

NORTHERN CALIFORNIA POWER AGENCY

Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and  
2018 Taxable Refunding Series B

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TWENTY-FOURTH SUPPLEMENTAL  
INDENTURE OF TRUST

between

NORTHERN CALIFORNIA POWER AGENCY

and

U.S. BANK NATIONAL ASSOCIATION, as TRUSTEE

relating to  
Hydroelectric Project Number One Revenue Bonds  
2018 Refunding Series A

Dated as of April 1, 2018

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## **TWENTY-FOURTH SUPPLEMENTAL INDENTURE OF TRUST**

**THIS TWENTY-FOURTH SUPPLEMENTAL INDENTURE OF TRUST** made and entered into as of April 1, 2018, by and between Northern California Power Agency, a joint exercise of powers agency established pursuant to the laws of the State of California (“NCPA”), and U.S. Bank National Association, a national banking association, incorporated under the laws of the United States of America and authorized to accept and execute trusts of the character herein set out, with its principal corporate trust office located at 100 Wall Street, New York, New York, as successor trustee (the “Trustee”);

### **WITNESSETH:**

**WHEREAS**, NCPA has heretofore entered into with the Trustee an Indenture of Trust, dated as of March 1, 1985 (as the provisions thereof have been amended, the “Original Indenture”), as supplemented and amended by the following, each by and between NCPA and the Trustee: the First Supplemental Indenture of Trust, dated as of December 1, 1985, the Second Supplemental Indenture of Trust, dated as of July 1, 1986, the Fourth Supplemental Indenture of Trust, dated as of August 1, 1986, the Fifth Supplemental Indenture of Trust, dated as of December 1, 1986, the Sixth Supplemental Indenture of Trust, dated as of September 15, 1987, the Seventh Supplemental Indenture of Trust, dated as of July 1, 1991, the Eighth Supplemental Indenture of Trust, dated as of June 1, 1992, the Ninth Supplemental Indenture of Trust, dated as of June 1, 1993, the Tenth Supplemental Indenture of Trust, dated as of July 1, 1998, the Eleventh Supplemental Indenture of Trust, dated as of July 1, 1998, the Twelfth Supplemental Indenture of Trust, dated as of April 1, 2002, the Thirteenth Supplemental Indenture of Trust, dated as of April 1, 2002, the Fourteenth Supplemental Indenture of Trust, dated as of April 1, 2003, the Fifteenth Supplemental Indenture of Trust, dated as of April 1, 2003, the Sixteenth Supplemental Indenture of Trust, dated as of April 1, 2008, the Seventeenth Supplemental Indenture of Trust, dated as of April 1, 2008, the Eighteenth Supplemental Indenture of Trust, dated as of July 1, 2008, the Nineteenth Supplemental Indenture of Trust dated as of July 1, 2008, the Twentieth Supplemental Indenture of Trust, dated as of February 1, 2010, the Twenty-First Supplemental Indenture of Trust, dated as of February 1, 2010, the Twenty-Second Supplemental Indenture of Trust, dated as of February 1, 2012, and the Twenty-Third Supplemental Indenture of Trust, dated as of February 1, 2012; and

**WHEREAS**, NCPA has heretofore issued the Refunded 2008 Series C Bonds (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in Section 103 hereof) pursuant to the Original Indenture as amended and supplemented by the Eighteenth Supplemental Indenture; and

**WHEREAS**, the Original Indenture authorizes NCPA and the Trustee to enter into a Supplemental Indenture to provide for the issuance of Refunding Bonds such as the 2018 Series A Bonds; and

**WHEREAS**, NCPA desires to issue, on the terms set forth herein, its 2018 Series A Bonds in order to provide a portion of the moneys to refund the Refunded 2008 Series C Bonds and to pay certain costs in connection with the issuance of the 2018 Series A Bonds; and

**WHEREAS**, all acts and things have been done and performed which are necessary to make this Twenty-Fourth Supplemental Indenture a valid and binding agreement for the security of the 2018 Series A Bonds authenticated and delivered hereunder;

**NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS TWENTY-FOURTH SUPPLEMENTAL INDENTURE OF TRUST WITNESSETH:**

That, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created and originally created by the Original Indenture, the mutual covenants herein contained and the purchase and acceptance of the 2018 Series A Bonds issued hereunder by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of, Redemption Price, if any, and interest on the Bonds according to their tenor and effect, and the performance and observance by NCPA of all the covenants and conditions herein and therein contained on its part to be performed, it is agreed by and between NCPA and the Trustee as follows:

## **ARTICLE I**

### **AUTHORITY AND DEFINITIONS**

**101. Supplemental Indenture of Trust.** This Twenty-Fourth Supplemental Indenture of Trust is supplemental to the Original Indenture as heretofore amended and supplemented.

**102. Authority for the Twenty-Fourth Supplemental Indenture of Trust.** This Twenty-Fourth Supplemental Indenture is adopted (i) pursuant to the provisions of Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and (ii) in accordance with Article II and Article XI of the Original Indenture.

**103. Definitions.**

(a) Except as provided by this Twenty-Fourth Supplemental Indenture, all terms which are defined in Section 101 of the Original Indenture, Section 103 of the First Supplemental Indenture, Section 103 of the Second Supplemental Indenture, Section 103 of the Fourth Supplemental Indenture, Section 103 of the Fifth Supplemental Indenture, Section 103 of the Sixth Supplemental Indenture, Section 103 of the Seventh Supplemental Indenture, Section 103 of the Eighth Supplemental Indenture, Section 103 of the Ninth Supplemental Indenture, Section 103 of the Tenth Supplemental Indenture, Section 103 of the Eleventh Supplemental Indenture, Section 103 of the Twelfth Supplemental Indenture, Section 103 of the Thirteenth Supplemental Indenture, Section 103 of the Fourteenth Supplemental Indenture, Section 103 of the Fifteenth Supplemental Indenture, Section 103 of the Sixteenth Supplemental Indenture, Section 103 of the Seventeenth Supplemental Indenture, Section 103 of the Eighteenth Supplemental Indenture, Section 103 of the Nineteenth Supplemental Indenture, Section 103 of the Twentieth Supplemental Indenture, Section 103 of the Twenty-First Supplemental Indenture, Section 103 of the Twenty-Second Supplemental Indenture, or Section 103 of the Twenty-Third Supplemental Indenture, shall have the same meanings, respectively, in this Twenty-Fourth Supplemental Indenture as such terms are given in said Section 101 of the Original Indenture,

Section 103 of the First Supplemental Indenture, Section 103 of the Second Supplemental Indenture, Section 103 of the Fourth Supplemental Indenture, Section 103 of the Fifth Supplemental Indenture, Section 103 of the Sixth Supplemental Indenture, Section 103 of the Seventh Supplemental Indenture, Section 103 of the Eighth Supplemental Indenture, Section 103 of the Ninth Supplemental Indenture, Section 103 of the Tenth Supplemental Indenture, Section 103 of the Eleventh Supplemental Indenture, Section 103 of the Twelfth Supplemental Indenture, Section 103 of the Thirteenth Supplemental Indenture, Section 103 of the Fourteenth Supplemental Indenture, Section 103 of the Fifteenth Supplemental Indenture, Section 103 of the Sixteenth Supplemental Indenture, Section 103 of the Seventeenth Supplemental Indenture, Section 103 of the Eighteenth Supplemental Indenture, Section 103 of the Nineteenth Supplemental Indenture, and Section 103 of the Twentieth Supplemental Indenture, Section 103 of the Twenty-First Supplemental Indenture, Section 103 of the Twenty-Second Supplemental Indenture, and Section 103 of the Twenty-Third Supplemental Indenture, respectively.

(b) **Additional Definitions.** The following terms shall, for all purposes of the Indenture, have the following meanings set forth below:

**Authorized Denomination** means with respect to the 2018 Series A Bonds, \$5,000 and any integral multiple thereof.

**Dated Date** means, with respect to the 2018 Series A Bonds, April 4, 2018.

**Eighteenth Supplemental Indenture** means the Eighteenth Supplemental Indenture of Trust, dated as of July 1, 2008, amending and supplementing the Original Indenture as theretofore amended and supplemented.

**Refunded 2008 Series C Bonds** means the Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C authorized by the Eighteenth Supplemental Indenture which are Outstanding on the Dated Date.

**Securities Depository** or **Depository** means, with respect to the 2018 Series A Bonds, the securities depository designated in Section 205 hereof and its successors and assigns or if (a) the then Securities Depository resigns from its functions as depository for the 2018 Series A Bonds, or (b) NCPA discontinues use of the Securities Depository pursuant to Section 205(d) hereof, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2018 Series A Bonds.

**Twenty-Fourth Supplemental Indenture** means this Twenty-Fourth Supplemental Indenture of Trust, amending and supplementing the Original Indenture as heretofore amended and supplemented.

**2008 Series C Escrow Agreement** means the Escrow Deposit Agreement, dated as of April 1, 2018, by and between NCPA and the Trustee relating to the Refunded 2008 Series C Bonds.

**2008 Series C Escrow Fund** means the fund established in Section 2(a) of the 2008 Series C Escrow Agreement.

**2018 Series A Bonds** means the Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A authorized by Article II of this Twenty-Fourth Supplemental Indenture.

**2018 Series A Costs of Issuance Fund** means the Fund so designated established pursuant to Section 209 of this Twenty-Fourth Supplemental Indenture.

**2018 Series A Rebate Fund** means the Fund so designated established pursuant to Section 302 of this Twenty-Fourth Supplemental Indenture.

**2018 Series A Rebate Instructions** means those calculations and written directions required to be delivered to the Trustee by NCPA pursuant to Section 301 of this Twenty-Fourth Supplemental Indenture.

**2018 Series A Rebate Requirement** means the Rebate Requirement as defined in the 2018 Series A Tax Certificate.

**2018 Series A Tax Certificate** means that certain Tax Certificate signed by NCPA on the date the 2018 Series A Bonds are issued and relating to the requirements of Section 148 of the Code.

(c) **Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Defined terms shall include any variant of the terms set forth in this Article I.

The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Twenty-Fourth Supplemental Indenture, refer to this Twenty-Fourth Supplemental Indenture.

## ARTICLE II

### THE 2018 SERIES A BONDS

**201. Principal Amount, Designation and Series.** Pursuant to the provisions of the Indenture as supplemented by this Twenty-Fourth Supplemental Indenture and the provisions of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$68,875,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, “Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A.” Each of the 2018 Series A Bonds shall be in fully registered form in an Authorized Denomination. The 2018 Series A Bonds shall be numbered one upward in consecutive numerical order preceded by the letter “R”. The 2018 Series A Bonds shall be in substantially the form attached hereto as Exhibit A with such variations and omissions as are necessary to reflect the particular terms of each 2018 Series A Bond.

**202. Purpose.** The 2018 Series A Bonds are issued for the purpose of providing a portion of the moneys to refund the Refunded 2008 Series C Bonds and to pay the cost of issuance of the 2018 Series A Bonds and other costs related to the refunding of the Refunded 2008 Series C Bonds.

**203. Terms of the 2018 Series A Bonds.** (a) The 2018 Series A Bonds shall be dated the Dated Date, and shall bear interest from the Dated Date at the respective rates, and shall mature on July 1 in the years and in the principal amounts, shown below:

Maturity July 1	Aggregate Principal Amount	Interest Rate
2019	\$ 8,885,000	5.00%
2020	10,730,000	5.00
2021	11,310,000	5.00
2022	11,850,000	5.00
2023	11,855,000	5.00
2024	14,245,000	5.00

(b) **Interest.** Interest on each 2018 Series A Bond shall be payable at the respective per annum rates set forth in Section 203(a) hereof, on each January 1 and July 1, commencing July 1, 2018, until payment of the principal of such 2018 Series A Bonds, computed using a year of 360 days comprised of twelve 30-day months.

**204. Redemption Prices And Terms.**

(a) The 2018 Series A Bonds are not subject to optional redemption prior to their stated maturity.

(b) The 2018 Series A Bonds are subject to redemption prior to their stated maturity, at the option of NCPA, in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of available funds if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a Redemption Price equal to the principal amount of the 2018 Series A Bonds being redeemed plus unpaid accrued interest to the redemption date, without premium; provided that the option of NCPA to call the 2018 Series A Bonds for redemption from insurance or condemnation proceeds shall expire 90 days following the receipt of such insurance or condemnation proceeds.

**205. Global Form; Securities Depository.**

(a) Except as otherwise provided in this Section, the 2018 Series A Bonds shall be in the form of a global bond for the aggregate principal amount of the 2018 Series A Bonds of each maturity, and shall be registered in the name of Cede & Co., as the nominee of DTC. Upon such registration, except as provided in subsection (c) of this Section, the 2018

Series A Bonds, may be transferred, in whole but not in part, only to a successor Securities Depository or a nominee of a successor Securities Depository selected by NCPA or to a nominee of such successor Securities Depository or its nominee.

**(b)** NCPA, the Trustee, the Bond Registrar and the Paying Agent shall have no responsibility or obligation with respect to:

**(i)** the accuracy of the records of the Securities Depository, or the Securities Depository nominee with respect to any beneficial ownership interest in the 2018 Series A Bonds;

**(ii)** the delivery to any beneficial owner of the 2018 Series A Bonds or any other person, other than a Holder as shown in the registration books, of any notice with respect to the 2018 Series A Bonds, including any notice of redemption;

**(iii)** the payment to any beneficial owner of the 2018 Series A Bonds or any other person, other than a Holder as shown in the registration books, of any amount with respect to the principal of, premium, if any, or interest on, the 2018 Series A Bonds;

**(iv)** any consent given by the Securities Depository as registered owner of the 2018 Series A Bonds; or

**(v)** subject to Section 504 of the Original Indenture, the selection by the Securities Depository of any beneficial owners to receive payment if 2018 Series A Bonds are redeemed in part.

Upon registration of the 2018 Series A Bonds in the name of a Securities Depository pursuant to subsection (a) of this Section, so long as the certificates for the 2018 Series A Bonds are not issued pursuant to subsection (c) of this Section, NCPA, the Trustee, the Bond Registrar and the Paying Agent may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of the 2018 Series A Bonds for all purposes whatsoever, including without limitation:

**(i)** the payment of principal, Redemption Price and interest on the 2018 Series A Bonds;

**(ii)** giving notices with respect to the 2018 Series A Bonds; and

**(iii)** registering transfers with respect to the 2018 Series A Bonds.

**(c)** If at any time the incumbent Securities Depository notifies NCPA that it is unwilling or unable to continue as Securities Depository with respect to the 2018 Series A Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation or NCPA determines to discontinue the use of the book-entry system of the incumbent Securities Depository for the 2018 Series A Bonds, and a successor Securities Depository is not appointed by NCPA within 90 days after NCPA receives notice or becomes aware of such condition, or discontinues the use of the book-entry system for the incumbent Securities Depository, as the case may be, subsection (a) of

this Section shall no longer be applicable and NCPA shall execute and the Trustee shall authenticate and deliver certificates representing the 2018 Series A Bonds, as provided in the Representation Letter.

(d) Notwithstanding any other provision of this Twenty-Fourth Supplemental Indenture to the contrary, so long as any 2018 Series A Bond is registered in the name of DTC, or its nominee, all payments with respect to principal, Redemption Price and interest on such 2018 Series A Bonds, and all notices with respect to such 2018 Series A Bonds, shall be made and given, respectively, as provided in the Representation Letter.

(e) While DTC is serving as Securities Depository for the 2018 Series A Bonds, in connection with any notice or other communication to be provided to the Holders of the 2018 Series A Bonds, pursuant to this Twenty-Fourth Supplemental Indenture, by NCPA or the Trustee with respect to any consent or other action to be taken by the Holders of the 2018 Series A Bonds, NCPA or the Trustee, as the case may be, shall establish a record date for determining DTC participants eligible to consent or take such other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

**206. Place of Payment and Paying Agent.** Except as otherwise provided in the Representation Letter, the principal and Redemption Price of the 2018 Series A Bonds shall be payable upon surrender thereof at the principal corporate trust office of U.S. Bank National Association, in New York, New York, as shall be designated from time to time and such banking institution is hereby appointed as Paying Agent for the 2018 Series A Bonds. By execution of this Twenty-Fourth Supplemental Indenture, U.S. Bank National Association accepts the office of Paying Agent for the 2018 Series A Bonds and agrees to perform all duties in connection herewith as provided in the Indenture. The principal and Redemption Price of all 2018 Series A Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Indenture.

