG are to:

1. Ensure the marketing of energy and energy related products from the MFP is in accordance with this EMO Policy;
2. Monitor market conditions, trends and opportunities;
3. Review the Agency's compliance with its Energy Risk Management Policy;
4. Review the Agency's Annual Operating Plan for MFP water management, storage and generation and associated revenue estimates;
5. Regularly update the Executive Director and Secretary on the near and long-term energy marketing and financial risk management strategies available to maximize the value of the MFP, while minimizing risk;
6. Participate in marketing strategy discussions with Agency's energy marketing operations staff, and monitor performance;
7. Develop power sales performance metrics and reporting guidelines;
8. Create a Strategic Business Plan to provide guidance to Agency and County management and staff regarding power marketing strategies, concepts, and operational needs. The Plan shall be updated every five years or as energy market conditions evolve; and
9. Facilitate communications between the Agency and the County related to power sales, water sales, regulatory actions, legislative affairs, and other processes or circumstances that affect the operation of the MFP.

In order to inform the Executive Director and Secretary of the current state of the energy market and the MFP's participation in that market, the EMOWG shall develop and maintain the following products for review by the Executive Director and Secretary:

1. In accordance with the Finance Authority's General Financial Policies Section 3.3.2

Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

- (1), the EMOWG shall work with the MFPFA Treasurer to develop the Proposed Annual Budget to be submitted to the Finance Authority Board annually on or before their regular October meeting.
2. Each year, when hydrological conditions are known, the EMOWG shall prepare an Annual Marketing Report for MFP energy-related products for the calendar year.
 - a. The Annual Marketing Report will include information regarding the total projected MFP energy product and ancillary services sales, projected renewable attribute sales, projected energy product purchases to manage sales positions, and projected revenue or cost for each of these categories.
 - b. The EMOWG will present the Annual Marketing Report to the Executive Director and Secretary as an informational item. If projected MFP revenues will not be sufficient to fund the annual budgeted appropriations, the Finance Authority Treasurer shall notify the MFPFA at the next regularly scheduled meeting.

INFORMATION EXCHANGE AND REVIEW

The Agency shall regularly provide the following to the EMOWG in order to ensure the most current information is available for review in relation to energy marketing strategy discussions:

1. An Annual Operating Plan that reflects MFP hydrology, market conditions, Agency water needs and regulatory requirements;
2. The projected market value of water stored within the MFP system available for production of energy and ancillary energy market products;
3. A description of current trading strategies and associated trading limits for authorized energy products.

POWER SALES AND ENERGY MARKETING

~~The intent of this section is to meet the specific requirement of the Bond Purchase Contract, dated March 29, 2006, between the MFPFA and the Placer County Treasurer, Section 6 Representations, Warranties, Covenants and Agreements of the Authority, paragraph (t) regarding "power sales policies."~~

Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

This power sales and energy marketing section establishes guidelines, for the periodic marketing to qualified counter-parties, necessary to promote the primary goal of maximizing revenue from MFP energy products and attributes. This policy will function in conjunction with or complement the following Finance Authority and Agency policies:

- Finance Authority's General Administrative Policies
- Finance Authority's Project Operations Protection Policies
- Finance Authority's General Financial Policies
- Agency's Energy Risk Management Policy

The MFPFA recognizes that price volatility in energy market products, along with the amount of water and energy available each year from the MFP, are outside the control of the Agency. As such, the MFPFA also recognizes that the Agency is unable to (a) precisely forecast annual MFP revenue and (b) ensure, in any year, that MFP revenues will exceed the project's operating costs or reserve funding requirements. Reflecting this, the primary goal of the Finance Authority, in its delegation of authority to enter into various energy related sales agreements through this policy, is to maximize revenue in each year, while also working to stabilize revenue in future years to the extent possible.

MFP Energy and Energy Related Marketing Solicitation Processes

The marketing of MFP energy and energy related products will be conducted in competitive and transparent solicitation processes, through qualified brokers or agents, and/or on liquid commodity exchanges.

The Agency is authorized to:

1. Participate in California Independent System Operator ("CAISO") markets and/or on other exchange-traded platforms that offer liquidity, transparency, and adequate counter-party credit assurances.
2. Market MFP energy and energy related products to end-users on a term basis. The Agency will conduct public solicitation processes of sufficient scope to attract qualified counter-parties. The results of these solicitations shall be presented to the EMOWG for review, prior to recommending to the Executive Director and Secretary that contracts be considered for approval by the MFPFA and award by the Agency Board.

Energy Marketing Oversight Policy

3. Retain the services of energy marketing professionals. For the solicitation of energy marketing agent professional services, the Agency will solicit written quotes from qualified agents or brokers, which shall be presented to the EMOWG for review, prior to recommending to the Executive Director and Secretary that service contracts be considered for approval by the MFPFA and award by the Agency Board. Physical and financial transactions made through energy marketing agents or brokers shall be subject to the Agency ERM policy.
4. Participate in solicitations proffered by entities that are in need of MFP energy related products or services. Offers shall be approved by the EMOWG before submittal to the proffering entity, and any resulting contract shall be presented for review by the EMOWG, prior to recommending to the Executive Director and Secretary it be considered for approval by the MFPFA and award by the Agency Board.

Authorized Marketable MFP Energy Products, Term of Contract Commitments, & Price Structures

Appendix A, which is included and made a part of this Energy Marketing Oversight Policy, summarizes the parameters under which Agency staff can market MFP energy and related products, specifically addressing:

- a. The type and nature of energy and energy related products Agency staff can market;
- b. The tenure or contract term and quantity under which Agency staff can commit MFP energy and energy related products; and
- c. The types of price structures Agency staff can market MFP energy and energy related products.

The product marketing limitations described in Appendix A are intended to guide marketing efforts; the making of contracts for sale of MFP products is subject to the policies described in this section.

Speculative Trading

Speculative buying and selling of energy products are prohibited.

Speculation is defined as buying energy not needed to fill a contractual obligation, or selling energy or energy related products that exceeds MFP's physical or expected output. In no event shall transactions be executed that speculate on market conditions.

Energy Marketing Oversight Policy

Risk Oversight

In conjunction with energy marketing, the Agency will adopt and maintain an Energy Risk Management Policy, which will include an energy risk management governance and organization structure. The risk governance structure shall be appropriately segregated at the operational level so that sufficient and appropriate checks and balances between functions exist such that the reviewing, monitoring and reporting of energy transactions are independent of trading activities. Included in this Agency policy shall be the establishment of the following:

- An Energy Risk Oversight Committee to oversee risks associated with energy marketing activities, counter-party credit, market liquidity, and to ensure compliance with trading transacting authorities and guidelines and standards of conduct.
- Consistent with industry practice, the duties of execution of energy transactions, risk monitoring and settlement reporting shall be separated into the following three functional areas: Front Office, Middle Office and Back Office

Middle Fork Project Finance Authority

Energy Marketing Oversight Policy

APPENDIX A

Middle Fork Project Energy & Energy Product Marketing Parameters

Under most circumstances, it is anticipated that MFP energy and energy products will be marketed separately (i.e. on an unbundled basis); however, there is no prohibition on bundling products where value dictates that approach is appropriate.

