MIDDLE FORK PROJECT FINANCE AUTHORITY

Project Operations Protection Policies

Adopted: April 25, 2013

Middle Fork Project Finance Authority
Project Operations Protection Policies

1.0 PURPOSE

The purpose of the Project Operations Protection Policies is to assist the Middle Fork Project Finance Authority (Authority or MFPFA), Board of Directors, and management by establishing basic equipment and operating protection policies for the Authority operation, thus providing guidance for the effective discharge of its responsibilities generally to Placer County Water Agency (PCWA). Two activities; physical asset management and project emergency operations are critical obligations of PCWA and as such should well-defined and reviewed annually.

2.0 PHYSICAL ASSET MANAGEMENT POLICY

The purpose of the Physical Asset Management policy is to assist the MFPFA Board of Directors and management with its support of PCWA for the operations and maintenance of and requisite investment into the MFP and its components. PCWA is the owner and operator of the Middle Fork Project and as such is responsible for the lifecycle health of its physical assets.

2.1 PCWA shall provide the Finance Authority with annual updates on its physical asset and maintenance management planning to provide context for the Finance Authority's approval of the MFP operating and capital budgets.

3.0 PROJECT EMERGENCY OPERATIONS POLICY

The purpose of the Project Emergency Operations Policy is to assist the MFPFA Board of Directors and management to support PCWA in preparing for operations under emergency conditions. PCWA is the owner and operator of the MFP and is thereby responsible with an ongoing obligation to anticipate and prepare for emergency conditions. Operations under emergency conditions can be complicated and are generally conducted under stress. The MFPFA Board will support PCWA's efforts, through funding, administrative assistance, and all other means possible to ensure the protection of the assets of the MFP and residents of Placer County.

3.1 As owner and operator of the MFP, PCWA is charged with preparation for operations under emergency conditions, with an eye toward managing an emergency against the objectives of safety of the public and employees, protection of facilities and equipment for long term services and reliability, cost control and operational recovery with as minimal as practical downtime. PCWA must meet federal and state regulatory and statutory requirements, as well as North American Electric Reliability Corporation (NERC) requirements while preparing for, or

executing such operations. It is the MFPFA Board's policy to support PCWA's effort through funding and other activities that are available.

3.2 PCWA shall provide the MFPFA Board with copies, and updates as they are prepared, of all emergency action plans, procedures and protocols including but not limited to disaster recovery plans, emergency condition protocols and procurement plans that are required to meet PCWA's obligation to prepare for MFP operations under emergency conditions. An annual status of these conditions shall be provided to the Board.

3.3 PCWA shall provide initial public communications during a project emergency and implement the public notification process. Should the emergency rise to the level that involves Placer County emergency management agencies, PCWA will coordinate public notification with those agencies involved and the Incident Commander, should the Incident Command System have been initiated. Project Critical Energy Infrastructure Information (CEII), as deemed by FERC, will not be communicated to the public. The MFPFA may issue a public communication (with the exception of any CEII) via the MFPFA website following an emergency, but only after it has been fully apprised of causes and consequences of the event by PCWA staff and any other emergency agency coordination and information release regulations.

RESOLUTION NO. 13-_05_
OF THE BOARD OF DIRECTORS OF THE
MIDDLE FORK PROJECT FINANCE AUTHORITY APPROVING
PROJECT OPERATIONS PROTECTION POLICIES

WHEREAS, Placer County Water Agency ("Agency") is the owner of the Middle Fork American River Project ("Project") 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 have formed the Middle Fork Project Authority ("Finance Authority"), a joint powers authority, to manage the financial relationship between the two; 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, the County Treasurer, and to the public for the use of public funds; and

WHEREAS, the Finance Authority has a strong interest in supporting the Agency's continued excellent record of Project maintenance and upkeep; and

WHEREAS, the purpose of the Project Operations Protection Policies are to assist the Finance Authority in understanding and supporting the financial investments necessary to keep the Project in good operating condition at all times.

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

1. The Middle Fork Project Finance Authority Project Operations Protection Policies are approved; and,
2. The Secretary and Executive Director of the Authority, or their designated staff, are directed to implement the policies as written.

The foregoing Resolution was duly passed at an adjourned meeting of the Board of Directors of the Middle Fork Project Finance Authority held on the 25th day of April, 2013, by the following vote on roll call:

AYES DIRECTORS: Holmes/Lee/Allen/Weygandt

NOES DIRECTORS: None.

ABSENT DIRECTORS: Ferreira

Signed and approved by me after its passage this 25th day of April, 2013.

Chair, Board of Directors
Middle Fork Project Finance Authority

ATTEST:

Clerk, Board of Directors
Middle Fork Project Finance Authority