**207. Application of Proceeds of 2018 Series A Bonds.** In accordance with Section 204 of the Original Indenture, the proceeds of the sale of the 2018 Series A Bonds of \$76,966,592.93 (representing the \$68,875,000 principal amount of the 2018 Series A Bonds, plus original issue premium of \$8,253,396.95, and less underwriters' discount of \$161,804.02), shall be applied simultaneously with the delivery of the 2018 Series A Bonds, as follows:

(a) There shall be deposited, in immediately available funds, in the 2008 Series C Escrow Fund the sum of \$76,657,019.00; and

(b) There shall be deposited in the 2018 Series A Costs of Issuance Fund the \$309,573.93 balance of such proceeds.

**208. No 2018 Series A Debt Service Reserve Account.** Pursuant to Section 202(1)(d) of the Original Indenture, the 2018 Series A Bonds are not Participating Bonds and are not secured by amounts in the Debt Service Reserve Account. No Series Debt Service Reserve Account will be established in the Debt Service Fund with respect to the 2018 Series A Bonds.



**209. Establishment and Application of 2018 Series A Costs of Issuance Fund.** The Trustee shall establish and maintain in trust a separate fund designated as the “2018 Series A Costs of Issuance Fund.” Moneys deposited in said fund shall be used to pay costs of issuance with respect to the 2018 Series A Bonds and the expenses and obligations payable by NCPA in connection with the 2018 Series A Bonds and the refunding of the Refunded 2008 Series C Bonds upon receipt by the Trustee of a requisition of an NCPA Authorized Representative stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. At the end of one year from the date of initial delivery of the 2018 Series A Bonds, or upon earlier receipt of a statement of an NCPA Authorized Representative that amounts in said fund are no longer required for the payment of such costs, expenses and obligations, said fund shall be terminated and any amounts then remaining in said fund shall be transferred to the Debt Service Fund.

### **ARTICLE III**

#### **CERTAIN TAX MATTERS**

**301. Tax Covenants.**

(a) NCPA covenants that it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2018 Series A Bonds under Section 103 of the Code. NCPA shall not directly or indirectly use or permit the use of any proceeds of the 2018 Series A Bonds in such a manner as would adversely affect the exclusion of interest on any 2018 Series A Bonds from gross income under Section 103 of the Code. NCPA shall not directly or indirectly use or permit the use of any proceeds of any 2018 Series A Bonds, or of any facilities financed thereby, or other funds of NCPA, or take or omit to take any action, that would cause any 2018 Series A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, NCPA shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2018 Series A Bonds. In the event that at any time NCPA is of the opinion that for purposes of this Section it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, NCPA shall so instruct the Trustee in writing, and the Trustee shall take such action as may be directed in such instructions.

(b) NCPA specifically covenants that:

(i) NCPA shall pay or cause to be paid the 2018 Series A Rebate Requirement as provided in the 2018 Series A Tax Certificate.

(ii) NCPA shall determine the amount of and cause to be deposited in the 2018 Series A Rebate Fund the 2018 Series A Rebate Requirement as provided in the 2018 Series A Tax Certificate (which is incorporated herein by reference). Subject to the provisions of this Section, moneys held in the 2018 Series A Rebate Fund are hereby pledged to secure payments to the United States of America and NCPA and the Owners

of the 2018 Series A Bonds shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the 2018 Series A Rebate Fund as directed in writing by an Authorized NCPA Representative.

Upon receipt of the 2018 Series A Rebate Instructions required to be delivered to the Trustee, the Trustee shall remit part or all of the balance held in the 2018 Series A Rebate Fund, together with any completed forms to be filed therewith prepared by NCPA and delivered with such 2018 Series A Rebate Instructions, to the United States of America to the extent so directed, including rebate due in connection with any Series of Bonds. In addition, if the 2018 Series A Rebate Instructions so direct, the Trustee shall deposit moneys into or transfer moneys out of the 2018 Series A Rebate Fund from or into such Accounts or Funds as the 2018 Series A Rebate Instructions direct.

The Trustee shall conclusively be deemed to have complied with the provisions of this Section if it follows the directions of NCPA set forth in the 2018 Series A Rebate Instructions and shall not be required to take any actions thereunder in the absence of 2018 Series A Rebate Instructions from an Authorized NCPA Representative.

(c) For purposes of this Section, capitalized terms not defined in Section 103 shall have the meanings ascribed to such terms in the 2018 Series A Tax Certificate.

## **ARTICLE IV**

### **MISCELLANEOUS**

**401. Indenture to Remain in Effect.** Save and except as heretofore amended and supplemented and as amended and supplemented by this Twenty-Fourth Supplemental Indenture, the Indenture shall remain in full force and effect.

**402. Counterparts.** This Twenty-Fourth Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

**IN WITNESS WHEREOF**, Northern California Power Agency has caused these presents to be signed in its name and on its behalf by its General Manager and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the first day of April, 2018.

**NORTHERN CALIFORNIA POWER  
AGENCY**

By: 

Name: Randy S. Howard

Title: General Manger

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**

By: \_\_\_\_\_  
Authorized Officer

**IN WITNESS WHEREOF**, Northern California Power Agency has caused these presents to be signed in its name and on its behalf by its General Manager and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the first day of April, 2018.

**NORTHERN CALIFORNIA POWER  
AGENCY**

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

Name: Randy S. Howard

Title: General Manger

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**

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

  
Authorized Officer

## EXHIBIT A

### FORM OF 2018 SERIES A BONDS

[bracketed language applies only to Bonds to be registered in the name of CEDE & CO.]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

#### NORTHERN CALIFORNIA POWER AGENCY

#### HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND, 2018 REFUNDING SERIES A

No. R-\_\_\_\_\_ \$ \_\_\_\_\_

Interest Rate	Dated Date	Maturity Date	CUSIP No.
_____%	April 4, 2018	July 1, 20__	

Registered Holder: CEDE & CO.

Principal Amount:

**NORTHERN CALIFORNIA POWER AGENCY** (herein called “NCPA”), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an “Interest Payment Date”), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid,

unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date. The interest so payable on any Interest Payment Date will be paid to the person in whose name this bond is registered at the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date at his address as shown on the bond register.

This bond is one of a duly authorized issue of bonds of NCPA designated as “Hydroelectric Project Number One Revenue Bonds” (the “Bonds”) and of a series of Bonds designated as “Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A” (the “2018 Series A Bonds”). The 2018 Series A Bonds are issued pursuant to Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as amended and supplemented. The 2018 Series A Bonds have been issued in the aggregate principal amount of \$68,875,000. The 2018 Series A Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Trust Estate and entitled to the protection given by, the Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, which Indenture was duly executed and delivered by NCPA to U.S. Bank National Association, New York, New York, the successor Trustee (the term “Trustee” where used herein refers collectively to said Trustee or its successors in said Trust) (said Indenture, as amended and supplemented and as the same may be amended and supplemented, is herein called the “Indenture”).

Copies of the Indenture are on file at the office of NCPA and at the principal corporate trust office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of NCPA, the Trustee and the holders of the Bonds and the terms upon which the Bonds are or may be issued and secured under the Indenture, the rights and remedies of the holders of the Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Indenture.

This bond is a special, limited obligation of NCPA and the principal of, Redemption Price, if any, and interest on this bond and the principal of, Redemption Price, if any, and interest on the other Bonds, are payable solely from the funds specified in the Indenture and shall not constitute a charge against the general credit of NCPA. The Bonds, including this bond, are not secured by a legal or equitable pledge of, or lien or charge upon, any property of NCPA or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth therein. Neither the State of California nor any public agency (other than NCPA from the specified sources of payment) nor any member of NCPA nor any Project Participant is obligated to pay the principal of and interest on this bond. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of NCPA or any Project Participant is pledged to the payment of the principal of or interest on this bond. NCPA has no taxing power. The payment

of the principal of or interest on this bond does not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of NCPA) or any member of NCPA or any Project Participant. Neither the members of the Commission of NCPA nor any officer or employee of NCPA shall be individually liable on the principal of or interest on this bond or in respect of any undertakings by NCPA under the Indenture.

The 2018 Series A Bonds were issued for the purpose of providing a portion of the funds necessary to refund Bonds issued under the Indenture and related purposes.

As provided in the Indenture, Bonds of NCPA may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture. Simultaneously with the issuance of the 2018 Series A Bonds, NCPA is issuing \$1,340,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the "2018 Taxable Refunding Series B Bonds"). At the time of issuance of the 2018 Series B Bonds, there was Outstanding under the Indenture \$338,244,320 aggregate principal amount of Bonds in addition to the 2018 Series A Bonds and the 2018 Series B Bonds, but excluding \$77,130,000 aggregate principal amount of NCPA's Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C, which are being refunded by the 2018 Series A Bonds and the 2018 Taxable Refunding Series B Bonds.

The 2018 Series A Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Under the circumstances prescribed in the Indenture, the 2018 Series A Bonds shall be available only through a Securities Depository.

The 2018 Series A Bonds are not subject to optional redemption prior to their stated maturity.

The 2018 Series A Bonds are subject to redemption prior to their stated maturity, at the option of NCPA in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of money if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a Redemption Price equal to the principal amount of the 2018 Series A Bonds being redeemed, plus unpaid accrued interest to the redemption date, without premium; provided that the option of NCPA to call the 2018 Series A Bonds for redemption from insurance or condemnation proceeds shall expire 90 days following the receipt of such insurance or condemnation proceeds.

If less than all of the 2018 Series A Bonds of a maturity are to be redeemed, the particular 2018 Series A Bonds to be redeemed shall be selected as provided in the Indenture.

The 2018 Series A Bonds are payable upon redemption at the principal corporate trust office of the Trustee, as Paying Agent. Notice of redemption, setting forth the place of

payment and the redemption date, shall be mailed, postage prepaid, not less than 30 days before the Redemption Date to the registered holders of any 2018 Series A Bonds to be redeemed in whole or in part; provided, however, that receipt of such mailing shall not be a condition precedent to such redemption and failure to receive any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of the 2018 Series A Bonds. If notice of redemption shall have been given as aforesaid, the 2018 Series A Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the Redemption Date, moneys for the redemption of all the 2018 Series A Bonds or portions thereof to be redeemed, together with unpaid interest thereon to the Redemption Date, shall be available for such payment on said date, then from and after the Redemption Date interest on such 2018 Series A Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This bond is transferable, as provided in the Indenture, only upon the books of NCPA kept for that purpose at the principal corporate trust office of the Trustee, as bond registrar, by the registered owner hereof, or by his duly authorized attorney, upon surrender of this bond together with a written instrument of transfer satisfactory to the bond registrar duly executed by the registered owner or his duly authorized attorney, and upon payment of the charges prescribed in the Indenture a new registered 2018 Series A Bonds or Bonds, without coupons, and for the same aggregate principal amount and maturity, shall be issued to the transferee in exchange therefor as provided in the Indenture. NCPA, the Trustee and any Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by NCPA with, in certain cases, the written consent of the holders of at least sixty percent in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Series of Bonds would be affected thereby, with such consent of the owners of at least sixty percent in principal amount of the Bonds of each separate Series so affected then Outstanding; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The Indenture may also be amended or supplemented without the necessity of the consent of the Holders of the Bonds for any one or more of the purposes specified in the Indenture.



The registered owner of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the 2018 Series A Bonds, together with all other indebtedness of NCPA, comply in all respects with the applicable laws of the State of California.

This bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

**IN WITNESS WHEREOF, NORTHERN CALIFORNIA POWER AGENCY** has caused this bond to be signed in its name and on its behalf by the manual or facsimile signature of its General Manager and the seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, as of the Dated Date specified above.

**NORTHERN CALIFORNIA POWER  
AGENCY**

[SEAL]

ATTEST: \_\_\_\_\_  
ASSISTANT SECRETARY

BY: \_\_\_\_\_  
GENERAL MANAGER

## **TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

\_\_\_\_\_  
BY: \_\_\_\_\_  
AUTHORIZED OFFICER

## ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

---

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

\_\_\_\_\_ the within Bond of the Northern California Power Agency and does hereby  
irrevocably \_\_\_\_\_ constitute \_\_\_\_\_ and \_\_\_\_\_ appoint  
\_\_\_\_\_ attorney to  
transfer the said Bond on the books kept for registration thereof with full power of substitution in  
the premises.

Dated: \_\_\_\_\_

Notice: The Signature of this assignment and  
transfer must correspond with the name  
as written upon the face of this bond in  
every particular, without alteration or  
enlargement or any change whatsoever.

Signature guaranteed by \_\_\_\_\_

Notice: [Signature must be guaranteed by a  
member of the National Association of  
Securities Dealers or a commercial bank  
or trust company.]

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TWENTY-FIFTH SUPPLEMENTAL  
INDENTURE OF TRUST

between

NORTHERN CALIFORNIA POWER AGENCY

and

U.S. BANK NATIONAL ASSOCIATION, as TRUSTEE

relating to

Hydroelectric Project Number One Revenue Bonds  
2018 Taxable Refunding Series B

Dated as of April 1, 2018

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## **TWENTY-FIFTH SUPPLEMENTAL INDENTURE OF TRUST**

**THIS TWENTY-FIFTH SUPPLEMENTAL INDENTURE OF TRUST** made and entered into as of April 1, 2018, by and between Northern California Power Agency, a joint exercise of powers agency established pursuant to the laws of the State of California (“NCPA”), and U.S. Bank National Association, a national banking association, incorporated under the laws of the United States of America and authorized to accept and execute trusts of the character herein set out, with its principal corporate trust office located at 100 Wall Street, New York, New York, as successor trustee (the “Trustee”);

### **W I T N E S S E T H :**

**WHEREAS**, NCPA has heretofore entered into with the Trustee an Indenture of Trust, dated as of March 1, 1985 (as the provisions thereof have been amended, the “Original Indenture”), as supplemented and amended by the following, each by and between NCPA and the Trustee: the First Supplemental Indenture of Trust, dated as of December 1, 1985, the Second Supplemental Indenture of Trust, dated as of July 1, 1986, the Fourth Supplemental Indenture of Trust, dated as of August 1, 1986, the Fifth Supplemental Indenture of Trust, dated as of December 1, 1986, the Sixth Supplemental Indenture of Trust, dated as of September 15, 1987, the Seventh Supplemental Indenture of Trust, dated as of July 1, 1991, the Eighth Supplemental Indenture of Trust, dated as of June 1, 1992, the Ninth Supplemental Indenture of Trust, dated as of June 1, 1993, the Tenth Supplemental Indenture of Trust, dated as of July 1, 1998, the Eleventh Supplemental Indenture of Trust, dated as of July 1, 1998, the Twelfth Supplemental Indenture of Trust, dated as of April 1, 2002, the Thirteenth Supplemental Indenture of Trust, dated as of April 1, 2002, the Fourteenth Supplemental Indenture of Trust, dated as of April 1, 2003, the Fifteenth Supplemental Indenture of Trust, dated as of April 1, 2003, the Sixteenth Supplemental Indenture of Trust, dated as of April 1, 2008, the Seventeenth Supplemental Indenture of Trust, dated as of April 1, 2008, the Eighteenth Supplemental Indenture of Trust, dated as of July 1, 2008, the Nineteenth Supplemental Indenture of Trust dated as of July 1, 2008, the Twentieth Supplemental Indenture of Trust, dated as of February 1, 2010, the Twenty-First Supplemental Indenture of Trust, dated as of February 1, 2010, the Twenty-Second Supplemental Indenture of Trust, dated as of February 1, 2012, the Twenty-Third Supplemental Indenture of Trust, dated as of February 1, 2012, and the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018; and

**WHEREAS**, NCPA has heretofore issued the Refunded 2008 Series C Bonds (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in Section 103 hereof) pursuant to the Original Indenture as amended and supplemented by the Eighteenth Supplemental Indenture; and

**WHEREAS**, the Original Indenture authorizes NCPA and the Trustee to enter into a Supplemental Indenture to provide for the issuance of Refunding Bonds such as the 2018 Series B Bonds; and

**WHEREAS**, NCPA desires to issue, on the terms set forth herein, its 2018 Series B Bonds in order to provide a portion of the moneys to refund the Refunded 2008 Series C

Bonds and to pay certain costs in connection with the issuance of the 2018 Series A Bonds and the 2018 Series B Bonds; and

**WHEREAS**, all acts and things have been done and performed which are necessary to make this Twenty-Fifth Supplemental Indenture a valid and binding agreement for the security of the 2018 Series B Bonds authenticated and delivered hereunder;

**NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS TWENTY-FIFTH SUPPLEMENTAL INDENTURE OF TRUST WITNESSETH:**

That, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created and originally created by the Original Indenture, the mutual covenants herein contained and the purchase and acceptance of the 2018 Series B Bonds issued hereunder by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of, Redemption Price, if any, and interest on the Bonds according to their tenor and effect, and the performance and observance by NCPA of all the covenants and conditions herein and therein contained on its part to be performed, it is agreed by and between NCPA and the Trustee as follows:

## **ARTICLE I**

### **AUTHORITY AND DEFINITIONS**

**101. Supplemental Indenture of Trust.** This Twenty-Fifth Supplemental Indenture of Trust is supplemental to the Original Indenture as heretofore amended and supplemented.