Agency staff are authorized to market MFP energy and energy related products directly with counter-parties or through a marketing agent or broker, and to recommend contracts for award and execution by the Agency, subject to the following parameters:

A. Authorized Marketable Energy Products

Agency staff are authorized to market the following energy products:

1. Energy
2. Ancillary Services
3. Resource Adequacy
4. Renewable Energy Credits
5. Carbon Free Credits

B. Approved MFP Energy Products Marketing Contract Term & Quantity Commitments

Maximum Contract Term Commitment:

- a. MFP energy and energy products can be sold forward for a term of contract up to, but not exceeding, ~~thirty-six~~~~ty~~ (3660) months.

Maximum Aggregate Contract Quantity:

- a. For a term from the then current date up to twelve (12) months forward: Agency Staff can market up to 100% of the estimated energy and energy products output of the MFP on a forward basis.
- b. For a term beginning thirteen (13) months to ~~thirty-six~~~~ty~~ (3660) months forward from the then current date: Given unknown hydrological conditions, Agency staff will not market aggregate quantities of MFP energy and energy related products that exceed the historical minimum annual output of the MFP (i.e. 300,000 MWh per year).

Energy Marketing Oversight Policy

C. Approved Pricing Structures

Agency staff are authorized to sell MFP energy and energy related products using the following price structures:

1. Fixed price: involves the marketing and physical delivery or financial obligation of energy and/or energy-related products at a fixed price.
2. Index or “Market Price”: involves the marketing and physical delivery or financial obligation of energy and/or energy related products at prices that are indexed to a specific delivery point at reported market clearing prices.



M E M O R A N D U M

TO: Board of Directors

FROM: Joseph Parker, CPA, Treasurer

DATE: April 7, 2020

RE: Revised PCWA Energy Risk Management Policy

RECOMMENDATION:

For Informational purposes only.

DISCUSSION:

The Energy Risk Management (ERM) Policy was last updated and adopted on October 17, 2019. The revisions in this version are as follows:

1. On page 5, the following paragraph was inadvertently removed in a past version, so it is being added back: "During the first quarter of each year, the Board of Directors shall review and approve the ERM Policy. This ERM Policy may also be amended by the Board, at any time, as deemed necessary."
2. On page 7, a Risk Oversight Committee (ROC) member position, the Director of Strategic Affairs, is being changed to the Director of Resource Management.
3. In Appendix D, starting on page 17, based on the Middle Fork Project Finance Authority 2020 Bond Refunding documents, the term of short-term energy sale contracts is limited to 36 months in order to maintain the tax exempt status. Thus, Appendix D has been revised to reflect 36 months rather than 60 months for transaction limits - Term.

A redline version of the tracked changes is attached herewith to assist review.

Placer County Water Agency

Energy Risk Management Policy

Chapter 3, Article 14
of the Personnel and Administrative Manual

Section 3600

Initially Adopted: October 16, 2014

Prior Revised: ~~October~~January 17, 2019

Current Draft: Adopted April~~October~~ 16~~7~~, 2020~~19~~

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Energy Risk Management Policy

OVERVIEW

Placer County Water Agency (Agency) is the owner and operator of the Middle Fork American River Hydroelectric Project (MFP, Middle Fork Project or Project) (FERC Project No. 2079), which has a rated capacity of 224 MW.

This Energy Risk Management Policy (ERM Policy) provides a framework for the prudent management of risks and delegation of authorities governing the Agency's energy transaction activities in the CAISO, bilateral and forward energy markets.

This ERM Policy identifies energy market risks and corresponding risk management objectives, and details key organizational control structures and policy matters, providing prudent risk management processes based upon sound energy risk management principles.

AUTHORITY

This ERM Policy operates under the authority of the Agency's Board of Directors and shall become effective upon approval of the Board.

Any amendments to this ERM Policy require the approval of the Agency's Board.

SCOPE

This ERM Policy applies to all energy marketing activities, which includes the purchase and sale of physical energy products and related financial instruments. This ERM Policy applies to all Agency employees and authorized agents engaged directly or indirectly in transactions involving MFP energy products.

This ERM Policy summarizes the Agency's risk management framework to consistently and comprehensively apply risk management and internal control practices to risks encountered in its business.

PURPOSE

The purpose of this ERM Policy is to formally establish an Energy Risk Management Program, and document the organizational structure utilized by the Agency to maximize energy product revenue in recognition of the risk inherent in California's energy markets.

Energy Risk Management Policy

MFP ENERGY RISK MANAGEMENT OBJECTIVES

- Market Risk Management Objectives: Understand, prioritize and manage inherent California energy market risk factors:
 - Identify, evaluate and track risk factors;
 - Minimize uncertainty regarding operational reliability, internal coordination and water supply; and
 - Engage in energy product transactions via participation in authorized markets with authorized strategies.

- Control Objectives:
 - Mitigate operational risk through coordination and investment policies that seek to maximize generation availability and operational flexibility;
 - Mitigate transactional risk by monitoring compliance with the Agency's Energy Risk Management Policy, Strategies and Procedures; and
 - Mitigate regulatory risk by monitoring all regulatory agencies for potential changes that may affect MFP performance, developing adaptation strategies, as needed.

GENERAL AND POTENTIAL RISKS

The energy risk management process involves the identification, evaluation, and management of energy marketing risks, and is comprised of six key energy risk elements: identification, measurement, monitoring, control, reporting and corrective action. Subsequent sections of this ERM Policy, coupled with associated energy marketing strategies and procedures, provide guidance for each aspect of the risk management process.

The effectiveness of this ERM Policy in managing energy risk will be systematically reviewed and, when appropriate, modified through the Board approval process.

Energy market risks addressed in this ERM Policy are: Energy Price Volatility and Liquidity, Counterparty Credit Exposure and Contractual Performance, MFP Operational Performance, and Regulatory, Legislative and Market Rule Changes.

Energy Risk Management Policy

Descriptions and management techniques for each element are as follows:

Energy Price Volatility and Liquidity Risk

- Description: The price of energy products in CAISO, bilateral and forward markets can be unpredictable and volatile. Extended periods of low energy prices can expose the Agency to outcomes inconsistent with the Agency's financial objectives, while periods of elevated prices offer the opportunity to lock-in attractive value and revenue through bilateral and/or forward sales.
- Risk Management Techniques:
 - Invest in maximizing the physical generation capability, operational flexibility, and reliability of the MFP;
 - Invest in best practice hydrological and forecast information, optimizing the available fuel (i.e. water) supply;
 - Develop and implement an energy marketing strategy that leverages MFP generation, attributes and ancillary service capabilities;
 - Remain abreast of all market rules to maximize opportunities via appropriate bid strategies;
 - Develop and implement bilateral and/or forward energy market strategies that maximize MFP revenue, while adhering to prudent risk management techniques; and
 - Maintain high levels of coordination among MFP marketing, operations, and finance staff, enabling timely market responses to favorable energy prices and/or unanticipated outages.
- Description: Illiquidity and lack of price transparency in CAISO, bilateral and forward energy markets may lead to sub-optimal prices for MFP energy products.
- Risk Management Techniques:
 - Maintain capabilities to sell a range of MFP energy products in multiple markets;
 - Develop access to multiple counterparties;
 - Develop fundamental energy market outlooks; and
 - Access real-time product price data through third parties, energy trading platforms, price reports and/or other sources, as necessary, to assess market prices.