**102. Authority for the Twenty-Fifth Supplemental Indenture of Trust.** This Twenty-Fifth Supplemental Indenture is adopted (i) pursuant to the provisions of Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and (ii) in accordance with Article II and Article XI of the Original Indenture.

**103. Definitions.**

(a) Except as provided by this Twenty-Fifth Supplemental Indenture, all terms which are defined in Section 101 of the Original Indenture, Section 103 of the First Supplemental Indenture, Section 103 of the Second Supplemental Indenture, Section 103 of the Fourth Supplemental Indenture, Section 103 of the Fifth Supplemental Indenture, Section 103 of the Sixth Supplemental Indenture, Section 103 of the Seventh Supplemental Indenture, Section 103 of the Eighth Supplemental Indenture, Section 103 of the Ninth Supplemental Indenture, Section 103 of the Tenth Supplemental Indenture, Section 103 of the Eleventh Supplemental Indenture, Section 103 of the Twelfth Supplemental Indenture, Section 103 of the Thirteenth Supplemental Indenture, Section 103 of the Fourteenth Supplemental Indenture, Section 103 of the Fifteenth Supplemental Indenture, Section 103 of the Sixteenth Supplemental Indenture, Section 103 of the Seventeenth Supplemental Indenture, Section 103 of the Eighteenth Supplemental Indenture, Section 103 of the Nineteenth Supplemental Indenture, Section 103 of the Twentieth Supplemental Indenture, Section 103 of the Twenty-First Supplemental Indenture, Section 103 of the Twenty-Second Supplemental Indenture, Section 103 of the Twenty-Third Supplemental Indenture, or Section 103 of the Twenty-Fourth Supplemental Indenture, shall

have the same meanings, respectively, in this Twenty-Fifth Supplemental Indenture as such terms are given in said Section 101 of the Original Indenture, Section 103 of the First Supplemental Indenture, Section 103 of the Second Supplemental Indenture, Section 103 of the Fourth Supplemental Indenture, Section 103 of the Fifth Supplemental Indenture, Section 103 of the Sixth Supplemental Indenture, Section 103 of the Seventh Supplemental Indenture, Section 103 of the Eighth Supplemental Indenture, Section 103 of the Ninth Supplemental Indenture, Section 103 of the Tenth Supplemental Indenture, Section 103 of the Eleventh Supplemental Indenture, Section 103 of the Twelfth Supplemental Indenture, Section 103 of the Thirteenth Supplemental Indenture, Section 103 of the Fourteenth Supplemental Indenture, Section 103 of the Fifteenth Supplemental Indenture, Section 103 of the Sixteenth Supplemental Indenture, Section 103 of the Seventeenth Supplemental Indenture, Section 103 of the Eighteenth Supplemental Indenture, Section 103 of the Nineteenth Supplemental Indenture, and Section 103 of the Twentieth Supplemental Indenture, Section 103 of the Twenty-First Supplemental Indenture, Section 103 of the Twenty-Second Supplemental Indenture, Section 103 of the Twenty-Third Supplemental Indenture, and Section 103 of the Twenty-Fourth Supplemental Indenture, respectively.

(b) **Additional Definitions.** The following terms shall, for all purposes of the Indenture, have the following meanings set forth below:

**Authorized Denomination** means with respect to the 2018 Series B Bonds, \$5,000 and any integral multiple thereof.

**Dated Date** means, with respect to the 2018 Series B Bonds, April 4, 2018.

**Eighteenth Supplemental Indenture** means the Eighteenth Supplemental Indenture of Trust, dated as of July 1, 2008, amending and supplementing the Original Indenture as theretofore amended and supplemented.

**Refunded 2008 Series C Bonds** means the Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C authorized by the Eighteenth Supplemental Indenture which are Outstanding on the Dated Date.

**Securities Depository or Depository** means, with respect to the 2018 Series B Bonds, the securities depository designated in Section 205 hereof and its successors and assigns or if (a) the then Securities Depository resigns from its functions as depository for the 2018 Series B Bonds, or (b) NCPA discontinues use of the Securities Depository pursuant to Section 205(d) hereof, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2018 Series B Bonds.

**Twenty-Fourth Supplemental Indenture** means the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, amending and supplementing the Original Indenture as heretofore amended and supplemented.

**Twenty-Fifth Supplemental Indenture** means this Twenty-Fifth Supplemental Indenture of Trust, amending and supplementing the Original Indenture as heretofore amended and supplemented.



**2008 Series C Escrow Agreement** means the Escrow Deposit Agreement, dated as of April 1, 2018, by and between NCPA and the Trustee relating to the Refunded 2008 Series C Bonds.

**2008 Series C Escrow Fund** means the fund established in Section 2(a) of the 2008 Series C Escrow Agreement.

**2018 Series A Bonds** means the Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A issued pursuant to the Twenty-Fourth Supplemental Indenture.

**2018 Series B Bonds** means the Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B authorized by Article II of this Twenty-Fifth Supplemental Indenture.

**2018 Series B Costs of Issuance Fund** means the Fund so designated established pursuant to Section 209 of this Twenty-Fifth Supplemental Indenture.

(c) **Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Defined terms shall include any variant of the terms set forth in this Article I.

The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Twenty-Fifth Supplemental Indenture, refer to this Twenty-Fifth Supplemental Indenture.

## ARTICLE II

### THE 2018 Series B BONDS

**201. Principal Amount, Designation and Series.** Pursuant to the provisions of the Indenture as supplemented by this Twenty-Fifth Supplemental Indenture and the provisions of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$1,340,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, “Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B.” Each of the 2018 Series B Bonds shall be in fully registered form in an Authorized Denomination. The 2018 Series B Bonds shall be numbered one upward in consecutive numerical order preceded by the letter “R”. The 2018 Series B Bonds shall be in substantially the form attached hereto as Exhibit A with such variations and omissions as are necessary to reflect the particular terms of each 2018 Series B Bond.

**202. Purpose.** The 2018 Series B Bonds are issued for the purpose of providing a portion of the moneys to refund the Refunded 2008 Series C Bonds and to pay the cost of

issuance of the 2018 Series A Bonds and the 2018 Series B Bonds and other costs related to the refunding of the Refunded 2008 Series C Bonds.

**203. Terms of the 2018 Series B Bonds.** (a) The 2018 Series B Bonds shall be dated the Dated Date, and shall bear interest from the Dated Date at the respective rates, and shall mature on July 1 in the years and in the principal amounts, shown below:

Maturity July 1	Aggregate Principal Amount	Interest Rate
2019	\$1,340,000	2.35%

(b) **Interest.** Interest on each 2018 Series B Bond shall be payable at the respective per annum rates set forth in Section 203(a) hereof, on each January 1 and July 1, commencing July 1, 2018, until payment of the principal of such 2018 Series B Bonds, computed using a year of 360 days comprised of twelve 30-day months.

**204. Redemption Prices And Terms.**

(a) The 2018 Series B Bonds are not subject to optional redemption prior to their stated maturity.

(b) The 2018 Series B Bonds are subject to redemption prior to their stated maturity, at the option of NCPA, in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of available funds if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a Redemption Price equal to the principal amount of the 2018 Series B Bonds being redeemed plus unpaid accrued interest to the redemption date, without premium; provided that the option of NCPA to call the 2018 Series B Bonds for redemption from insurance or condemnation proceeds shall expire 90 days following the receipt of such insurance or condemnation proceeds.

**205. Global Form; Securities Depository.**

(a) Except as otherwise provided in this Section, the 2018 Series B Bonds shall be in the form of a global bond for the aggregate principal amount of the 2018 Series B Bonds of each maturity, and shall be registered in the name of Cede & Co., as the nominee of DTC. Upon such registration, except as provided in subsection (c) of this Section, the 2018 Series B Bonds, may be transferred, in whole but not in part, only to a successor Securities Depository or a nominee of a successor Securities Depository selected by NCPA or to a nominee of such successor Securities Depository or its nominee.

(b) NCPA, the Trustee, the Bond Registrar and the Paying Agent shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository, or the Securities Depository nominee with respect to any beneficial ownership interest in the 2018 Series B Bonds;

(ii) the delivery to any beneficial owner of the 2018 Series B Bonds or any other person, other than a Holder as shown in the registration books, of any notice with respect to the 2018 Series B Bonds, including any notice of redemption;

(iii) the payment to any beneficial owner of the 2018 Series B Bonds or any other person, other than a Holder as shown in the registration books, of any amount with respect to the principal of, premium, if any, or interest on, the 2018 Series B Bonds;

(iv) any consent given by the Securities Depository as registered owner of the 2018 Series B Bonds; or

(v) subject to Section 504 of the Original Indenture, the selection by the Securities Depository of any beneficial owners to receive payment if 2018 Series B Bonds are redeemed in part.

Upon registration of the 2018 Series B Bonds in the name of a Securities Depository pursuant to subsection (a) of this Section, so long as the certificates for the 2018 Series B Bonds are not issued pursuant to subsection (c) of this Section, NCPA, the Trustee, the Bond Registrar and the Paying Agent may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of the 2018 Series B Bonds for all purposes whatsoever, including without limitation:

(i) the payment of principal, Redemption Price and interest on the 2018 Series B Bonds;

(ii) giving notices with respect to the 2018 Series B Bonds; and

(iii) registering transfers with respect to the 2018 Series B Bonds.

(c) If at any time the incumbent Securities Depository notifies NCPA that it is unwilling or unable to continue as Securities Depository with respect to the 2018 Series B Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation or NCPA determines to discontinue the use of the book-entry system of the incumbent Securities Depository for the 2018 Series B Bonds, and a successor Securities Depository is not appointed by NCPA within 90 days after NCPA receives notice or becomes aware of such condition, or discontinues the use of the book-entry system for the incumbent Securities Depository, as the case may be, subsection (a) of this Section shall no longer be applicable and NCPA shall execute and the Trustee shall authenticate and deliver certificates representing the 2018 Series B Bonds, as provided in the Representation Letter.

(d) Notwithstanding any other provision of this Twenty-Fifth Supplemental Indenture to the contrary, so long as any 2018 Series B Bond is registered in the name of DTC, or its nominee, all payments with respect to principal, Redemption Price and interest on such

2018 Series B Bonds, and all notices with respect to such 2018 Series B Bonds, shall be made and given, respectively, as provided in the Representation Letter.

(e) While DTC is serving as Securities Depository for the 2018 Series B Bonds, in connection with any notice or other communication to be provided to the Holders of the 2018 Series B Bonds, pursuant to this Twenty-Fifth Supplemental Indenture, by NCPA or the Trustee with respect to any consent or other action to be taken by the Holders of the 2018 Series B Bonds, NCPA or the Trustee, as the case may be, shall establish a record date for determining DTC participants eligible to consent or take such other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

**206. Place of Payment and Paying Agent.** Except as otherwise provided in the Representation Letter, the principal and Redemption Price of the 2018 Series B Bonds shall be payable upon surrender thereof at the principal corporate trust office of U.S. Bank National Association, in New York, New York, as shall be designated from time to time and such banking institution is hereby appointed as Paying Agent for the 2018 Series B Bonds. By execution of this Twenty-Fifth Supplemental Indenture, U.S. Bank National Association accepts the office of Paying Agent for the 2018 Series B Bonds and agrees to perform all duties in connection herewith as provided in the Indenture. The principal and Redemption Price of all 2018 Series B Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Indenture.

**207. Application of Proceeds of 2018 Series B Bonds.** In accordance with Section 204 of the Original Indenture, the proceeds of the sale of the 2018 Series B Bonds of \$1,336,852.01 (representing the \$1,340,000 principal amount of the 2018 Series B Bonds less underwriters' discount of \$3,147.99), shall be applied simultaneously with the delivery of the 2018 Series B Bonds, as follows:

(a) There shall be deposited, in immediately available funds, in the 2008 Series C Escrow Fund the sum of \$1,326,129.03; and

(b) There shall be deposited in the 2018 Series B Costs of Issuance Fund the \$10,722.98 balance of such proceeds.

**208. No 2018 Series B Debt Service Reserve Account.** Pursuant to Section 202(1)(d) of the Original Indenture, the 2018 Series B Bonds are not Participating Bonds and are not secured by amounts in the Debt Service Reserve Account. No Series Debt Service Reserve Account will be established in the Debt Service Fund with respect to the 2018 Series B Bonds.

**209. Establishment and Application of 2018 Series B Costs of Issuance Fund.** The Trustee shall establish and maintain in trust a separate fund designated as the "2018 Series B Costs of Issuance Fund." Moneys deposited in said fund shall be used to pay costs of issuance with respect to the 2018 Series A Bonds and the 2018 Series B Bonds and the expenses and obligations payable by NCPA in connection with the 2018 Series A Bonds and the 2018 Series B Bonds and the refunding of the Refunded 2008 Series C Bonds upon receipt by the Trustee of a requisition of an NCPA Authorized Representative stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such

payment is a proper charge against said fund. At the end of one year from the date of initial delivery of the 2018 Series B Bonds, or upon earlier receipt of a statement of an NCPA Authorized Representative that amounts in said fund are no longer required for the payment of such costs, expenses and obligations, said fund shall be terminated and any amounts then remaining in said fund shall be transferred to the Debt Service Fund.

### **ARTICLE III**

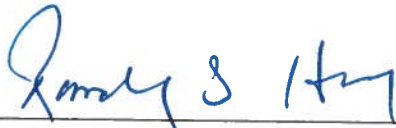
#### **MISCELLANEOUS**

**301. Indenture to Remain in Effect.** Save and except as heretofore amended and supplemented and as amended and supplemented by this Twenty-Fifth Supplemental Indenture, the Indenture shall remain in full force and effect.

**302. Counterparts.** This Twenty-Fifth Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

**IN WITNESS WHEREOF**, Northern California Power Agency has caused these presents to be signed in its name and on its behalf by its General Manager and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the first day of April, 2018.

**NORTHERN CALIFORNIA POWER  
AGENCY**

By: 

Name: Randy S. Howard

Title: General Manger

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**


By: \_\_\_\_\_  
Authorized Officer

**IN WITNESS WHEREOF**, Northern California Power Agency has caused these presents to be signed in its name and on its behalf by its General Manager and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the first day of April, 2018.

**NORTHERN CALIFORNIA POWER  
AGENCY**

By: \_\_\_\_\_  
Name: Randy S. Howard  
Title: General Manger

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**

By:  \_\_\_\_\_  
Authorized Officer

## EXHIBIT A

### FORM OF 2018 SERIES B BONDS

[bracketed language applies only to Bonds to be registered in the name of CEDE & CO.]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

#### NORTHERN CALIFORNIA POWER AGENCY

#### HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND, 2018 TAXABLE REFUNDING SERIES B

No. R-\_\_\_\_\_ \$ \_\_\_\_\_

Interest Rate	Dated Date	Maturity Date	CUSIP No.
_____%	April 4, 2018	July 1, 20__	

Registered Holder: CEDE & CO.

Principal Amount:

**NORTHERN CALIFORNIA POWER AGENCY** (herein called “NCPA”), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an “Interest Payment Date”), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid,



unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date. The interest so payable on any Interest Payment Date will be paid to the person in whose name this bond is registered at the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date at his address as shown on the bond register.

This bond is one of a duly authorized issue of bonds of NCPA designated as “Hydroelectric Project Number One Revenue Bonds” (the “Bonds”) and of a series of Bonds designated as “Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B” (the “2018 Series B Bonds”). The 2018 Series B Bonds are issued pursuant to Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as amended and supplemented. The 2018 Series B Bonds have been issued in the aggregate principal amount of \$1,340,000. The 2018 Series B Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Trust Estate and entitled to the protection given by, the Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, which Indenture was duly executed and delivered by NCPA to U.S. Bank National Association, New York, New York, the successor Trustee (the term “Trustee” where used herein refers collectively to said Trustee or its successors in said Trust) (said Indenture, as amended and supplemented and as the same may be amended and supplemented, is herein called the “Indenture”).

Copies of the Indenture are on file at the office of NCPA and at the principal corporate trust office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of NCPA, the Trustee and the holders of the Bonds and the terms upon which the Bonds are or may be issued and secured under the Indenture, the rights and remedies of the holders of the Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Indenture.

This bond is a special, limited obligation of NCPA and the principal of, Redemption Price, if any, and interest on this bond and the principal of, Redemption Price, if any, and interest on the other Bonds, are payable solely from the funds specified in the Indenture and shall not constitute a charge against the general credit of NCPA. The Bonds, including this bond, are not secured by a legal or equitable pledge of, or lien or charge upon, any property of NCPA or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth therein. Neither the State of California nor any public agency (other than NCPA from the specified sources of payment) nor any member of NCPA nor any Project Participant is obligated to pay the principal of and interest on this bond. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of NCPA or any Project Participant is pledged to the payment of the principal of or interest on this bond. NCPA has no taxing power. The payment

of the principal of or interest on this bond does not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of NCPA) or any member of NCPA or any Project Participant. Neither the members of the Commission of NCPA nor any officer or employee of NCPA shall be individually liable on the principal of or interest on this bond or in respect of any undertakings by NCPA under the Indenture.

The 2018 Series B Bonds were issued for the purpose of providing a portion of the funds necessary to refund Bonds issued under the Indenture and related purposes.

As provided in the Indenture, Bonds of NCPA may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture. Simultaneously with the issuance of the 2018 Series B Bonds, NCPA is issuing \$68,875,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the "2018 Refunding Series A Bonds"). At the time of issuance of the 2018 Series B Bonds, there was Outstanding under the Indenture \$338,244,320 aggregate principal amount of Bonds in addition to the 2018 Series A Bonds and the 2018 Series B Bonds, but excluding \$77,130,000 aggregate principal amount of NCPA's Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C, which are being refunded by the 2018 Refunding Series A Bonds and the 2018 Series B Bonds.

The 2018 Series B Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Under the circumstances prescribed in the Indenture, the 2018 Series B Bonds shall be available only through a Securities Depository.

The 2018 Series B Bonds are not subject to optional redemption prior to their stated maturity.

The 2018 Series B Bonds are also subject to redemption prior to their stated maturity, at the option of NCPA in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of money if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a Redemption Price equal to the principal amount of the 2018 Series B Bonds being redeemed, plus unpaid accrued interest to the redemption date, without premium; provided that the option of NCPA to call the 2018 Series B Bonds for redemption from insurance or condemnation proceeds shall expire 90 days following the receipt of such insurance or condemnation proceeds.

If less than all of the 2018 Series B Bonds of a maturity are to be redeemed, the particular 2018 Series B Bonds to be redeemed shall be selected as provided in the Indenture.

The 2018 Series B Bonds are payable upon redemption at the principal corporate trust office of the Trustee, as Paying Agent. Notice of redemption, setting forth the place of

payment and the redemption date, shall be mailed, postage prepaid, not less than 30 days before the Redemption Date to the registered holders of any 2018 Series B Bonds to be redeemed in whole or in part; provided, however, that receipt of such mailing shall not be a condition precedent to such redemption and failure to receive any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of the 2018 Series B Bonds. If notice of redemption shall have been given as aforesaid, the 2018 Series B Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the Redemption Date, moneys for the redemption of all the 2018 Series B Bonds or portions thereof to be redeemed, together with unpaid interest thereon to the Redemption Date, shall be available for such payment on said date, then from and after the Redemption Date interest on such 2018 Series B Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This bond is transferable, as provided in the Indenture, only upon the books of NCPA kept for that purpose at the principal corporate trust office of the Trustee, as bond registrar, by the registered owner hereof, or by his duly authorized attorney, upon surrender of this bond together with a written instrument of transfer satisfactory to the bond registrar duly executed by the registered owner or his duly authorized attorney, and upon payment of the charges prescribed in the Indenture a new registered 2018 Series B Bonds or Bonds, without coupons, and for the same aggregate principal amount and maturity, shall be issued to the transferee in exchange therefor as provided in the Indenture. NCPA, the Trustee and any Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by NCPA with, in certain cases, the written consent of the holders of at least sixty percent in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Series of Bonds would be affected thereby, with such consent of the owners of at least sixty percent in principal amount of the Bonds of each separate Series so affected then Outstanding; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The Indenture may also be amended or supplemented without the necessity of the consent of the Holders of the Bonds for any one or more of the purposes specified in the Indenture.

The registered owner of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the 2018 Series B Bonds, together with all other indebtedness of NCPA, comply in all respects with the applicable laws of the State of California.

This bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

**IN WITNESS WHEREOF, NORTHERN CALIFORNIA POWER AGENCY** has caused this bond to be signed in its name and on its behalf by the manual or facsimile signature of its General Manager and the seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, as of the Dated Date specified above.

**NORTHERN CALIFORNIA POWER  
AGENCY**

[SEAL]

ATTEST: \_\_\_\_\_  
ASSISTANT SECRETARY

BY: \_\_\_\_\_  
GENERAL MANAGER

## **TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

\_\_\_\_\_

BY: \_\_\_\_\_  
AUTHORIZED OFFICER

## ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

---

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

\_\_\_\_\_ the within Bond of the Northern California Power Agency and does hereby  
irrevocably \_\_\_\_\_ constitute \_\_\_\_\_ and \_\_\_\_\_ appoint  
\_\_\_\_\_ attorney to  
transfer the said Bond on the books kept for registration thereof with full power of substitution in  
the premises.

Dated: \_\_\_\_\_

Notice: The Signature of this assignment and  
transfer must correspond with the name  
as written upon the face of this bond in  
every particular, without alteration or  
enlargement or any change whatsoever.

Signature guaranteed by \_\_\_\_\_

Notice: [Signature must be guaranteed by a  
member of the National Association of  
Securities Dealers or a commercial bank  
or trust company.]

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS**

**\$69,120,000\***  
**2018 Refunding Series A**

**\$1,290,000\***  
**2018 Taxable Refunding Series B**

**CERTIFICATE AS TO FINALITY OF PRELIMINARY OFFICIAL STATEMENT**

On behalf of the Northern California Power Agency, the undersigned does hereby certify as follows:

1. This Certificate is delivered in connection with the offering and sale of the Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”), in order to enable the underwriters of the 2018 Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”).


2. In connection with the offering and sale of the 2018 Bonds, there has been prepared a Preliminary Official Statement, dated February 27, 2018 (the “Preliminary Official Statement”), setting forth information concerning the 2018 Bonds.

3. As used herein, “Permitted Omissions” shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the 2018 Bonds depending on such matters, all with respect to the 2018 Bonds.

4. The Preliminary Official Statement is, except for Permitted Omissions, deemed final within the meaning of the Rule.

Dated: March 2, 2018

**NORTHERN CALIFORNIA POWER  
AGENCY**

By:   
\_\_\_\_\_  
Monty Hanks, Assistant General Manager,  
Finance and Administrative Services;  
Chief Financial Officer

**NEW ISSUE—FULL BOOK-ENTRY ONLY**

**RATINGS:** (See “RATINGS” herein.)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to NCPA, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2018 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the 2018 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that the 2018 Series B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds. See “TAX MATTERS.”*



**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS**

**\$69,120,000\***  
**2018 Refunding Series A**

**\$1,290,000\***  
**2018 Taxable Refunding Series B**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

***This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the 2018 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.***

Northern California Power Agency (“NCPA”) is offering \$69,120,000\* of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and \$1,290,000\* of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and together with the 2018 Series A Bonds, the “2018 Bonds”). The 2018 Bonds are being issued by NCPA pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as successor trustee (the “Trustee”) for the purpose of providing funds to refund NCPA’s Outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C and to pay costs of issuance of the 2018 Bonds. See “PLAN OF REFUNDING” herein.

The 2018 Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2018 Bonds, and individual purchases of the 2018 Bonds will be made in book-entry form only. Interest on the 2018 Bonds of each Series is payable on each January 1 and July 1, beginning on July 1, 2018. Principal is payable on July 1 of the years and in the amounts set forth on the inside cover page hereof. The 2018 Bonds of each Series may be purchased in authorized denominations of \$5,000 and any integral multiple thereof. Principal, premium, if any, and interest on the 2018 Bonds is payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM” hereto.

**The 2018 Bonds are not subject to optional redemption prior to maturity. The 2018 Bonds are subject to extraordinary redemption as described herein.**

THE 2018 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF NCPA PAYABLE SOLELY FROM THE TRUST ESTATE, AND SECURED SOLELY BY A PLEDGE AND ASSIGNMENT OF THE TRUST ESTATE, CONSISTING PRIMARILY OF THE NCPA REVENUES (AS DEFINED HEREIN) AND THE OTHER FUNDS PLEDGED BY NCPA UNDER THE INDENTURE. THE 2018 BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF NCPA. THE 2018 BONDS ARE NOT DEBTS, LIABILITIES OR OBLIGATIONS OF THE STATE OF CALIFORNIA, ANY PUBLIC AGENCY THEREOF (OTHER THAN NCPA), ANY MEMBER OF NCPA OR ANY PROJECT PARTICIPANT, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY OF THE FOREGOING (INCLUDING NCPA) IS PLEDGED FOR THE PAYMENT OF THE 2018 BONDS. NCPA HAS NO TAXING POWER.

**MATURITY SCHEDULES**  
(see inside cover)

The 2018 Bonds are offered when, as and if issued and delivered to the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to NCPA, and certain other conditions. Certain legal matters will be passed upon for NCPA by Jane E. Luckhardt, Esq., General Counsel to NCPA and by Spiegel & McDiarmid LLP, Washington, D.C., Washington, Counsel to NCPA. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright LLP, Los Angeles, California, Counsel to the Underwriters. It is expected that the 2018 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST) on or about \_\_\_\_\_, 2018.

**Citigroup**

**Goldman Sachs & Co. LLC**

Dated: \_\_\_\_\_, 2018

\* Preliminary; subject to change.



**MATURITY SCHEDULES\***

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS**

**\$69,120,000\***  
**2018 Refunding Series A Bonds**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP†</b>
2019	\$ 8,965,000	%		
2020	10,760,000			
2021	11,340,000			
2022	11,885,000			
2023	11,890,000			
2024	14,280,000			

**\$1,290,000\***  
**2018 Taxable Refunding Series B**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP†</b>
2019	\$1,290,000	%		

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\* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of NCPA, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

**NORTHERN CALIFORNIA POWER AGENCY**  
**651 Commerce Drive**  
**Roseville, California 95678**  
**Telephone: (916) 781-3636**

**NCPA Commissioners and Members**

Bob Lingl, Chairman.....Mayor, Lompoc	Roger Frith, Vice Chairman..... Councilmember, City of Biggs
Madeline Deaton ..... Commissioner, Public Utilities Board of the City of Alameda	Daniel Kenney .....Board Member, Plumas-Sierra Rural Electric Cooperative
Holly Gordon..... Sustainability Group Manager, San Francisco Bay Area Rapid Transit	Bob Ellis ..... Board Member, Truckee Donner Public Utility District
Gary Davidson.....Councilmember, City of Gridley	Brent Weaver ..... Councilmember, City of Redding
David Hagele.....Councilmember, City of Healdsburg	Bonnie Gore..... Vice Mayor, City of Roseville
Mark Chandler..... Mayor, Lodi	Teresa O'Neill ..... Councilmember, City of Santa Clara
Basil Wong.....Utility Director, Port of Oakland	Vacant.....City of Shasta Lake
Gregory Scharff.....Mayor, Palo Alto	Doug Crane.....Councilmember, City of Ukiah

**Management**

General Manager .....	Randy S. Howard
General Counsel .....	Jane E. Luckhardt, Esq.
Assistant General Manager, Finance and Administrative Services; Chief Financial Officer.....	Monty Hanks
Assistant General Manager, Legislative & Regulatory .....	Jane Dunn Cirrincione
Assistant General Manager, Power Management.....	David Dockham
Assistant General Manager, Generation Services.....	Ken Speer

**Project Participants**

Participant	Project Entitlement Percentage
Alameda	10.00%
Biggs	0.10
Gridley	1.06
Healdsburg	1.66
Lodi	10.37
Lompoc	2.30
Palo Alto	22.92
Roseville	12.00
Santa Clara	35.86
Ukiah	2.04
Plumas-Sierra Rural Electric Cooperative	1.69
	100.00%

**Special Services**

**Bond and Disclosure Counsel**  
Orrick, Herrington & Sutcliffe LLP  
Los Angeles, California

**Washington Counsel**  
Spiegel & McDiarmid LLP  
Washington, D.C.

**Auditor**  
Baker Tilly Virchow  
Krause, LLP  
Madison, Wisconsin

**Trustee**  
U.S. Bank National Association  
New York, New York

**Verification Agent**  
Grant Thornton LLP  
Minneapolis, Minnesota

**Financial Advisor**  
PFM Financial Advisors  
LLC  
Los Angeles, California

No dealer, broker, salesperson or any other person has been authorized by NCPA, the Project Participants or the Underwriters to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the 2018 Bonds and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of, the 2018 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the 2018 Bonds.

Statements contained in this Official Statement, which include estimates, forecasts or matters of opinion, are intended solely as such and are not to be construed as representations of fact. The information set forth herein has been furnished by NCPA, the Project Participants or other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) website.

U.S. Bank National Association accepts its duties as Trustee for the 2018 Bonds. Notwithstanding the foregoing, however, the Trustee has not reviewed this Official Statement and makes no representations as to the information contained herein, including, but not limited to, any representations as to the financial feasibility of NCPA or its Members, the Project or any related activities.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2018 BONDS THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2018 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CAUTIONARY STATEMENTS REGARDING  
FORWARD-LOOKING STATEMENTS IN  
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions “RATE REGULATION” and “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” in this Official Statement and in the description of each of the Significant Share Project Participant’s operations set forth in APPENDIX A hereto. Forward-looking statements in APPENDIX A and elsewhere in this Official Statement are subject to risks and uncertainties, including particularly those relating to natural gas costs and availability, wholesale and retail electric energy and capacity prices, federal and state legislation and regulations, competition and industry restructuring, and the economies of the service areas of the Project Participants.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. NCPA does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

NCPA maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2018 Bonds.

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## OFFICIAL STATEMENT

### NORTHERN CALIFORNIA POWER AGENCY HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS

**\$69,120,000\***  
**2018 Refunding Series A**

**\$1,290,000\***  
**2018 Taxable Refunding Series B**

## INTRODUCTION

*This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the 2018 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein will have the respective meanings assigned to them elsewhere in this Official Statement. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions.”*

### Purpose

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning (i) the Northern California Power Agency (“NCPA”); (ii) NCPA’s \$69,120,000\* Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and \$1,290,000\* Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and together with the 2018 Series A Bonds, the “2018 Bonds”); and (iii) the eleven NCPA Members which have entered into the Third Phase Agreement (hereinafter defined) with NCPA (collectively, the “Project Participants”) relating to NCPA’s Hydroelectric Project Number One (the “Project”), including in particular the five principal Project Participants (the “Significant Share Project Participants”).

The 2018 Bonds are being issued by NCPA for the purpose of providing funds to refund NCPA’s Outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C (the “Refunded 2008 Series C Bonds”) and to pay costs of issuance of the 2018 Bonds. See “PLAN OF REFUNDING.”

### NCPA

NCPA is a joint exercise of powers agency formed under the Joint Exercise of Power Act (Cal. Gov. Code §§ 6500 et seq.) (the “Act”) and an Amended and Restated Northern California Power Agency Joint Powers Agreement (the “NCPA Joint Powers Agreement”) now among the City of Alameda (“Alameda”), the City of Biggs (“Biggs”), the City of Gridley (“Gridley”), the City of Healdsburg (“Healdsburg”), the City of Lodi (“Lodi”), the City of Lompoc (“Lompoc”), the City of Palo Alto (“Palo Alto”), the City of Redding (“Redding”), the City of Roseville (“Roseville”), the City of Santa Clara (“Santa Clara”), the City of Shasta Lake (“Shasta Lake”), the City of Ukiah (“Ukiah”), the City of Oakland acting by and through its Board of Port Commissioners (“Port of Oakland”), the Truckee Donner Public Utility District (“Truckee Donner”), and the San Francisco Bay Area Rapid Transit District (“BART”) as members, and the Plumas-Sierra Rural Electric Cooperative (“Plumas-Sierra”), as an associate member (herein collectively referred to as the “Members” and individually as a “Member”). The Project Participants and their Project Entitlement Percentages are shown on page (a) hereof. The Significant Share Project Participants, representing in aggregate over 90% in Project Entitlement Percentages, are the cities of Alameda, Lodi, Palo Alto, Roseville and Santa Clara.

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\* Preliminary; subject to change.