Energy Risk Management Policy

Counterparty Credit Exposure and Contractual Performance Risk

- Description: Exposure to economic loss resulting from counterparty non-performance or default on their financial obligations to the Agency.
- Risk Management Techniques:
 - Establish and maintain credit criteria for all counterparties; and
 - Actively monitor Agency exposures to each counterparty, ensuring that aggregate Agency obligations and exposures are within pre-established limits.

MFP Operational Performance Risk

- Description: The risk the Agency defaults on its contractual obligations to a counterparty, potentially exposing the Agency to lost revenue and/or penalties.
- Risk Management Techniques:
 - Manage the Agency's financial exposure to performance risk using contractual tools (e.g. unit contingent obligations);
 - Require active engagement between Agency marketing and operations staff, ensuring timely communication and a mutual understanding of MFP operational capabilities and contractual obligations;
 - Access bilateral and forward markets to preserve options to quickly resolve outstanding obligations;
 - Invest in best practice hydrological and forecast information to optimally dispatch the available water supply; and
 - Have access to adequate financial reserves in order to manage the impact of performance interruptions.

Regulatory, Legislative and Market Rules Risk

- Description: The risk that regulatory and/or legislative actions adversely impact MFP operations and/or the marketing of MFP energy and energy related products.
- Risk Management Techniques:
 - Monitor regulatory proceedings and legislative initiatives impacting the MFP;
 - Where appropriate, participate in regulatory or legislative proceedings to mitigate adverse impacts to the MFP, and to advance outcomes favorable to the Project;

Energy Risk Management Policy

- Collaborate with similarly situated merchant power generators to mitigate the impacts of regulations and/or legislation adverse to the Project, and to promote and/or support regulations and legislation favorable to the MFP;
- Monitor and participate in CAISO Market Initiatives; and
- Undertake routine internal review of bidding and optimization strategies in light of dynamic regulatory and market conditions.

GOVERNANCE AND ORGANIZATION STRUCTURE

The risk governance structure follows a top-down approach whereby the Board of Directors considers and adopts an ERM Policy establishing objectives, organizational structure, authority and guidelines, implemented by the General Manager and his/her designated staff.

This ERM Policy sets forth distinct roles and responsibilities, and establishes controls and procedures to be implemented by designated staff to ensure the adequate functioning of the risk management control environment.

Appendix E provides an organizational chart summarizing structure and functionality within this Energy Risk Management Policy.

The principles of good risk management policy embodied herein shall be emphasized throughout all aspects of the Agency's energy marketing business.

At the operational level, marketing activities and risk monitoring activities shall be separated to ensure sufficient and appropriate checks and balances between these functions, such that oversight of energy transactions is independent of marketing activities.

Formal delineation and delegation of authority are required and shall clearly define the permissions granted to employees and agents making decisions and taking actions on behalf of the Agency.

Board of Directors

The Board of Directors is responsible for considering and approving the ERM Policy.

During the first quarter of each year, the Board of Directors shall review and approve the ERM Policy. This ERM Policy may also be amended by the Board, at any time, as deemed necessary.

Energy Risk Management Policy

General Manager

The General Manager shall:

- Implement this ERM Policy, including enforcement of the risk management organizational structure outlined herein, and oversee the development of procedures for the administration of the energy risk management program;
- Authorize individuals (employees or agents) to execute energy marketing transactions on behalf of the Agency;
- Ensure there is a clear separation of duties and activities among and between (a) the Energy Risk Oversight Committee, (b) the Front Office, (c) the Middle Office and Back Office;
- Adopt or reject energy marketing strategy recommendations endorsed by the Energy Risk Oversight Committee;
- Review the effectiveness of this ERM Policy; and
- Undertake actions as necessary to resolve issues with ERM Policy compliance.

Front, Middle and Back Office Functions

Based on industry best practices, the responsibilities of the Front Office and Middle/Back Offices shall be separate business functions (i.e. transacting and monitoring/settlement functions). Appropriate segregation of duties should be established and maintained throughout the system of controls over financial and operational risks. However, based on the nature and volume of transaction activity, the Middle and Back Office functions may be performed by the same departmental personnel. Within the Agency, energy marketing and risk oversight shall be performed by departmental personnel as outlined below and further detailed in the Procedures documents.

- **Front Office** – The Front Office is primarily responsible for resource planning, market assessment, energy marketing, and revenue optimization, which includes identifying and developing energy marketing opportunities and strategies for consideration by the Energy Risk Oversight Committee and General Manager. The Front Office is also responsible for implementing approved strategies and advancing the Agency’s goal of maximizing MFP revenue, while transacting within the authorized limits.

Energy Risk Management Policy

- **Middle Office** – The Middle Office institutes, supervises, and reviews all energy risk monitoring activities, is responsible for reporting to the GM and Energy Risk Oversight Committee on energy risk management issues, and provides recommendations when changes in policy or operating procedures are warranted.
- **Back Office** – The Back Office is responsible for invoice settlements, transaction recording, bookkeeping and accounting, and contract administration.

Energy Risk Oversight Committee

The Agency's General Manager shall establish an Energy Risk Oversight Committee ("ROC") to serve in an advisory capacity to the General Manager. The ROC shall be a management level committee tasked with assisting the General Manager in evaluating and monitoring energy risk management processes, controls, functions, implementation and compliance with this ERM Policy, as well as sharing knowledge and information.

ROC membership shall be comprised of the following four Agency staff:

- Director of Financial Services (Chairman)
- Director of Energy Marketing
- Director of ~~Strategic Affairs~~Resource Management
- Director of Power Generation Services

Outside advisors with specific expertise in energy risk or performance metrics, energy marketing best management practices, energy marketing strategies, forward markets and forward trading, or similar relevant expertise may be approved by the General Manager to participate in the ROC.

The ROC shall meet, at a minimum, each quarter or more often as opportunity or need dictates.

The ROC has no authority to act independently. Its role is to monitor, investigate and report compliance with the ERM Policy. The ROC shall report to the General Manager.

In its function, the ROC shall:

- Review the Agency's risk exposures.
- Review operational performance metrics and operational outlooks as they relate to energy marketing;

Energy Risk Management Policy

- Review marketing strategies developed by the Agency's energy marketing team and, where appropriate, recommend those strategies to the General Manager;
- Review risk exposure control, monitoring and reporting procedures and requirements;
- Review the internal control infrastructure supporting this ERM Policy and ensure it provides adequate risk oversight and compliance;
- Assess the adequacy and functioning of system controls supporting energy marketing risk assessment, measurement, and compliance regarding this ERM Policy;
- Receive and review risk management reports prepared by staff regarding the Agency's compliance with the ERM Policy, including deviations, exclusions, exceptions and violations;
- Review the Agency's ERM Policy annually and make recommendations to the General Manager;
- Ensure that energy marketing and risk management staff have the necessary training, skills, abilities, and experience to execute their duties;
- Review bilateral contract provisions (e.g. unit contingency, Force Majeure, payments, material adverse change, financial margining, etc...) for the sale of energy products and make recommendations to the General Manager;
- Review potential counterparties for bilateral transactions and make recommendations to the General Manager;
- Review and recommend credit limits for each counterparty to the General Manager; and
- Review the overall effectiveness of energy risk controls in accordance with this ERM Policy, recommending improvements, as appropriate, to the General Manager.