## **Authority for Issuance**

The 2018 Bonds are being issued pursuant to the provisions of Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Part I of Division 2 of Title 5 of the Government Code of the State of California and under and in accordance with an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as successor trustee (the “Trustee”), the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the “Third Phase Agreement”), by and among NCPA and the Project Participants, and the Power Purchase Contract dated July 6, 1981, as amended and revised by the Revised Power Purchase Contract, dated as of March 1, 1985 (the “Power Purchase Contract”), by and between NCPA and Calaveras County Water District (“Calaveras”).

The 2018 Bonds and all Hydroelectric Project Number One Revenue Bonds Outstanding under the Indenture are referred to herein as the “Hydroelectric Project Bonds.”

## **The Project**

The Project consists of a 252.86 megawatt (“MW”) hydroelectric project (net capacity based on California Independent System Operator Masterfile for Collierville Powerhouse and Spicer Meadow Dam Powerhouse) and related facilities, described under the caption “THE PROJECT.” NCPA is entitled, under the Power Purchase Contract (i) to receive the electric output, and associated capacity, of the Project for 50 years from February 1982, with an option to purchase Project capacity and energy in excess of Calaveras’ requirements thereafter, subject to Federal Energy Regulatory Commission (“FERC”) approval, and (ii) to operate the generating facilities of the Project. In February 1990, the operating portions of the Project were declared substantially complete and commercially operable. The Project is primarily used to serve the Project Participants’ load requirements, and is secondarily used for load-following by NCPA, whereby the project output is used to balance the Project Participants’ load forecast deviations.

## **Third Phase Agreement**

Under the Third Phase Agreement, NCPA has agreed to provide, and each Project Participant has agreed to take or cause to be taken, the Project Participant’s Project Entitlement Percentage of the capacity and energy of the Project. The Project Participants pay for such capacity and energy on a cost-of-service basis. Each Project Participant has agreed to make payments for such capacity and energy solely from the revenues of, and as an operating expense of, such Project Participant’s electric system. Such payments must be made regardless of whether or not the Project is operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of Project output or the capacity and energy contracted for in whole or in part for any reason whatsoever. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS—Third Phase Agreement.”

## **Security and Sources of Payment for the 2018 Bonds**

The 2018 Bonds are special, limited obligations of NCPA. The 2018 Bonds are payable solely from, and secured solely by a pledge and assignment of, the Trust Estate, consisting primarily of the NCPA Revenues, and the other funds pledged by NCPA under the Indenture as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS.”

**The 2018 Bonds are not debts, liabilities or obligations of the State of California, any public agency thereof (other than NCPA), any Member of NCPA or any Project Participant and neither the faith and credit nor the taxing power of any of the foregoing (including NCPA) is pledged for the payment of the 2018 Bonds. NCPA has no taxing power.**

#### **No Debt Service Reserve Account**

No debt service reserve account will be established to secure the 2018 Bonds. Amounts held in or credited to any other debt service reserve account established in connection with any other series of Outstanding Hydroelectric Project Bonds do not secure, and are not available for, the payment of the 2018 Bonds.

#### **Risk Factors**

For a description of certain risks associated with the purchase of the 2018 Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS—Limitations on Remedies,” “RATE REGULATION,” “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” and “LITIGATION.”

#### **Other Matters**

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given to it in such agreement or document. In preparing this Official Statement, NCPA has relied upon certain information relating to the Project Participants furnished to NCPA by the Project Participants.

Attached to this Official Statement is a summary of certain provisions of the Indenture. Copies of the Indenture, the Escrow Agreement, the Third Phase Agreement and the Continuing Disclosure Agreements are available for inspection at the offices of NCPA in Roseville, California, and will be available upon request and payment of duplication costs from the Trustee.

### **PLAN OF REFUNDING**

#### **Prior Financing**

The 2008 Series C Bonds were originally issued in the aggregate principal amount of \$128,005,000 pursuant to the Indenture for the purpose of refinancing a portion of the costs of the Project. As of the date hereof, \$77,130,000 principal amount of the 2008 Series C Bonds remains Outstanding.

#### **Refunding Plan**

The Refunded 2008 Series C Bonds consist of all of the \$77,130,000 principal amount of the 2008 Series C Bonds remaining Outstanding. The 2018 Bonds are being issued for the purpose of providing funds to redeem the Refunded 2008 Series C Bonds on or about July 1, 2018. The 2018 Bonds are also being issued to pay costs of issuance of the 2018 Bonds.

Pursuant to an Escrow Agreement (the “Escrow Agreement”), to be entered into by NCPA and U.S. Bank National Association, as Trustee, a portion of the proceeds of the 2018 Bonds will be deposited

into an escrow fund (the “Escrow Fund”) and will either be held as cash or will be used to purchase defeasance securities (the “Escrow Securities”) that will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid in accordance with their respective terms, and together with the cash held in the Escrow Fund, sufficient moneys will be available to pay when due the interest on the Refunded 2008 Series C Bonds to the redemption date and the redemption price (100.0% of the principal amount) of the Refunded 2008 Series C Bonds on the redemption date.

On the date of delivery of the 2018 Bonds, NCPA will receive a report from Grant Thornton LLP, verifying the adequacy of the cash deposited and held in the Escrow Fund, together with the maturing principal amounts of and interest earned on the Escrow Securities (if any), to pay when due the interest on the Refunded 2008 Series C Bonds to the redemption date and the redemption price of the Refunded 2008 Series C Bonds on the redemption date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

Upon such deposit, the Refunded 2008 Series C Bonds will no longer be deemed to be Outstanding under the Indenture, and all obligations of NCPA with respect to the Refunded 2008 Series C Bonds shall cease and terminate, except for the obligation of NCPA to cause the amounts due on the Refunded 2008 Series C Bonds to be paid from funds on deposit in the Escrow Fund.

### ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2018 Bonds and other amounts are as follows:

	2018 Series A Bonds	2018 Series B Bonds	Total
<b>Sources of Funds</b>			
Principal Amount	\$	\$	\$
[Net] Original Issue			
[Premium/Discount]			
Transfer from Refunded 2008 Series C Bonds funds and accounts			
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Uses of Funds</b>			
Deposit to Escrow Fund	\$	\$	\$
Transferred Proceeds Penalty			
Costs of Issuance <sup>(1)</sup>			
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Costs of issuance include legal, financing and consulting fees, underwriters’ discount, fees of the verification agent, trustee and escrow agent, rating agency fees, printing costs and other miscellaneous expenses.

### OTHER OBLIGATIONS OF NCPA

Each NCPA project is separately financed. As of January 31, 2018, in addition to the \$322.4 million Hydroelectric Project Bonds Outstanding under the Indenture (of which \$77.130 million is being refunded by the 2018 Bonds), NCPA had outstanding approximately \$33.8 million Capital Facilities Revenue Bonds, \$28.8 million outstanding Geothermal Project Number 3 Revenue Bonds and \$353.3 million Lodi Energy Center Revenue Bonds. For further information on NCPA projects and related bond issues, see “OTHER NCPA PROJECTS.” Each Project Participant is also a direct or indirect participant in one or more of such other NCPA projects.

In 2004, NCPA entered into an interest rate swap agreement (the “2004 Swap Agreement”) with Citigroup Financial Products Inc. (“CFPI”) in an initial notional amount of \$85.16 million in anticipation of refunding \$85.87 million principal amount of NCPA’s then outstanding 1998 Bonds (the “1998 Bonds”). Certain of the 1998 Bonds were refunded with the issuance of NCPA’s Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series A (the “2008 Series A Bonds”) and 2008 Refunding Series B (Taxable) (the “2008 Series B Bonds”).

The 2008 Series A Bonds and the 2008 Series B Bonds are variable rate obligations secured by respective letters of credit. The existing letters of credit for the 2008 Series A Bonds and the 2008 Series B Bonds have been provided by The Bank of Montreal and have a scheduled expiration date of September 9, 2019. The reimbursement agreements for such letters of credit obligate NCPA to repay The Bank of Montreal for amounts drawn under the respective letter of credit. The interest rate payable by NCPA for unreimbursed draws under the letters of credit may be considerably higher than the interest rate on the 2008 Series A Bonds and the 2008 Series B Bonds and may be accelerated under certain circumstances. While NCPA may attempt in such event to refinance the 2008 Series A Bonds and 2008 Series B Bonds to avoid this additional debt burden, there can be no assurance that NCPA will have access to the debt markets.

Pursuant to the 2004 Swap Agreement, the floating rate interest payments that NCPA is obligated to make with respect to the 2008 Series A Bonds were converted into substantially fixed rate payments. In general, the terms of the 2004 Swap Agreement provide that, on a same-day net-payment basis determined by reference to a notional amount equal to the principal amount of the Outstanding 2008 Series A Bonds, NCPA will pay a fixed interest rate on the notional amount. In return, CFPI will pay a variable rate of interest under the 2004 Swap Agreement on a like notional amount. The agreement by CFPI to make payments under the 2004 Swap Agreement does not affect NCPA’s obligation to make payment of the 2008 Series A Bonds. Under certain circumstances, the 2004 Swap Agreement is subject to termination and NCPA may be required to make a substantial termination payment to the counterparty thereunder. Payments due from NCPA under the 2004 Swap Agreement, including any amounts payable upon early termination thereof, are payable from amounts on deposit in the General Reserve Account on a basis that is junior and subordinate to the payment of the Hydroelectric Project Bonds and are insured by National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation).

## **THE 2018 BONDS**

*The following is a summary of certain provisions of the 2018 Bonds. Reference is made to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.*

### **General**

The 2018 Bonds of each Series are being issued in the respective aggregate principal amounts indicated on the inside cover page of this Official Statement, will mature on July 1 in the years and in the amounts, and will bear interest at the rates per annum, as shown on the inside cover page of this Official Statement. The 2018 Bonds of each Series will be dated their date of delivery. Interest on the 2018 Bonds of each Series is payable on January 1 and July 1 of each year, commencing July 1, 2018 (calculated on the basis of a 360-day year comprised of twelve 30-day months).

The 2018 Bonds are being issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), such registered owner of 2018 Bonds being hereinafter referred to as the “Holder.” DTC will act as securities depository for the 2018 Bonds. Ownership interests in the 2018 Bonds may be purchased in book-entry form only. Ownership interests in the 2018 Bonds of each Series may be purchased in authorized

denominations of \$5,000 and any integral multiple thereof. Purchasers will not receive securities certificates representing their interests in the 2018 Bonds purchased. Payments of principal of, premium, if any, and interest on the 2018 Bonds is payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM.”

### **Redemption of 2018 Bonds\***

#### **No Optional Redemption**

The 2018 Bonds are not subject to optional redemption prior to their stated maturities.

#### **Extraordinary Redemption**

The 2018 Bonds are subject to redemption prior to their stated maturity, at the option of NCPA, in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of money if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a redemption price equal to the principal amount thereof, plus unpaid accrued interest to the date fixed for redemption, without premium; provided that the option of NCPA to call the 2018 Bonds for redemption from insurance or condemnation proceeds will expire 90 days following the receipt of such insurance or condemnation proceeds.

#### **Selection of 2018 Bonds for Redemption**

NCPA may select the Series of the 2018 Bonds, the maturities of the 2018 Bonds and the principal amount of each such maturity to be redeemed in its sole discretion. Whenever provision is made in the Indenture for the redemption of less than all of the 2018 Bonds of like maturity of any Series, the Trustee will select the 2018 Bonds to be redeemed from all 2018 Bonds of such Series and maturity subject to redemption and not previously called for redemption, at random in any manner which the Trustee in its sole discretion will deem appropriate and fair.

#### **Notice of Redemption**

The Indenture requires the Trustee to give notice of the redemption of any 2018 Bonds by mailing a notice of redemption of such 2018 Bonds, postage prepaid, not less than 30 days before the redemption date, to the Holders of any 2018 Bonds or portions of 2018 Bonds which are to be redeemed, at their last address appearing upon the registry books. Among other things, such notice will state that on the redemption date there will become due and payable on each 2018 Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof in the case of 2018 Bonds to be redeemed in part only, together with unpaid accrued interest to the redemption date, and that on and after such date, interest thereon will cease to accrue and be payable. Receipt of such notice will not be a condition precedent to such redemption and failure so to receive such notice or any defect in such notice will not affect the validity of the proceedings for the redemption of 2018 Bonds. So long as the 2018 Bonds are in book-entry form, such notice of redemption by the Trustee to the Holders will be mailed only to DTC (or its nominee).

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\* Preliminary; subject to change.

## SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS

### Pledge Effected by the Indenture

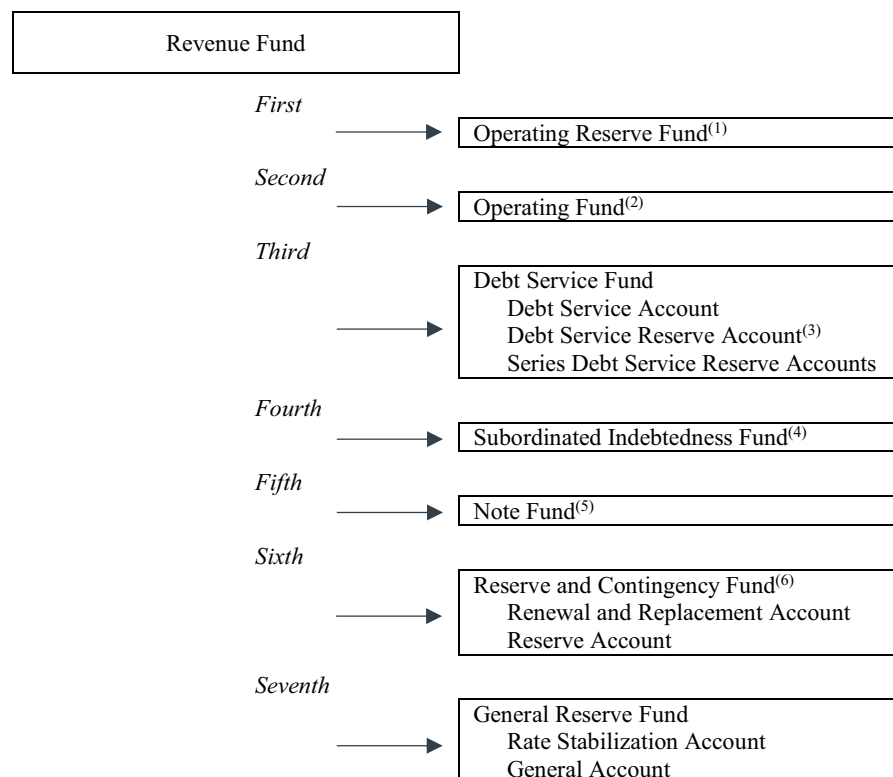
The 2018 Bonds are special, limited obligations of NCPA payable solely from, and secured solely by a pledge and assignment of, the following pursuant to the Indenture, which constitutes the Trust Estate: (a) subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, (i) the proceeds of the sale of the Hydroelectric Project Bonds, (ii) (a) all revenues, income, rents and receipts derived or to be derived by NCPA from or attributable to the Project or the Power Purchase Contract or to the payment of the costs of the Project received or to be received by NCPA under the Third Phase Agreement or the Power Purchase Contract or under any other contract for the sale by NCPA of the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof or the services or capacity thereof, (b) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Project, and (c) interest received or to be received on any moneys or securities (other than in the Construction Fund) held pursuant to the Indenture and required to be paid into the Revenue Fund established thereunder ("NCPA Revenues"), and (iii) all amounts on deposit in the Funds established by the Indenture, including the investments, if any, thereof to the extent held by the Trustee and (b) all right, title and interest of NCPA in, to and under the Third Phase Agreement and the Power Purchase Contract.

**The 2018 Bonds and the interest thereon are payable solely from the funds provided therefor under the Indenture and will not constitute a charge against the general credit of NCPA. The 2018 Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of NCPA or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any Member of NCPA or any Project Participant is pledged to the payment of the principal of, or interest on, the 2018 Bonds. NCPA has no taxing power. Neither the payment of the principal of, or interest on, the 2018 Bonds constitutes a debt, liability or obligation of the State of California or any public agency thereof (other than NCPA) or any Member of NCPA or any Project Participant. The Commissioners, directors, officers and employees of NCPA will not be individually liable on the 2018 Bonds or in respect of any undertakings by NCPA under the Indenture.**

The 2018 Bonds are payable from and secured by the Trust Estate on a parity basis with all other Hydroelectric Project Bonds Outstanding under the Indenture. As of January 31, 2018, there was \$322.4 million aggregate principal amount of Hydroelectric Project Bonds Outstanding under the Indenture, of which \$77.13 million are being refunded by the 2018 Bonds.

## Order of Application of NCPA Revenues

Pursuant to the Indenture, all NCPA Revenues received are to be deposited promptly in the Revenue Fund upon receipt thereof. Amounts in the Revenue Fund are to be paid monthly in the following order of priority for application therefrom as follows:



<sup>(1)</sup> To be maintained in such amount as recommended by a Consulting Engineer. The Consulting Engineer has recommended that such amount be set to \$0, provided that NCPA has established a common special reserve fund for the operating and maintenance expenses of the Project and the NCPA Geothermal Project in an amount not less than \$3,000,000. Such special reserve has been established.

<sup>(2)</sup> To be applied for the payment of NCPA Operating Expenses.

<sup>(3)</sup> The Debt Service Reserve Account is maintained in an amount equal to the Debt Service Reserve Requirement as defined in APPENDIX D. Amounts in the Debt Service Reserve Account are available to fund deficiencies in the Debt Service Account for Participating Bonds. The 2018 Bonds are Non-Participating Bonds and are not secured by amounts in the Debt Service Reserve Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS—No Debt Service Reserve Account for 2018 Bonds." NCPA's Outstanding Hydroelectric Project Number One Revenue Bonds, 1992 Refunding Series A are the only Participating Bonds. The 2018 Bonds, the 2008 Series A Bonds, the 2008 Series B Bonds, the 2008 Series C Bonds, and NCPA's Hydroelectric Project Number One Revenue Bonds, 2010 Refunding Series A, 2012 Refunding Series A, and 2012 Taxable Refunding Series B are not Participating Bonds. The Indenture provides that Future Bonds will be Participating Bonds unless otherwise provided in the Supplemental Indenture authorizing such Future Bonds. Future Bonds may be supported by amounts in a Series Debt Service Reserve Account established for such Future Bonds or may be issued with no debt service reserve. The 2018 Bonds are being issued with no debt service reserve.

<sup>(4)</sup> To be applied to the payment of Subordinated Indebtedness under the Indenture. There is currently no Subordinated Indebtedness Outstanding under the Indenture.

<sup>(5)</sup> To be applied to the payment of Notes. There are currently no Notes Outstanding under the Indenture.

<sup>(6)</sup> Amounts in the Renewal and Replacement Account (currently \$0) are to be applied to the costs of Capital Improvements. The Reserve Account is to be maintained amount as recommended by the Consulting Engineer. Amounts in the Reserve Account, if any, are to be applied to the costs of Capital Improvements not funded from the Renewal and Replacement Account, to the payment of extraordinary operating and maintenance costs of the Project and to contingencies. Amounts in the Reserve and Contingency Fund, if any (currently \$0) are available to fund deficiencies in Operating Fund or Debt Service Fund.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for further discussion of certain of the terms and provisions of the Indenture relating to the application of NCPA Revenues.

### **NCPA Rate Covenant**

Pursuant to the Indenture, NCPA has covenanted, at all times, to establish and collect rates and charges with respect to the Project to provide NCPA Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of all of the following: (i) NCPA Operating Expenses, (ii) Aggregate Debt Service, (iii) all other required deposits to any Funds under the Indenture, and (iv) all other charges or other amounts whatsoever payable out of NCPA Revenues during such Fiscal Year. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Rate Covenant.”

### **No Debt Service Reserve Account for 2018 Bonds**

No debt service reserve account will be established to secure the 2018 Bonds.

Pursuant to the Indenture, certain prior Series of Hydroelectric Project Bonds were secured by, and all future Series of Hydroelectric Project Bonds other than Hydroelectric Project Bonds authorized by a Supplemental Indenture that provides that such Hydroelectric Project Bonds are not “Participating Bonds” will be secured by, the Debt Service Reserve Account. The Indenture provides that a Supplemental Indenture authorizing a Series of Hydroelectric Project Bonds may provide that such Hydroelectric Project Bonds are not Participating Bonds (all such Hydroelectric Project Bonds being referred to as “Non-Participating Bonds”) and may be secured by a Series Debt Service Reserve Account or may be issued with no debt service reserve. Pursuant to the Twenty-Fourth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture, the 2018 Bonds are not Participating Bonds and will be issued with no debt service reserve. Amounts on deposit in any Series Debt Service Reserve Account for any Series of Non-Participating Bonds shall be used and withdrawn as provided in the Supplemental Indenture of Trust authorizing the issuance of such Non-Participating Bonds. Amounts on deposit in the Debt Service Reserve Account secure only Participating Bonds and do not secure in any manner the 2018 Bonds. Amounts on deposit in any Series Debt Service Reserve Account for any other Series of Non-Participating Bonds do not secure in any manner the 2018 Bonds.

See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Debt Service Reserve Fund.”

### **Additional Hydroelectric Project Bonds**

NCPA may issue Hydroelectric Project Bonds under and secured by the Indenture to refund bonds previously issued and Outstanding under and secured by the Indenture and may, although it does not currently expect to, issue Additional Bonds to finance Capital Improvements to the Project. For further information, see “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Additional Bonds” and “— Refunding Bonds.”

### **Third Phase Agreement**

***Project Participants’ Take-or-Pay Obligation.*** The Third Phase Agreement authorizes NCPA to fix charges thereunder equal to the amounts anticipated to be needed to provide capacity and energy from the Project, including but not limited to debt service, operation, maintenance and replacement costs, a reasonable reserve for contingencies, and all other costs of the Project. The Third Phase Agreement further provides that, to the extent that the funds provided thereunder and described in the preceding sentence are



not sufficient for such purposes, the Project Participants will pay an amount equal to their Project Entitlement Percentage of debt service on bonds, notes and other evidences of indebtedness (including an applicable percentage of the 2018 Bonds), reserves therefor, and all other payments required to be made under the Indenture and the Power Purchase Contract, whether or not the Project is completed, operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of Project output or the power and energy contracted for in whole or in part for any reason whatsoever.

***Operating Expense.*** Each Project Participant will make payments under the Third Phase Agreement solely from the Revenues of, and as an operating expense of, its electric system. Nothing in the Third Phase Agreement prohibits any Project Participant from using any other funds and revenues to satisfy the provisions thereof.

***Project Participants' Rate Covenant.*** Each Project Participant agrees to establish and collect fees and charges for electric capacity and energy furnished through facilities of its electric system sufficient to provide Revenues adequate to meet its obligations under the Third Phase Agreement and to pay any and all other amounts payable from or constituting a charge and lien upon any or all such Revenues.

***Increase in Non-defaulting Project Participants' Original Project Entitlement Percentage.*** Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Third Phase Agreement, and except as sales and transfers are made pursuant thereto, the Third Phase Agreement provides that the Project Entitlement Percentage of each non-defaulting Project Participant will be automatically increased for the remaining term of the Third Phase Agreement, pro rata with those of the other non-defaulting Project Participants thereunder; provided, however, that the sum of such increases for any non-defaulting Project Participant will not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage.

***Transfer, Sale or Assignment.*** Each Project Participant has the right to make transfers, sales and/or assignments of its interests in Project capacity and energy and rights thereto; provided that no such transfer, sale or assignment shall adversely affect the tax-exempt status of interest on Hydroelectric Project Bonds issued under the Indenture. No such transfer, sale or assignment shall relieve the Project Participant of its obligations under the Third Phase Agreement. No Project Participant shall transfer its electric system unless the Project Participant provides assurance that its obligations under the Third Phase Agreement will be promptly and adequately met, including providing sufficient moneys for such purpose if no other adequate assurance is available.

## **Limitations on Remedies**

The rights of the owners of the 2018 Bonds are subject to the limitations on legal remedies against cities and other public agencies in the State. Additionally, enforceability of the rights and remedies of the owners of the 2018 Bonds, and the obligations incurred by the NCPA and the Project Participants, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2018 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## **NORTHERN CALIFORNIA POWER AGENCY**

### **Background**

NCPA is a joint exercise of powers agency formed under the Act and the NCPA Joint Powers Agreement now among Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Oakland (acting by and through its Board of Port Commissioners), Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, Ukiah, Truckee Donner, and BART as members, and Plumas-Sierra, as an associate member (herein collectively referred to as the “Members” and individually as a “Member”).

Under the terms of the NCPA Joint Powers Agreement entered into by all Members, NCPA possesses the general powers to acquire, purchase, generate, transmit, distribute and sell electrical capacity and energy. Specific powers include the power to enter into contracts, acquire and construct electric generating facilities, set rates, issue revenue bonds and notes and acquire property by eminent domain.

The Member Services Agreements, dated as of February 12, 1981, and the Facilities Agreement, dated as of September 22, 1993 and which has superseded the Member Services Agreements, provide for the development of all projects undertaken by NCPA in three separate phases: (i) the initial phase of general investigation funded by NCPA’s general fund; (ii) the second phase whereby Members of NCPA electing to participate in the project execute a project agreement to provide for the cost of development of the project (now referred to as an “NCPA Project”); and (iii) the third phase during which all remaining aspects, including financing, construction and operation of the NCPA Project are undertaken.

Members of NCPA have no financial or other responsibility or liability associated with the acquisition, construction, maintenance, operation or financing of any NCPA project pursuant to the NCPA Joint Powers Agreement. Members become obligated for payments with respect to a NCPA project only as participants with respect to such project as set forth in an agreement with NCPA separate from the NCPA Joint Powers Agreement.

NCPA has supplied many services to its Members in the past and expects to continue to do so in the future. NCPA has been instrumental in litigating and negotiating with Pacific Gas and Electric Company (“PG&E”), the California Independent System Operator (the “ISO”) and the Western Area Power Administration of the federal government (“Western”) to keep wholesale power and transmission and other ancillary services rates at levels which have resulted in substantial savings when compared to rates sought by each of those suppliers. It is anticipated that NCPA will continue to litigate and/or negotiate on behalf of its Members to maintain rates at levels which will result in continued advantage to its Members.

NCPA’s audited financial statements for the fiscal years ended June 30, 2017 and 2016 are attached as APPENDIX B.

### **Organization and Management**

NCPA’s governing body (the “Commission”) is composed of one representative from each Member, each such representative being designated a Commissioner. The Commission is given the general management of the affairs, property and business of NCPA and is vested with all powers of NCPA. Under the NCPA Joint Powers Agreement, associate Members do not have a voting seat on the Commission, except as may be provided in a project agreement.

The management of NCPA is responsible for various areas of administration and planning of NCPA’s operations and affairs. The overall management is under the direction of NCPA’s General Manager, who serves at the discretion of the Commission. NCPA is organized into four separate divisions:

(i) generation services, (ii) power management, (iii) legislative and regulatory, and (iv) administrative services.

Set forth below is a brief biography of each of NCPA's senior managers.

RANDY S. HOWARD, General Manager, was appointed General Manager of NCPA in January 2015. Prior to accepting the position at NCPA, Mr. Howard was the Senior Assistant General Manager of the Power System at Los Angeles Department of Water and Power ("LADWP"). Mr. Howard has held previous LADWP positions as Executive Director of Customer Services, Director of Power System Planning and Development, and the Chief Compliance Officer in the Power System Executive Office. Mr. Howard is currently leading NCPA forward with several major strategic initiatives to address member issues and opportunities. Mr. Howard presents frequently before governance bodies, including the NCPA Board, and local, State and federal agencies on issues of importance to utilities. Mr. Howard has held many previous engineering and customer service management positions at LADWP. Mr. Howard has an undergraduate degree in Electrical Engineering from California State University, Sacramento and a Masters degree in Business Administration from Pepperdine University.

JANE E. LUCKHARDT, Esq., General Counsel, joined NCPA on May 1, 2017. Ms. Luckhardt received her Juris Doctorate from Stanford Law School, and her Bachelor of Science degree in Construction Management from California Polytechnic State University, San Luis Obispo, California. Prior to joining NCPA, Ms. Luckhardt was a partner at the boutique energy law firm of Day Carter Murphy LLP and previously at Downey Brand, LLP, where she served in several leadership roles including Assistant to the Managing Partner, Executive Committee Member and Practice Group Leader for the Energy, Land Use and Mining Practice Group. Ms. Luckhardt also serves as the Vice President of the Power Association of Northern California, an energy trade group located in San Francisco, California. Ms. Luckhardt writes and speaks on issues facing the energy industry for energy trade groups and at legal conferences.

MONTY HANKS, Assistant General Manager, Finance/Administrative Services, Chief Financial Officer received his Masters degree in Business Administration and Bachelor of Science in Business Administration (Finance concentration) from California State University Sacramento. Mr. Hanks has over 20 years of financial experience, including experience working with an electric, water, wastewater and solid waste utilities. Before joining NCPA in February 2017, Mr. Hanks was employed by the City of Roseville for 15 years serving in the role of Finance Director. At NCPA, Mr. Hanks oversees the Administrative Services division which includes finance, accounting, power settlements, information technology, human services, risk management and facilities management.

JANE DUNN CIRRINCIONE, Assistant General Manager, Legislative and Regulatory, received a Masters degree in Public Administration from the University of Southern California, and a Bachelor of Science degree in Political Science from the University of Santa Clara in Santa Clara, California and the London School of Economics. Ms. Cirrincione has over 30 years of experience in the energy and environmental policy arena. Prior to joining NCPA, she was a Senior Government Relations Representative for the American Public Power Association ("APPA") in Washington, D.C. APPA is the national trade association representing the country's over 2,000 public power systems. Before joining APPA, she was the Director of Legislative Programs for the National Hydropower Association, representing all sections of the U.S. hydroelectric industry. She also spent several years on Capitol Hill as a Legislative Assistant for Congressman Don Edwards working on environmental and wildlife issues impacting the San Francisco Bay. Before moving to Washington, D.C., she worked for the U.S. Fish and Wildlife Service at the Sacramento National Wildlife Refuge. Ms. Cirrincione was the 2006 recipient of the Robert E. Roundtree Rising Star Award recognizing future leaders of public power systems.

DAVID DOCKHAM, Assistant General Manager, Power Management, has worked in the electric utility industry since 1982 on a broad range of utility industry projects, activities and issues. Mr. Dockham's experience includes contract development and negotiation, engineering design, system planning, policy and procedure development, public presentations to boards, commissions and industry work groups; and participation in regional and state level policy and technical working groups. From 2001 through 2007, Mr. Dockham managed NCPA's activities and interactions with the California Independent System Operator ("ISO") and associated regulatory proceedings on behalf of the NCPA's Members utilizing services under the Second Amended and Restated NCPA Metered Subsystem Aggregation Agreement and the NCPA-PG&E Interconnection Agreement. He currently manages planning, contracts, fuel purchases, and pooling arrangements for NCPA. Mr. Dockham has a Bachelor of Science degree in Electrical and Electronic Engineering from California State University, Sacramento, a Masters degree in Business Administration from the University of California, Davis and is a registered Professional Engineer in the State of California.

KEN SPEER, Assistant General Manager, Generation Services, has over 35 years of experience in the generation resource management field, having also managed significant generation facilities for the City of Santa Clara (Silicon Valley Power) and PG&E. Mr. Speer also served as the Director of Capital Investment for Duke Energy North America, where he oversaw the capital investment program for the company's California-based assets. Mr. Speer has a Bachelor of Science degree in Mechanical and Nuclear Engineering from the University of California, Berkeley, and is a Registered Mechanical Engineer.

### **NCPA Power Pool**

NCPA operates a power pool that includes the following Members: Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Plumas Sierra, the Port of Oakland and Ukiah (each, an "NCPA Pool Member"). The ten NCPA Pool Members' service areas are interconnected to the ISO-controlled grid. NCPA operates a central dispatch facility (the "Central Dispatch Center") at NCPA's headquarters. The Central Dispatch Center balances loads and resources pursuant to the Third Amended and Restated NCPA Metered Subsystem Aggregation Agreement (the "MSSA"), as such may be amended from time to time, with the ISO (as described below) for the ten NCPA Pool Members, and Santa Clara. The Central Dispatch Center separately coordinates with Roseville to schedule Roseville's entitlement to the Project output across the ISO-controlled grid as requested by Roseville. The Central Dispatch Center also monitors and controls load and voltage levels of the Project, and enters into buy and sell transactions with other utilities throughout the western United States and Canada and regulates various hydroelectric facilities in coordination with the ISO to maintain a safe and reliable interconnected system.