Director of Energy Marketing

The Director of Energy Marketing shall:

- Be responsible for managing Front Office activities;

Energy Risk Management Policy

- Undertake the daily administration and management of marketing the Agency's energy products in accordance with this ERM Policy;
- Develop and maintain a resource (hydrology) plan, summarizing projected monthly energy and energy-related attribute sales for the then current water year, and fundamental energy market outlooks;
- Identify and develop energy marketing strategies for consideration by the ROC and GM;
- Maintain regular communication with Operational staff, exchanging information regarding MFP operations and maintenance and the Agency's energy market obligations;
- Maintain regular communication with the Middle Office regarding marketing activities (such as new transactions, new products, counterparty positions, credit and risk exposures, and updated price curves);
- Maintain regular communication with the Back Office regarding energy price settlements, invoice true-ups, and dispute resolution;
- Ensure all transactions are captured in the designated deal-entry system timely and accurately;
- Mitigate the Agency's energy market financial exposures using contractual tools to minimize risk;
- Develop multiple counterparties for energy trades, and ensure new energy related contracts are reviewed by Risk Management, Finance and Legal;
- Report periodically to the ROC, General Manager or Board of Directors regarding energy marketing performance and strategies;
- Proactively disclose to the ROC any material issues that arise in the course of business that encroach on ERM Policy restrictions, or involve significant risk; and
- Monitor regulatory proceeding and legislative initiatives and engage legal counsel when appropriate. Collaborate with other power generators to mitigate the impacts of regulations, while monitoring and participating in CAISO Market Initiatives.

Energy Risk Management Policy

Director of Financial Services

The Director of Financial Services shall:

- Manage Middle and Back Office activities;
- Administer and manage the energy risk management program;
- Serve as Chairman of the ROC;
- Acquire and implement an energy deal capture system (designated system), supporting deal entry and risk reporting to maintain a system of records of all energy transactions;
- Develop counterparty risk tolerances, and establish and maintain criteria for counterparties credit limits, including monitoring exposure;
- Establish and maintain an active financial review process for all counterparties;
- Review all energy contract vehicles (i.e. WSPP, EEI, ISDA, etc...) prior to execution;
- Maintain regular communication with the Front Office regarding energy trading activities;
- Provide reports to the ROC, General Manager and Board of Directors regarding adherence to this ERM Policy; and
- Proactively disclose to the ROC any material issues that arise in the course of business that encroach on the ERM Policy restrictions, or carry material implications for the effective administration of the energy risk management program.

Director of Power Generation Services

The Director of Power Generation Services shall:

- Manage operation and maintenance of the MFP generation assets;
- Maintain regular communication with the Front Office regarding MFP current and forthcoming operations, operational availability, and planned maintenance that could impact the Agency's energy market obligations;
- Provide analysis of the MFP's operational reliability as information for the ROC; and

Energy Risk Management Policy

- Provide recommendations for increasing the MFP's operational capacity and reliability as it may impact energy marketing activities.

MARKETING AND TRANSACTING AUTHORITY AND GUIDELINES

Energy marketing activities shall be limited to the products, quantities, and term limits specified below and in Appendix C.

General Transacting Guidelines

Agency staff and authorized agents shall comply with this ERM Policy, all applicable CAISO tariff sections, protocols and procedures, applicable counterparty credit limits, and the provisions of bilateral contracts executed with counterparties for transactions in forward markets.

All bilateral transactions shall only be executed with approved counterparties using standard contract vehicles (i.e. WSPP, EEI, ISDA, etc...) with appropriate energy risk management provisions in favor of the Agency.

All energy marketing financial transactions shall conform to the terms and limits specified within this ERM Policy, and/or be in accordance with energy marketing strategies adopted by the General Manager.

Counterparty Credit Risk

Energy transactions shall only be executed with contractually enabled counterparties, within the credit limits established by the Director of Financial Services and approved by the General Manager.

Authorized Personnel

Only personnel/agents authorized by the General Manager pursuant to a written "Delegation of Authority Form" (Appendix B) can negotiate, transact and execute transactions on behalf of the Agency in wholesale energy markets.

When authorized, the General Manager's Delegation of Authority Form shall be provided to the Director of Financial Services for appropriate monitoring.

Energy Risk Management Policy

Authorized Products and Limitations

The Agency may only transact in the energy-market products listed in Appendix C.

Permissible Financial Transaction Instruments and Limits

Permissible instruments and limits (including quantity, dollar, and term) for forward marketing shall be specified in Forward Energy Marketing Strategy proposals presented to the ROC and General Manager.

Term Limits for all products

The term or duration of sale of authorized energy products per Appendix C of this ERM Policy, shall be in accordance with the limits detailed in Appendix D of this ERM Policy.

Prohibited Products and Transactions

The following transactions are prohibited:

- Any transaction prohibited by Federal and/or State laws and regulations;
- The sale or purchase of financial options not backed by physical generation;
- The sale of energy not backed by physical generation;
- Transactions with unapproved counterparties and with counterparties where approved credit limits have been or will be exceeded;
- Transactions involving products, quantities and durations not specifically authorized by this ERM Policy; and
- The sale or purchase of energy and related products that obligate the Agency for a period of time greater than five years from the date of the agreement.

REPORTING

The General Manager shall establish standard reporting protocols to keep the Board of Directors, ROC and staff with responsibilities in energy risk management apprised.

STANDARDS OF CONDUCT

In accordance with this ERM Policy and California law, personnel involved in transacting and oversight of energy marketing, contract negotiation, and risk management, may not participate in decisions in which they have a financial conflict of interest. General Manager, Front Office Personnel, and ERMC members are required to complete, on an annual basis, the Form 700

Energy Risk Management Policy

Disclosure forms and submit these forms to the Agency Clerk to the Board. Each staff member engaged in energy transactions, risk management or energy operations has the sole responsibility of identifying and reporting any potential conflict of interest, and ensuring that he or she does not participate in decisions when a financial conflict of interest exists. If the employee has a reportable interest, it is their responsibility to disclose the interest and inform their supervisor of the potential conflict. Supervisors should ensure employees are not involved in a decision-making capacity with respect to any of their reportable interest. Annually, employees involved in transacting and oversight of energy marketing, contract negotiation, and risk management shall complete the Compliance Statement (attached in **Appendix A**) acknowledging review of the ERM Policy and compliance with its processes, terms and limitations.

Placer County Water Agency

Energy Risk Management Policy

Appendix A – Compliance Statement

Compliance Statement

I, the undersigned employee hereby acknowledge receipt and review of Agency’s Energy Risk Management Policy dated _____ (the “ERM Policy”).

I further acknowledge that this ERM Policy defines the process of Agency’s energy risk management efforts, I understand those processes and shall comply with those ERM Policy products, processes, terms and limits.

If I become aware of non-compliance or any potential non-compliant situation with the ERM Policy, either directly or indirectly, I will report such noncompliance or any potential non-compliance situation to any member of the ROC, other than my direct supervisor, and to the Director of Financial Services.

Signature

Type or Print Name

Title

Date

Annually, this form is required to be completed and submitted to the Director of Financial Services for regulatory filing.