NCPA operates according to the terms and conditions of the ISO tariff and the MSSA, the original form of which was approved by FERC in 2002 and as has been amended and restated as needed from time to time to conform to applicable market rules established by the ISO and FERC. The MSSA identifies operational terms and conditions that vary from the ISO tariff, largely allowing NCPA Members to continue to operate their respective systems as vertically integrated utilities by generally self-providing for resources and services otherwise procured through the ISO's markets. In conjunction with the execution of the MSSA, NCPA and PG&E are parties to an Interconnection Agreement (the "NCPA-PG&E Interconnection Agreement") that provides for the terms and conditions for connecting NCPA resources and member loads to the ISO-controlled grid (or PG&E wholesale transmission system), where such ISO-controlled grid facilities are owned by PG&E and transferred to ISO operational control through a Transmission Control Agreement between PG&E and the ISO.

Santa Clara has separate agreements for the services provided under the MSSA and NCPA-PG&E Interconnection Agreement. See "APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS—CITY OF SANTA CLARA."

## **Wholesale Power Trading**

NCPA trades in the Western wholesale electricity markets to maximize the value of its transmission and generation assets and to minimize its cost of power supply for its Members. NCPA has engaged in wholesale market transactions since 1984. While there have from time to time been bankruptcies among participants in those markets, NCPA claims against those bankruptcy estates have all been resolved and NCPA does not have any additional financial exposure due to past bankruptcies in the electric utility industry. See “LITIGATION—California Energy Market Dysfunction, Refund Dispute and Related Litigation.”

In addition to the wholesale energy market services NCPA supplies to its Members, NCPA also provides a variety of wholesale energy market services, including wholesale power trading, to certain non-Member customers. Currently, NCPA provides various scheduling, operating, and portfolio management services to Merced Irrigation District, Placer County Water Agency, Pioneer Community Energy, and, beginning in mid-2018, East Bay Community Energy. Such services are provided on a fee-for-service basis.

## **Investment of NCPA Funds**

All funds of NCPA (except bond proceeds which are invested pursuant to the indenture under which such bonds are issued) are invested in accordance with NCPA’s investment policy and guidelines (the “Investment Policy”) as authorized by Sections 53600 et seq. of the Government Code of the State of California. The Investment Policy and monthly activity reports are approved by the NCPA Commission.

The following securities, if and to the extent the same are at the time legal and in compliance with the applicable bond covenants and agreements for investment of NCPA’s funds, are authorized investments under the Investment Policy: (i) securities of the U.S. Government, or its agencies, (ii) certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies, (iii) negotiable certificates of deposit, (iv) bankers acceptances, (v) Local Agency Investment Fund (State Pool) demand deposits, (vi) repurchase agreements, (vii) passbook savings account demand deposits, (viii) municipal bonds, (ix) commercial paper, (x) medium term corporate notes, and (xi) California Asset Management Program (CAMP).

The Investment Policy provides the following guidelines, among others. All rated securities must be rated by a nationally recognized statistical rating organization (NRSRO) as “A” or its equivalent or better. All certificates of deposit must mature within one year. All collateralized certificates of deposit must mature within one year. Certificates of deposit with a face value in excess of \$100,000 will be collateralized by Treasury Department securities or first mortgage loans. The Treasury bills or notes must be at least 110% of the face value of the certificate of deposit collateralized in excess of the first \$100,000. The value of first mortgages must be at least 150% of the face value of the certificate of deposit balance secured in excess of the first \$100,000. The portfolio will be diversified with holdings from at least several of the major eligible market sectors. Except for obligations issued or guaranteed by the U.S. Government, federal agencies or Government-sponsored corporations and the Local Agency Investment Fund, no more than 10% of an NCPA construction project or of the NCPA operating funds portfolio will be invested in the securities of any one issuer. Unless otherwise restricted, all holdings will be of sufficient size and held in issues which are actively traded to facilitate transactions at a minimum cost and accurate market valuation. Buying and selling securities before settlement or the use of reverse repurchase agreements for speculative purposes is not authorized. A reverse repurchase agreement may be used only in infrequent circumstances and only to prevent a material loss that would otherwise result from the sale of an investment for liquidity purposes. Any reverse repurchase agreements must be specifically reported to the Commission along with the reasons therefor on a timely basis.

The Investment Policy may be changed at any time at the discretion of the Commission subject to the State law provisions relating to authorized investments. Any exception to the Investment Policy must be formally approved by the Commission. There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of NCPA with respect to investments will not change.

## THE HYDROELECTRIC PROJECT

The Project consists of (a) three diversion dams, (b) the 246.86-MW Collierville Powerhouse, (c) the Spicer Meadow Dam with a 6.0-MW powerhouse, and (d) associated tunnels located essentially on the North Fork Stanislaus River in Alpine, Tuolumne and Calaveras Counties, California, together with required transmission and related facilities.

The Project, with the exception of certain transmission facilities, is owned by Calaveras and is licensed by FERC, pursuant to a 50-year License (Project No. 2409) issued in 1982 to Calaveras. Pursuant to the Power Purchase Contract, NCPA (i) is entitled to the electric output, including capacity, of the Project until February 2032, (ii) managed the construction of the Project, and (iii) operates the generating and recreational facilities of the Project. Under a separate FERC-issued license with an expiration date coterminous with the Project No. 2409 license (Project No. 11197), NCPA holds the license and owns the 230 kV Collierville-Bellota and the 21 kV Spicer Meadows-Cabbage Patch transmission lines for Project No. 2409. NCPA also has a separate FERC license for Project No. 11563 (Upper Utica Project), which consists of three storage reservoirs that mainly feed the New Spicer Meadow Reservoir. This license expires in 2033. *Northern California Power Agency*, 104 F.E.R.C. ¶ 62,163 (2003). After the present FERC License for Project No. 2409 expires in the year 2032, NCPA has the option to continue to purchase Project capacity and energy during a subsequent license renewal period. It is estimated that the price will be significantly less than the comparable alternatives at that time. The purchase option includes all capacity and energy which is surplus to Calaveras' needs for power within the boundaries of Calaveras County.

As with any hydroelectric generation project, the operation of the Project is determined by consideration of its storage capacity, hydrology conditions, and available stream flows and requirements. The Project has a 104-year record (1913 to 2017) of storage and stream flows. Based upon the record, the Project's average production is estimated to be 470 GWh annually. The Project is optimized together with NCPA's other resources as determined by NCPA, to economically meet the load requirements of the respective Project Participants. The load-following characteristics of the Project gives NCPA a great degree of flexibility in meeting the hourly and daily variations which occur in the Project Participants' loads. The net Project generation for the previous ten fiscal years is as follows:

Fiscal Year Ended June 30	Total Net Generation (GWh)
2008	296
2009	377
2010	533
2011	852
2012	463
2013	268
2014	197
2015	164
2016	397
2017	945

NCPA financed the Project through the issuance of Hydroelectric Project Number One Revenue Bonds, of which approximately \$322.4 million aggregate principal amount was outstanding as of January 31, 2018. See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of the Significant Share Project Participants with respect to the Project.

NCPA has sold the energy and capacity of the Project to the Project Participants pursuant to a “take-or-pay” power sales contract, which require payments to be made whether or not the project is completed or operable. Each purchaser is responsible under the power sales contract for paying its entitlement share in the Project of all of NCPA’s costs of the Project, including debt service on the aforementioned bonds as well as a “step-up” of up to 25% in the event of the unremedied default of another Project Participant.

Biggs and Gridley have transferred their entitlement shares of the Project output to Santa Clara. Each Project Participant remains obligated for all payments due from such Project Participant under the Third Phase Agreement, in the event moneys received from transferees pursuant to such arrangements are insufficient to satisfy all payments. Redding, Truckee Donner, Port of Oakland, Shasta Lake and BART, which are Members of NCPA, are not Project Participants, and have no financial or other responsibility or liability associated with the acquisition, construction, maintenance, operation or financing of the Project.

NCPA has estimated the average cost per kWh of power generated from the Project to be approximately \$0.20 cents/kWh in 2017-18 (based on the current water year conditions). The average cost per kWh of power generated from the Project over the prior five fiscal years is shown in the following table:

Fiscal Year	Average Cost of Power (cents/kWh)
2012-13	\$0.18
2013-14	0.26
2014-15	0.33
2015-16	0.13
2016-17	0.06

## THE PROJECT PARTICIPANTS

### General

The Project Participants and their Project Entitlement Percentages are shown on page (a) of this Official Statement.

The governing body of each Project Participant has approved the Third Phase Agreement. The California Public Utilities Code authorizes the municipal Project Participants to “acquire...any public utility,” including the supply of light and power. In furtherance of such powers, a municipal corporation “may acquire...rights of every nature...when necessary to supply the municipality, or its inhabitants or any portion thereof, with the service desired.”

Members of NCPA have no financial or other responsibility or liability associated with the acquisition, construction, maintenance, operation or financing of a particular project other than as project participants with respect to such project as set forth in the related third phase agreement.

## **Descriptions of the Significant Share Project Participants**

The five Project Participants with the largest Project Entitlement Percentages are Alameda (10.00%), Lodi (10.37%), Palo Alto (22.92%), Roseville (12.00%) and Santa Clara (35.86%), which, in the aggregate, comprise over 90% of the Project. None of the remaining Project Participants has a Project Entitlement Percentage in excess of 3%. Alameda, Lodi, Palo Alto, Roseville, and Santa Clara are sometimes referred to herein as the “Significant Share Project Participants.” Brief descriptions of the Significant Share Project Participants, their service areas, existing power supply resources, customers, energy sales and revenues and expenses are set forth in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS.”

### **Electric Systems**

Each Project Participant owns and operates an electric system for distribution of electric power and energy together with the general plant necessary to conduct its business. The electric systems of some of the Project Participants are among the oldest electric utilities in operation in California and some predate the existence of PG&E. The electric systems were founded during the period from 1887 to 1937. The Project Participants are all experienced in operating electric distribution systems.

All of the Project Participants provide, through NCPA projects, for a portion of their own power needs. In addition, Alameda, Healdsburg, Lodi, Lompoc and Ukiah obtain a portion of their power needs from Western. Biggs, Gridley, Palo Alto, Plumas-Sierra and Roseville are also wholesale customers of Western and obtain a larger portion of their power needs from that source. Roseville also derives a portion of its power from its own generating facility. Santa Clara receives part of its power requirements from Western, part from PG&E and part from other power agencies, the power markets and its own generating projects. NCPA also purchases power from the market for certain of its Members (the Project Participants, exclusive of Santa Clara and Roseville) for periods of up to 30 days and for periods of up to five years (under separate project agreements) for Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah. Delivery of all such power is made over the ISO controlled grid, Western transmission facilities, the California-Oregon Transmission Project (“COTP”) or combinations of those three transmission facilities.

### **Service Areas**

The municipal Project Participants provide retail electric service within their service areas pursuant to the authority of the Constitution of the State of California, Article XI, Section 9. Under California law, the municipal Project Participants have authority to acquire, construct, establish, enlarge, improve, maintain, own and operate electric distribution systems. Plumas-Sierra provides electric service pursuant to its Articles and Bylaws.

The retail customers of the municipal Project Participants are located within their respective city boundaries and environs. Plumas-Sierra serves rural areas in Plumas, Lassen and Sierra Counties in California and in Washoe Township in Washoe County, Nevada.

## **OTHER NCPA PROJECTS**

Set forth below is a brief description of the NCPA resources in addition to the Project. Each such resource is financed under a separate agreement with the Members participating in such resource. No Member not a party to such agreement has any obligation to make payments in connection with such resources.



Participating Members occasionally make short-term and long-term assignments of entitlement rights to NCPA resources. Such assignment would not impact the underlying project participant obligations contained in the related agreement relating to such NCPA resource and each project participant remains obligated for all payments due from such project participant in the event moneys received from transferees pursuant to such arrangements are insufficient to satisfy all payments.

### **Lodi Energy Center Project**

NCPA owns and operates a natural gas-fired, combined-cycle power generation plant located in the City of Lodi, San Joaquin County, California (the “Lodi Energy Center”). The electric generation components (the “Power Island”) of the Lodi Energy Center consists of the following components: (1) one natural gas-fired Siemens STGS-5000F combustion turbine-generator (“CTG”), with an evaporative cooling system and dry low-NOx combustors to control air emissions; (2) one 3-pressure heat recovery steam generator (“HMG”), (3) a selective catalytic reduction (“SCR”) and carbon monoxide (CO) catalyst to further control NOx and CO emissions, respectively; (4) one Siemens SST-900RH condensing steam turbine generator (“STG”); (5) one natural gas-fired auxiliary boiler; (6) one 7-cell draft evaporative cooling tower; and (7) associated support equipment.

The Lodi Energy Center plant is capable of operating at 302 MW (it has been permitted to operate at this level and it has arranged for the equipment necessary to operate at this level) but is limited to 280 MW of firm capacity under the terms of the transmission interconnection agreement and full output of the unit as available on the transmission system with the ISO and PG&E. PG&E has notified NCPA that PG&E intends to complete reconductoring work on the transmission line limiting the LEC Project Participants’ (as defined below) ability to claim the full capacity for resource adequacy requirements from the Lodi Energy Center in 2018 (actual production from the facility has not been significantly affected by this limitation). In 2016, the Lodi Energy Center achieved net generation of 1,077 GWh compared to 1,668 GWh in 2015. The decrease from 2016 to 2015 was due to a return to normal hydroelectric conditions. In 2015, California experienced one the most significant droughts in California and a result natural gas plants operate at higher output levels to make up for the loss of hydroelectric generation. In fiscal year ended June 30, 2016, California returned to normal rainfall amounts and the natural gas generation decreased accordingly. Fiscal year ended June 30, 2017, LEC output was 300 GWh compared to the 1,077 GWh for fiscal year ended June 30, 2016. The drop in generation is directly attributable to the increase in PG&E gas transportation costs. NCPA negotiated a special rate for gas transmission for LEC which went into effect fiscal year ending June 30, 2018. LEC has been running as expected since the new rate went into effect.

Pursuant to a Lodi Energy Center Power Sales Agreement (the “LEC Power Sales Agreement”), by and among NCPA and (i) the NCPA Member project participants: Biggs, Gridley, Healdsburg, Lodi, Lompoc, Plumas-Sierra, Santa Clara, Ukiah and BART; and (ii) the non-NCPA Member project participants: the City of Azusa, the Modesto Irrigation District, the Power and Water Resources Pooling Authority and the California Department of Water Resources (such entities other than NCPA, collectively the “LEC Project Participants”), NCPA agreed to construct and operate the Lodi Energy Center and has sold the capacity and energy of the Lodi Energy Center to the thirteen LEC Project Participants, in accordance with their respective generation entitlement shares to the capacity and energy of the Lodi Energy Center. Each LEC Project Participant is responsible for the payment of its respective share of the costs of construction of the Lodi Energy Center. In order to provide funding for a portion of the costs of the Lodi Energy Center, in June 2010, NCPA issued two series of revenue bonds, its \$254.995 million Lodi Energy Center Revenue Bonds, Issue One, issued on behalf of eleven of the thirteen participants in the Lodi Energy Center (being all of the above-named LEC Project Participants other than the Modesto Irrigation District and the California Department of Water Resources), of which \$233.4 million is outstanding as of January 31, 2018, and its \$140.765 million Lodi Energy Center Revenue Bonds, Issue Two, issued on behalf of the California Department of Water Resources, of which \$119.9 million is outstanding as of January 31, 2018.

See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A – SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of Lodi and Santa Clara with respect to the Lodi Energy Center Project. The Modesto Irrigation District provided its own financing for its share of the estimated costs of construction of the Lodi Energy Center.

The Lodi Energy Center is operated and maintained by NCPA under the general direction of the LEC Project Participants pursuant to the LEC Power Sales Agreement and the Lodi Energy Center Project Management and Operations Agreement among NCPA and the LEC Project Participants.

### **Geothermal Project**

NCPA has developed a geothermal project (the “Geothermal Project”) located on federal land in certain areas of Sonoma and Lake Counties, California (the “Geysers Area”). In addition to the geothermal leasehold, wells, gathering system and related facilities, the Geothermal Project consists of two electric generating stations (Plant 1 and Plant 2), each with two 55 MW (nameplate rating) turbine generator units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells. NCPA formed two not-for-profit corporations controlled by its Members to own the generating plants of the Geothermal Project. NCPA manages the Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the Geothermal Project.

As noted above, the Geothermal Project consists of two operating electric generating stations (Plant 1 and Plant 2), where Plant 1 contains two 55 MW (nameplate rating) turbine generator units, and Plant 2 contains one 52.73 MW turbine generator unit. Plant 1 and Plant 2 were originally developed and operated as separate projects referred to as “Geothermal Project Number 2” and “Geothermal Project Number 3,” respectively. Plant 1 and Plant 2 are now operated together as the Project pursuant to the terms of the Amended and Restated Geothermal Operating Agreement.