Placer County Water Agency

Energy Risk Management Policy

Appendix B – Energy Marketing Delegation of Authority Memorandum

Energy Marketing Delegation of Authority Memorandum

By means of this memorandum, I, the General Manager of Placer County Water Agency (Agency), delegate authority, to the extent provided below, to negotiate, transact and execute on behalf of the Agency in wholesale energy markets.

Name

Title

Effective ***date as of General Manager's signature below***, the aforementioned individual, while serving in said position is hereby authorized to negotiate, transact and execute on behalf of the Agency into the CAISO wholesale and bilateral energy markets:

Buy Bilateral Forward Energy	Sell Bilateral Forward Energy
Buy Physical Day-Ahead Energy	Sell Physical Day-Ahead Energy
Buy Physical Real-Time Energy	Sell Physical Real-Time Energy
Buy Resource Adequacy Capacity	Sell Resource Adequacy Capacity
Schedule Ancillary Service Products	Sell Carbon Free Energy
Sell Renewable Energy Credits	

Requisition Submitted:

Name [Requesting Official – Department Head]

Title

Acknowledged and agreed:

Name [Delegate]

Title

Approved:

General Manager Signature

Date

Upon execution, this authorized form shall be provided to the Director of Financial Services.

Energy Risk Management Policy

Appendix C – Approved Energy Transaction Products

- Resource Adequacy Capacity and other capacity attributes:

This product is contracted on a term basis with qualified counterparties.
- Renewable Energy Credits:

This product is contracted on a term basis with qualified counterparties.
- Carbon Free Credits:

This product is contracted on a term basis with qualified counterparties.
- Physical Day-Ahead and Real-Time Energy Sales scheduled through the CAISO:

Transaction quantities shall not exceed the transmission or operations constrained generation potential of each MFP generator that is separately bid into the CAISO wholesale energy market.
- Physical Day-Ahead and Real-Time Energy Purchases scheduled through the CAISO:

For any given time hour, purchases shall be limited to the quantity of energy that has been awarded in the CAISO Day-ahead market, or that has been sold in a bilateral forward transaction.
- Ancillary Service Products scheduled through the CAISO:

Any type and level of Ancillary Service product that is within the safe operating range of the generating unit and is consistent with the CAISO Tariff conditions and operating protocol.
- Bilateral Forward transactions:

Shall be conducted in accordance with the forward energy marketing strategy adopted by the General Manager.

Energy Risk Management Policy

Appendix D – Energy Marketing Product Limits

The Middle Fork Project Finance Authority has delegated to PCWA the authority to enter into short term agreements for the sale of energy and related products created by the Middle Fork Project, where short term is defined as a period not exceeding ~~three~~five years¹ from the date of the agreement. The purpose of this delegation was to facilitate the regular conduct of business. Long term agreements for the sale of energy and related products, exceeding five years, must be approved by the Middle Fork Project Finance Authority Board of Directors.

The PCWA Board of Directors has delegated to its General Manager, or his designee, the authority to enter into short term agreements for the sale of energy and related products created by the Middle Fork Project. The purposes of this delegation are to facilitate the regular conduct of business.

The PCWA General Manager may delegate to the Director of Energy Marketing, and his staff, the authority to enter into agreements for the sale of energy and related products created by the Middle Fork Project, as detailed in the matrix below.

The following matrices summarizes the authorized personnel and product limits:

		Transaction Limits (up to)			
Title	Product	Deliver Lead Time	Term	MW Size	Price
PCWA Board of Directors	Resource Adequacy/Capacity	No Limit	Up to 3660 months	≤ MFP Capacity Rating	No Min/Max
	Renewable Energy Credits	No Limit	Up to 3660 months	≤ MFP R.E.C. Rating	No Min/Max
	Carbon Free Energy Certificates	No Limit	Up to 3660 months	≤ MFP Annual Carbon Free Output	No Min/Max

~~1. —0~~

1. Contract term limit guideline determination is consistent with contract term definition specified in the TAX CERTIFICATE AGREEMENT, Dated March 17, 2020, relating to: MIDDLE FORK PROJECT FINANCE AUTHORITY REVENUE BONDS, SERIES 2020 REFUNDING, Article II. GENERAL TAX LIMITATIONS Section 2.1.2 and 2.1.2(a)

Placer County Water Agency

Energy Risk Management Policy

		Transaction Limits (up to)			
Title	Product	Deliver Lead Time	Term	MW Size	Price
General Manager	Resource Adequacy/Capacity	No Limit	Up to 3660 months	≤ MFP Capacity Rating	No Min/Max
	Renewable Energy Credits		Up to 3660 months	≤ MFP R.E.C. Rating	No Min/Max
	Carbon Free Energy Certificates		Up to 3660 months	≤ MFP Annual Carbon Free Output	No Min/Max
	Bilateral Forward Transactions		Up to 3660 months	< MFP Capacity Rating	No Min/Max

		Transaction Limits (up to)			
Title	Product	Deliver Lead Time	Term	MW Size	Price
Director of Energy Marketing	CAISO Day Ahead Energy Sales	As Required by CAISO	≥ 1 Hour	≤ Available MFP MWs	CAISO Price Cap
	CAISO Day Ahead Energy Purchases	As Required by CAISO	≥ 1 Hour	≤ Bilateral Forward transaction	CAISO Price Cap
	CAISO Day Ahead Ancillary Services	As Required by CAISO	≥ 1 Hour	≤ Available MFP Ancillary Service MWs	CAISO Price Cap
	CAISO Real Time Energy Sales	As Required by CAISO	≤ 1 Hour	≤ Available MFP MWs	CAISO Price Cap
	CAISO Real Time Energy Purchases	As Required by CAISO	≤ 1 Hour	≤ Day Ahead Energy Sales	CAISO Price Cap
	CAISO Real Time Ancillary Services	As Required by CAISO	≤ 1 Hour	≤ Available MFP Ancillary Service MWs	CAISO Price Cap
	Resource Adequacy/Capacity	No Limit	≤ 365 days	≤ MFP Capacity Rating	No Min/Max
	Renewable Energy Credits	No Limit	≤ 365 days	≤ MFP R.E.C. Rating	No Min/Max

1.—0

1. Contract term limit guideline determination is consistent with contract term definition specified in the TAX CERTIFICATE AGREEMENT, Dated March 17, 2020, relating to: MIDDLE FORK PROJECT FINANCE AUTHORITY REVENUE BONDS, SERIES 2020 REFUNDING, Article II. GENERAL TAX LIMITATIONS Section 2.1.2 and 2.1.2(a)

Placer County Water Agency

Energy Risk Management Policy

		Transaction Limits (up to)			
Title	Product	Deliver Lead Time	Term	MW Size	Price
	Bilateral Forward transactions	No Limit	≤ 365 days	< MFP Capacity Rating	No Min/Max
	Carbon Free Energy Certificates	No Limit	≤ 365 days	≤ MFP Annual Carbon Free Output	No Min/Max

		Transaction Limits (up to)			
Title	Product	Deliver Lead Time	Term	MW Size	Price
Energy Marketing Manager	CAISO Day Ahead Energy Sales	As Required by CAISO	≥ 1 Hour	≤ Available MFP MWs	CAISO Price Cap
	CAISO Day Ahead Energy Purchases	As Required by CAISO	≥ 1 Hour	< Bilateral Forward transaction	CAISO Price Cap
	CAISO Day Ahead Ancillary Services	As Required by CAISO	≥ 1 Hour	≤ Available MFP Ancillary Service MWs	CAISO Price Cap
	CAISO Real Time Energy Sales	As Required by CAISO	≤ 1 Hour	≤ Available MFP MWs	CAISO Price Cap
	CAISO Real Time Energy Purchases	As Required by CAISO	≤ 1 Hour	≤ Day Ahead Energy Sales	CAISO Price Cap
	CAISO Real Time Ancillary Services	As Required by CAISO	≤ 1 Hour	≤ Available MFP Ancillary Service MWs	CAISO Price Cap
	Resource Adequacy/Capacity	No Limit	≤ 90 days	≤ MFP Capacity Rating	≥ \$1.25 kw/Month
	Renewable Energy Credits	No Limit	≤ 90 days	≤ MFP R.E.C. Rating	≥ \$10 Mw/Hour
	Bilateral Forward transactions	No Limit	≤ 90 days	< MFP Capacity Rating	No Min/Max
	Carbon Free Energy Certificates	No Limit	≤ 90 days	≤ MFP Annual Carbon Free Output	≥ \$.50 Mw/Hour

1.—0

1. Contract term limit guideline determination is consistent with contract term definition specified in the TAX CERTIFICATE AGREEMENT, Dated March 17, 2020, relating to: MIDDLE FORK PROJECT FINANCE AUTHORITY REVENUE BONDS, SERIES 2020 REFUNDING, Article II. GENERAL TAX LIMITATIONS Section 2.1.2 and 2.1.2(a)

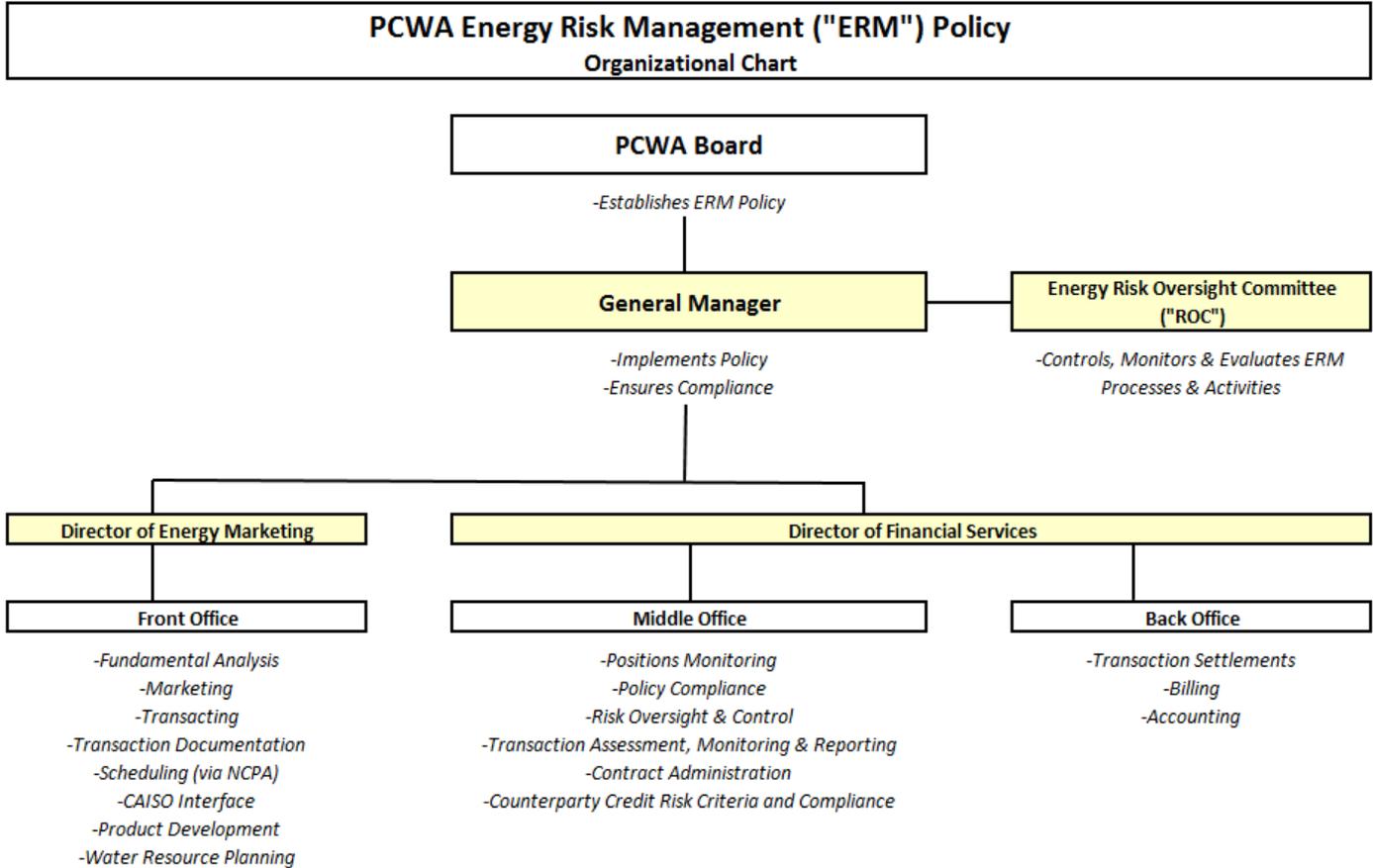
Energy Risk Management Policy

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Energy Risk Management Policy

Appendix E – PCWA Energy Risk Management Organizational Structure





M E M O R A N D U M

TO: Middle Fork Project Finance Authority

FROM: Brett Storey, Principal Management Analyst, County of Placer

DATE: April 16, 2020

RE: Fuel Reduction Management Program Phase I Funding Recommendations for 2020

RECOMMENDATION

Information only, no action required.

BACKGROUND

At the June 3, 2014 Board of Supervisors meeting, the Board approved the Fuel Reduction Management (FRM) Program. The FRM Program provides funds annually for the duration of the federal license for the Middle Fork Project (MFP) to organizations that propose projects or have programs that 1) have a direct nexus to the MFP area, and 2) show the potential to reduce fire danger through some form of fuel management projects. The MFP area is a critical forested watershed and its protection is of paramount importance to Placer County. The MFP is a multi-purpose water supply and hydro-electric generation project designed to conserve and control waters of the Middle Fork American River, the Rubicon River, and several associated tributary streams.

The FRM Program includes a semi-annual application period (January for Phase I and June for Phase II) that provides participating organizations the opportunity to coordinate FRM funding with other grant funding timelines. Funding for these requests is available pursuant to the MFP Memorandum of Agreement with Placer County Water Agency which administers MFP budgeted funding, at no net County cost. Funding for this year's grant is contained within Fuel Reduction Projects/Middle Fork Trust Fund. This fund is replenished annually to be distributed for this Program.

For the January 2020 Phase I of the Program, staff received three grant requests and recommends funding all projects as they met all the FRM criteria and directly support fuel reduction in the MFP area:

1. City of Auburn Department of Public Safety: \$49,500 for MFP portion of American River Canyon Shaded Fuel Break – Eagles Nest
2. Iowa Hill Community Club: \$49,500 for MFP portion of Ridge View Road Hazardous Fuels Reduction Project 2020
3. Iowa Hill Community Club: \$49,500 for MFP portion of Todd Valley Shaded Fuel Break Maintenance 2020

The details of the projects are included in the attachment titled Fuel Reduction Management Program Recommendations for 2020 Phase I.

County staff has developed a standardized FRM Grant Agreement. Copies of the proposed agreements are on file with the Clerk of the Board of Supervisors.

ATTACHMENTS

1. Fuel Reduction Management Program Update
2. Fuel Reduction Management Program Recommendations for 2020 Phase I



Middle Fork Project Area Fuel Reduction Program

Fuel Reduction Management Program Recommendations for 2020 (Phase I)

Background: The Placer County Board of Supervisors (BOS) adopted the Fuel Reduction Management (FRM) Program in 2014 to implement a program that funds projects that perform fuel management activities that support a reduction in potential fire in the Middle Fork Project (MFP) nexus area. The funding available is pursuant to the Middle Fork Project Memorandum of Agreement with Placer County Water Agency (PCWA) and based upon a nexus to the MFP area.

Process: The BOS-adopted FRM Program allows for the application period to be twice annually; once in January and once in June. Three applications were received by two organizations and were reviewed by a joint Placer County/PCWA staff panel and the following recommendations for projects have been proposed.

Individual Projects Recommendations: The following projects were reviewed by staff to meet all FRM Program qualifications and are recommended for funding in the FRM Program. Staff is recommending a total of \$148,500 in funding to the Placer County Board of Supervisors.

Individual Projects declined: There were no applications declined during this phase of 2020.



Middle Fork Project Area Fuel Reduction Program

Project Recommendation #1

Title: American River Canyon Shaded Fuel Break – Eagles Nest

Applicant: City of Auburn Department of Public Safety

County Plan project references: 1) Western Slope Placer County Community Wildfire Protection Plan (CWPP), 2) DMA 2000 Local Hazard Mitigation Plan (FEMA approved), and 3) the Greater Auburn Area Fire Safe Council (GAAFSC) Strategic Plan.

Total Project Cost: \$130,000

Application agency contribution: \$80,500

Request of funds: \$49,500

Recommendation of funds: \$49,500 (maximum amount allowed 40% of total project or \$49,500)

Summary of Project: The objective of the American River Canyon Shaded Fuel Break proposed project is to provide a means of protection to the Auburn community from the disaster of wildfire, preserve our natural and cultural resources, enhance our watershed, support wildlife habitat, and maintain recreational opportunities to the pristine American River and Auburn State Recreation Area. The project area will encompass approximately 9 - 12 acres where treatment will be applied. Fuel arrangement and continuity are comprised of ladder fuels well developed in the project area that are comprised of ground fuels; annual grasses and forbes, intertwined with the brush; mid story fuels that grow directly under the tree canopy.

This project is crucial to reduce destruction from wildfire and is critical to the watershed. These areas are located in drainages known as “chutes” or “chimneys” - very steep V shaped canyons with massive fuel loads of natural vegetation when during a wildfire will burn with fierce intensity and cause major destruction to any structures as well as the land itself. Fire professionals are extremely concerned when any wildfire occurs in drainages because fuels burn extremely rapidly, there is limited success in fire suppression efforts because of terrain, and such areas are an extreme safety concern for firefighting personnel and surrounding development due to intense fire behavior. The 2012 Robbers Fire, the 2013 American Fire, the 2015 King Fire in the upper American River Watershed System, and the recent Trailhead Fire all encountered intense fire behavior in such drainages.

The project area encompasses both public lands and private lands and is part of the overall American River Canyon Shaded Fuel Break. In 2012-2013, the adjacent public lands were treated through Proposition 84 funds by the California Conservation Corps (CCC). The project provided \$100,000 for crew work on Bureau of Reclamation lands that are adjacent to the Blackstone project parcel. The property owner has conducted a great



Middle Fork Project Area Fuel Reduction Program

deal of vegetation management on the 20-acre parcel, primarily in the lower section. The focus has been cleaning up debris from the 2000 American Fire that consumed approximately 300 acres and posed significant threat to the City of Auburn. The request is for \$24,500 for treatment to be applied to private lands adjacent to the CCC project and above the 2000 American Fire burn. The funds will cover groundwork and contracted administration costs of \$500. In addition, it is estimated that the Cal Fire Grant: 17-FP-NEU-0090 will match “in-kind” through adjacent fuel reduction project work at a cost of approximately \$80,500.

Project Recommendation #2

Title: Ridge View Road Hazardous Fuels Reduction Project 2020

Applicant: Foresthill/Iowa Hill Firesafe Council

County Plan project references: 1) Western Slope Placer County Community Wildfire Protection Plan (CWPP), 2) DMA 2000 Local Hazard Mitigation Plan (FEMA approved), 3) Cal Fire Unit Fore Plan, and 4) the Foresthill/Iowa Hill Risk Assessment Mitigation Systems Plan.

Total Project Cost: \$124,000

Application agency contribution: \$74,500

Request of funds: \$49,500

Recommendation of funds: \$49,500 (maximum amount allowed 40% of total project or \$49,500)

Summary of Project: Historically, there have been several wildfires in the area, ranging from 500 acres to several thousand. The most recent fire to threaten Michigan Bluff was the American Fire that started in the canyon near the historic area of Deadwood on August 10, 2013 and burned 27,440 acres.

Statistics show that fire events in the local area have started from abandoned campfires, lightning strikes, vehicle fires, and downed powerlines. These statistics are a prime example of what could be anticipated in a local fire event in the Michigan Bluff area. These fires were all within, or adjacent to, the Middle Fork of the American River near the communities of Michigan Bluff, Baker Ranch, and Foresthill. This area is classified as a “Very High Fire Hazard Severity Zone” by Cal Fire and is listed in the Federal Register as “Communities at Risk”. Fire danger is an ever-existing threat to the area, particularly since the great outdoors and recreation have become so popular. Many hikers, fisherman, and outdoor enthusiasts use this area, posing a real potential for an inadvertent wildfire. The U.S. Forest Service (USFS) and Bureau of Land Management (BLM) have realized this fire danger and are currently working on hazard fuel reduction projects on their lands. Placer County Community Wildfire Protection Plan states its goal is to reduce the risk of



Middle Fork Project Area Fuel Reduction Program

wildfire near communities on the west slope of the Sierra Nevada in Placer County by identifying and prioritizing projects that will reduce hazardous fuels in and adjacent to communities. It is the hopes of these communities and the Foresthill/Iowa Hill Firesafe Council (FH/IHFSC) that working with Cal Fire, BLM, USFS, Placer County Resource Conservation District (RCD), and the Placer County Firesafe Alliance (PCFSA) can tie these existing projects together, creating a sustainable continuous Hazard Fuels Reduction area to help protect the Natural, Historic, and Private assets of these communities. Once this is complete, the ability to restore and maintain ecosystems with the reintroduction of low intensity fire in this area could be accomplished, as well as protecting the invaluable watershed. Recently, the FH/IHFSC, with cooperation from the Iowa Hill Community Club, received \$200,000 to implement the Michigan Bluff Hazardous Fuels Reduction project which will construct 100 acres of Shaded Fuel Break below the community of Michigan Bluff.

The proposal is to complete an additional 25 acres of the Ridge View Hazardous Fuels Reduction project with this grant. This project is on private lands adjacent to USFS Tahoe National Forest (TNF) lands and the PCWA Middle Fork Project area. The owners of these properties have strived to be fire-wise and have continually brushed their property as much as possible. This has been accomplished through private dollars, grants from Natural Resources Conservation Service (NRCS), and grants acquired from the Foresthill/Iowa Hill FSC through the California Firesafe Council Clearinghouse from BLM and Middle Fork Project dollars. These combined dollars amount to \$499,000. we will use \$74,500 as a match for this \$124,000 project.

Project Recommendation #3

Title: Todd Valley Shaded Fuel Break Maintenance 2020

Applicant: Foresthill/Iowa Hill Firesafe Council

County Plan project references: 1) Western Slope Placer County Community Wildfire Protection Plan (CWPP), 2) DMA 2000 Local Hazard Mitigation Plan (FEMA approved), 3) Cal Fire Unit Fore Plan, and 4) the Foresthill/Iowa Hill Risk Assessment Mitigation Systems Plan.

Total Project Cost: \$124,000

Application agency contribution: \$74,500

Request of funds: \$49,500

Recommendation of funds: \$49,500 (maximum amount allowed 40% of total project or \$49,500)

Summary of Project: The Foresthill Divide is a ridge separating the North and Middle Forks of the American River above the Auburn State Recreation Area (ASRA) in Placer County. The communities of Todd Valley, Michigan Bluff, and Foresthill are located



Middle Fork Project Area Fuel Reduction Program

in this area overlooking the two forks of the American River. The 35,000-acre ASRA provides recreational opportunities to over 900,000 visitors per year. The main attraction to this public space is its natural, unaltered environment. With this ever-increasing use comes an equal increase of human-caused fires. According to Cal Fire, ASRA was the source of 125 ignitions in the period of 1990–2005. The entire region is listed by Cal Fire as a “Very High Fire Hazard Severity Zone”. The neighborhoods are on the Federal Register list of “Communities at Risk” because wildfires, originating in the canyons, progress rapidly up the steep slopes, threatening property and lives.

In 2008, the Foresthill/Iowa Hill FSC received a BLM grant to complete 137 acres of shaded fuel break along the Middle Fork Canyon Rim in the Todd Valley area south of Foresthill Road. This project was completed in 2009, and in 2016 a grant was received from Middle Fork project funds to complete 25 acres in the Todd Valley Pond area of Foresthill. These projects are now in need of maintenance on brush and basal sprouting trees that have sprouted and grown too large for the fuel break to be effective. The original grant number for the Middle Fork Canyon Rim projects was 08BLM0035 and was funded in the amount of \$275,000 through the California Firesafe Council Clearinghouse from BLM. The Todd Valley Pond Project was funded through the Middle Fork Project Grant in the amount of \$48,000.

We are proposing a project to complete approximately 32 acres of maintenance between the original Todd Valley SFB Phase I project and the Todd Valley Pond project. These projects are on private lands adjacent to BLM, Bureau of Reclamation (BOR) lands, USFS TNF lands, and the PCWA Middle Fork Project area. The owners of these properties have strived to be fire-wise and have continually brushed their property as much as possible. This has been accomplished through private dollars, grants from NRCS, and grants acquired from the Foresthill/Iowa Hill FSC through the California Firesafe Council Clearinghouse from BLM and Middle Fork Project dollars. These combined dollars amount to \$517,000. We will use \$74,500 as a match for this \$124,000 project.



MIDDLE FORK PROJECT
FINANCE AUTHORITY

Fuel Reduction Management Program

The Placer County Fuel Reduction Management (FRM) Program was created in 2014 to support projects (via grant of no more than 40% total project cost) to perform fuel management activities that reduce fire potential and severity in the MFP area. The program was created from the joint agreement between PCWA and the County to support the FERC license obligations and to protect the MFP.

- In 2020 three Grants, one to Auburn and two to Foresthill, have been awarded (to date) for \$148,500 MFP funds that bring an estimated additional \$249,500 of participating agencies funding. More grants are expected in 2nd phase (July) of the program.
- In 2019 five Grants totaling \$193,000 MFP funds were awarded. Another \$357,000 of participating agencies funding utilized to complete the projects.

2019 MFP Grant funded Activities

In the Auburn area two grants were awarded for a total of \$44,500 for 11 acres of work in the American River Canyon Shaded Fuel Break region which included another \$133,500 of other matching grant funding to complete the projects.



2019 MFP Grant Funded Activities

In the Foresthill region three grants were awarded for a total of \$148,500 for 80 acres of work in the Todd Valley and Michigan Bluff Shaded Fuel Break regions and over 100 dead trees in a tree mortality removal program which included another \$223,500 of other matching grant funding to complete the projects.





M E M O R A N D U M

TO: Middle Fork Project Finance Authority Board of Directors

FROM: Andrew Fecko, Executive Director

DATE: April 3, 2020

RE: Changing Regular October Board Meeting Date

CC:

RECOMMENDATION:

Adopt Resolution 20-__ moving the October 15, 2020, 10:00 a.m. regular Board meeting to October 8, 2020, 8:30 a.m.

BACKGROUND:

The Board of Directors adopted a resolution in 2013 that establishes regular Board meetings be held the third Thursdays of January, April, July, and October of each year at 10:00 a.m. at the Placer County Water Agency Business Center, American River Room, 144 Ferguson Road, Auburn, California. The Board is planning on going on their annual retreat on October 8, 2020. Staff recommends the Board consider their October 15, 2020, agenda items on October 8, 2020, to be more efficient by not having two meetings.

RESOLUTION 20-__ OF THE BOARD OF DIRECTORS OF THE
MIDDLE FORK PROJECT FINANCE AUTHORITY PROVIDING FOR MOVING THE DATE OF THE
OCTOBER 15, 2020, REGULAR BOARD OF DIRECTORS' MEETING

WHEREAS, Section 2.04 of the Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority requires the Board of Directors set a time and place for holding its regular meetings by resolution; and

WHEREAS, on April 25, 2013, the Board of Directors approved regular Board meetings be held on the third Thursdays of January, April, July, and October of each year at 10:00 a.m. at the Placer County Water Agency Business Center, American River Room, 144 Ferguson Road, Auburn, California; and

WHEREAS, the Board desires to move the October 15, 2020, regular meeting date to October 8, 2020, 8:30 a.m., in order to make efficient use of time.

BE IT RESOLVED by the Board of Directors of Placer County Water Agency that the regular Board meeting of October 15, 2020, be moved to October 8, 2020, 8:30 a.m.

This resolution was duly adopted at a meeting of the Board of Directors of the Middle Fork Project Finance Authority held on April 16, 2020, by the following vote on roll call:

AYES:

NOES:

ABSENT:

Signed and approved by me after its adoption this 16th day of April 2020.

Chair of the Board
Middle Fork Project Finance Authority

ATTEST:

Lori Young
Clerk to the Board