Steam for NCPA’s geothermal plants comes from lands in the Geysers Area, which are leased by NCPA from the federal government. NCPA operates these steam-supply areas. Operation of the geothermal plants at high generation levels, together with high steam usage by others in the same area, resulted in a decline in the steam production from the steam wells at a rate greater than expected. As a result, by April 1988, for the purpose of slowing the decline in the steam field capability, NCPA changed its steam field production from base-load to load-following and reduced average annual generation. These changes were effective in reducing the decline in steam production.

NCPA entered into agreements with other geothermal operators in the Geysers Area to finance and construct the Southeast Geysers Effluent Pipeline Project, which was completed in September 1997 and began operating soon thereafter. The 26-mile pipeline collects waste-water from Lake County Sanitation District treatment plants at Clearlake and Middletown and delivers the waste water to NCPA and the other Geysers steam field operator for injection into the steam field. In 2017, NCPA received approximately 55% of the waste-water for reinjections from this effluent pipeline.

NCPA has also implemented and continues to implement various operating strategies and modifications to further reduce the rate of decline in steam production. NCPA has modified all of the steam turbines and the associated steam collection system to enable generation with lower pressure steam and increased conversion efficiencies of the available steam resource.

NCPA financed the Geothermal Project with Geothermal Project Number 3 Revenue Bonds, of which \$28.8 million were outstanding as of January 31, 2018. Each of the Significant Share Project Participants, together with Biggs, Gridley, Healdsburg, Lompoc, Ukiah and Plumas Sierra, along with non-NCPA Member Turlock Irrigation District, participate in the Geothermal Project. See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of the Significant Share Project Participants with respect to the Geothermal Project.

Average annual generation of the Geothermal Project was approximately 103 MW gross (“MWG”) for calendar year (“CY”) 2017. Based on current operating protocols and forecasted operations, after CY 2017, both the average and peak capacity are expected to continue to decrease, reaching approximately 99.9 MW in CY 2018 and 75.4 MWG by CY 2039. Under terms of the federal geothermal leasehold agreements, which became effective August 1, 1974, the leasehold had a 10-year primary term with provision for renewal as long thereafter as geothermal steam is produced or utilized, but not longer than 40 years; however, in 2013, NCPA renewed the leasehold. At the expiration of that period, if geothermal steam is still being produced, NCPA has preferential right to renew the leasehold for a second term. The leasehold also requires NCPA to remove its leasehold improvements including the geothermal plants and steam gathering system when and if NCPA abandons the leasehold. These decommissioning costs are currently estimated to total approximately \$59.3 million. NCPA has been collecting monies to pay the expected decommissioning costs since 2007 and holds \$16.2 million in a reserve for such purpose as of June 30, 2017. Collections towards future decommissioning costs are expected to be approximately \$1.8 million for fiscal year 2017-18.

### **Geysers Transmission Project**

In order to meet certain obligations required of NCPA to secure transmission and other support services for the Geothermal Project, NCPA has undertaken a geysers transmission project (the “Geysers Transmission Project”) with the Geysers Transmission Project participants. The Geysers Transmission Project includes (i) a co-tenancy interest in PG&E’s 230 kV line from Castle Rock Junction in Sonoma County to the Lakeville Substation (the “Castle Rock to Lakeville Line”), (ii) additional firm transmission rights in the Castle Rock to Lakeville Line and (iii) the Central Dispatch Facility.

NCPA financed the Geysers Transmission Project through the issuance of Transmission Project Number One Revenue Bonds, which bonds were retired as of August 15, 2010. Alameda, Lodi, Palo Alto and Roseville, together with Biggs, Gridley, Healdsburg, Lompoc, Ukiah and Plumas Sierra, are participants in the Geysers Transmission Project.

### **Capital Facilities Project**

The NCPA Capital Facilities Project, known as Combustion Turbine Project Number Two, currently consists of one power generating station, Unit One, with a design rating of 49.9 MW located in the City of Lodi. Such power generating station consists of a single natural gas-fired steam injected gas turbine (STIG), generator, and required auxiliary and electrical interconnection systems. NCPA financed the Capital Facilities Project with Capital Facilities Revenue Bonds, of which approximately \$33.6 million were outstanding as of January 31, 2018. The Cities of Alameda, Lodi, Lompoc and Roseville are the project participants in the Capital Facilities Project. See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of Alameda, Lodi and Roseville with respect to the Capital Facilities Project.

Unit One is economically dispatched to meet the project participants' load, depending on the amount of generation available from NCPA's hydroelectric project and prices of alternative electric energy supplies, to meet other NCPA Members' load or to sell power to third parties depending on natural gas prices and electric energy prices.

### **Combustion Turbine Project Number One**

The Combustion Turbine Project Number One (the "Combustion Turbine Project") originally consisted of five combustion turbine units, each nominally rated 25 MW, with two units located in each of Roseville and Alameda and one in Lodi. Sale of the two units located in Roseville to the City of Roseville was effective on September 1, 2010.

The Combustion Turbine Project provides capacity that is economically dispatched during the peak load period to the extent permitted by air quality restrictions and (ii) to be used to meet the certain capacity reserve requirements (e.g., resource adequacy requirements). This resource provides the capacity below current spot market prices for capacity but as is typical of this type of technology, the average cost for power per kWh of power delivered to the participants in the Combustion Turbine Project is comparatively expensive.

NCPA financed the Combustion Turbine Project through the issuance of Combustion Turbine Project Number One Revenue Bonds, which bonds were retired as of August 15, 2010. Alameda, Lodi, Roseville and Santa Clara, together with Healdsburg, Lompoc, Ukiah and Plumas-Sierra, are participants in Combustion Turbine Project Number One.

### **Natural Gas Supply Contracts**

NCPA, on behalf of the project participants of Combustion Turbine Project Number One and of the Capital Facilities Project's Unit One, has entered into a Master Transaction Confirmation that is appended to and made part of a Base Contract for Sale and Purchase of Natural Gas (the "Consolidated Natural Gas Agreement"), effective on October 30, 2012, with EDF Trading North America, LLC ("EDF"). The Consolidated Natural Gas Agreement provides gas supply and management services, including the following:

- Supply of spot market gas for the full daily output of Combustion Turbine Project Number One and Unit One of the Capital Facilities Project (approximately 35,136 MMBtu/day); and
- Scheduling, nomination, balancing and settlement services for NCPA gas supplies from third parties.

NCPA also has entitlement rights to natural gas pipeline capacity of approximately 2,743 MMBtu/day sourced at AECO (Alberta) and sinking at PG&E Citygate (California). The four pipeline segments that are included in the contiguous pipeline entitlement include pipeline contained in the following natural gas systems: NOVA, Foothills, GTN, and CTG. NCPA's natural gas pipeline rights are managed by Mercuria Energy America, Inc., pursuant to an Asset Management Agreement for Pipeline Transport Capacity dated January 1, 2015. For release of such natural gas pipeline to Mercuria Energy America, Inc., NCPA is paid the value of the unused pipeline capacity by the pipeline manager.

In addition, NCPA and EDF entered into an agreement to provide the gas supply and the nomination, imbalance and settlement services for NCPA's Lodi Energy Center, which became effective on September 1, 2016. See "— Lodi Energy Center Project" above.

## **Power Purchase and Other Contracts**

***Seattle City Light Exchange Agreement.*** NCPA, on behalf of Healdsburg, Palo Alto, Ukiah, Lodi and Roseville, has negotiated a seasonal exchange agreement with Seattle City Light for 60 MW of summer capacity and energy and a return of 46 MW of capacity and energy in the winter. Deliveries under the agreement began June 1, 1995. NCPA has provided notice to terminate the agreement to Seattle City Light effective on May 31, 2018. Effective May 31, 2008, Healdsburg, Palo Alto and Roseville assigned their participation percentages to Santa Clara.

***Henwood Power Purchase Agreement.*** NCPA, on behalf of Alameda, entered into a power purchase agreement with Henwood Associates, Inc for 440 kW of capacity and energy. The energy source for the facility is hydroelectric and the facility meets the qualifying facilities requirements, established by FERC. The facility output, which varies with hydrological conditions, has averaged about 2,000 megawatt hours (“MWhs”) per year. Deliveries under the agreement began February 1, 2010 and will terminate on January 31, 2030.

***BART Services Agreement.*** NCPA provides power supply and scheduling services to BART pursuant to a Single Member Services Agreement which was executed on December 1, 2005 (as amended from time to time). Under this agreement, NCPA procures power to meet BART’s power supply needs utilizing Commission approved Edison Electric Institute and WSPP Inc. Purchase Agreements.

***Market Purchase Program.*** NCPA, on behalf of Alameda, BART, Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah may enter into supply agreements for terms of up to five years utilizing Commission approved Edison Electric Institute and WSPP Inc. Purchase Agreements. Procurement terms and conditions are governed by a Market Purchase Program agreement between NCPA and the participating Members listed in the preceding sentence. Purchase amounts are limited to 115% of each participating members forecast net open position associated with the period of the procurement. The Program was approved by the NCPA commission on July 26, 2007.

***Natural Gas Program.*** NCPA, on behalf of Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah may enter into gas supply agreements using competitive bids submitted in response to a NCPA Request For Proposals (“RFP Process”), or (ii) through direct purchases from the State of California Department of General Services Natural Gas Services Program. Procurement terms and conditions are governed by a Natural Gas Program agreement between NCPA and the participating Members identified in the preceding sentence. Purchases are subject to limits as may be changed from time to time as outlined in the NCPA Energy Risk Management Policy and/or Regulations. The Natural Gas Program was approved by the NCPA commission on March 24, 2011.

***Customer Services Agreement.*** NCPA, pursuant to individual Services Agreement, supplies a variety of wholesale energy market services to non-member customers, including, but not limited to, scheduling services, operating services, and portfolio management services. NCPA is currently providing non-member services to the Merced Irrigation District, Placer County Water Agency, Pioneer Community Energy, and East Bay Community Energy.

## **RATE REGULATION**

Each Project Participant and NCPA sets rates, fees and charges for electric service. The authority of the Project Participants or NCPA to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the California Public Utilities Commission (“CPUC”) and presently neither the CPUC nor any other regulatory authority of the State of California nor FERC approves such rates and charges. Although the retail rates of the Project Participants

and NCPA are not subject to approval by any federal agency, the Project Participants and NCPA are subject to certain ratemaking provisions of the federal Public Utility Regulatory Policies Act of 1978 (“PURPA”) and Sections 211-213 of the Federal Power Act (“FPA”). It is possible that future legislative and/or regulatory changes could subject the rates and/or service areas of the Project Participants or NCPA to the jurisdiction of the CPUC or to other limitations or requirements.

FERC could potentially assert jurisdiction over rates of licensees of hydroelectric projects and customers of such licensees under Part I of the Federal Power Act, although it has not as a practical matter exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. If it did assert such jurisdiction, the result might have some significance for NCPA and its Project Participants.

Under Sections 211, 211A, 212 and 213 of the FPA, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at FERC-approved rates. In addition, the Energy Policy Act of 2005 expanded FERC’s jurisdiction to require municipal utilities that sell more than eight million MWhs of energy per year to pay refunds under certain circumstances for sales into organized markets. To date, neither NCPA nor any of the Project Participants meet this threshold requirement.

The California Energy Commission (the “CEC”) is authorized to evaluate rate policies for electric energy as related to the goals of the Energy Resources Conservation and Development Act and to make recommendations to the Governor, the Legislature and publicly owned electric utilities.

## **FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

The following regulatory programs affect NCPA, each Project Participant, and the electric utility industry and should be considered when evaluating the Project and considering an investment in the 2018 Bonds. NCPA cannot predict at this time whether any additional legislation or rules will be enacted which will affect the Project’s operations, and if such laws or rules are enacted, what the costs to NCPA and the Project Participants might be in the future because of such action.

### **California Climate Change Policy Developments**

State regulatory agencies such as the California Air Resources Board (“CARB”) and the CEC are pursuing a number of regulatory programs designed to reduce greenhouse gas (“GHG”) emissions and encourage or mandate renewable energy generation. The following is a summary of certain programs. See also “Environmental Regulation and Permitting Factors” below.

*GHG Regulations.* In September 2006, then-Governor Schwarzenegger signed into law the California Global Warming Solutions Act of 2006 or AB 32 (the “Global Warming Solutions Act”). This law requires a cut in GHG emissions from within the State by 2020 in order to reduce such emissions back to 1990 levels, which represents a reduction of approximately 25% Statewide. In September 2016, Governor Brown signed into law an amendment to the Global Warming Solutions Act, or SB 32, that requires a cut in GHG emissions from within the State by 2030 in order to reduce such emissions to 40% below 1990 levels.

CARB implemented the Global Warming Solutions Act through regulations (the “Cap-and-Trade Regulations”) that imposed aggregate emissions limitations on the electricity generation industry in California and allocates the aggregate emissions limit through the distribution of allowances, or emission credits.

The Cap-and-Trade Regulations require all regulated entities to obtain and submit to CARB compliance instruments (allowances and/or offsets) with respect to GHG emissions relating to its State generation activities, as well as for imported electricity from dedicated out-of-state resources. In addition, NCPA may indirectly bear compliance costs for independent generators that must purchase allowances for their generation.

NCPA and the Project Participants, like other electric utilities, receives administrative allocations of allowances for some of their expected GHG emissions. Entities that emit GHGs at levels above those for which they receive administrative allocations, if any, must purchase the additional allowances they require at the CARB auctions or from other covered entities with surplus allowances.

In July 2017, CARB issued Board Resolution 17-21, which directs CARB staff to consider requiring all electric distribution utilities to consign all administratively allocated allowances to auction. Currently, the investor-owned utilities are required to consign their allowances to CARB's auctions, as well as Publicly-owned utilities ("POUs") whose generation accesses the California Independent System Operator ("ISO") Balancing Authority. POUs served by non-ISO Balancing Authorities have the option of placing their allowances to their compliance account to cover emissions from their generating stations and/or consigning a portion of allowances to CARB's auctions.

In July 2017, CARB adopted amendments to the Cap-and-Trade Regulations, which included revised allowance allocations to electrical distribution utilities from 2021 to 2030. Project Participants are expected to receive more than \$400 million in proceeds from the sale of these allowances, which will substantially minimize the impact from CARB's requirement to purchase allowance on Project Participants' finances and operations.

In July 2017, Governor Brown signed into law AB 398 to extend the state's Cap-and-Trade Regulation from 2021 to 2030. The bill cleared both houses with a 2/3 supermajority vote, which protects the legislation from certain legal challenges. Under AB 398, CARB is directed to address the following: establish a price ceiling, offer nontradeable allowances at two price containment points below the price ceiling, transfer current vintages unsold for more than 24 months to the allowance price containment reserve, evaluate and address allowance overallocation concerns, set industry assistance factors for allowance allocation, and establish allowance banking rules. AB 398 was passed in conjunction with two companion bills: AB 617, which strengthens the monitoring of criteria air pollutants and toxic air contaminants in local communities, and ACA 1, which establishes the Greenhouse Gas Reduction Reserve Fund. CARB expects to initiate a public rulemaking process in early 2018 to amend the Cap-and-Trade Regulation to reflect the requirements of AB 398.

*GHG Emissions Performance Standard and Financial Commitment Limits.* Pursuant to SB 1368 (Chapter 598, Statutes of 2006), the CEC adopted a GHG emissions performance standard ("EPS") for electric generating facilities of 1,100 pounds of CO<sub>2</sub> per MWh for "covered procurements" by POUs. SB 1368 also prohibits POUs from making any "long-term financial commitment" in connection with "baseload generation" that does not satisfy the EPS. Generally, a "long term financial commitment" is any new or renewed power purchase agreement with a term of five years or more, the purchase of an interest in a new power plant or any investment, other than routine maintenance, in an existing power plant that extends the life of the plant by more than five years or results in an increase in its rated capacity. "Baseload generation" means a power plant that is intended to operate at an annualized capacity factor of 60 percent or more.

*2030 GHG Emissions Targets.* SB 350 requires CARB, in consultation with the CPUC and the CEC, to establish 2030 GHG emission targets for each electric utility in the state. CARB will establish a process for setting such targets in early 2018. At present, these targets are non-binding, and primarily

intended to help the state measure progress toward the 2030 statewide goal outlined in SB 32. The targets, however, are expected to be an input to the development of the Integrated Resource Plans that are required of the State's 16 largest POUs, which include the four largest NCPA member systems (Santa Clara, Roseville, Redding, and Palo Alto).

*Energy Procurement and Efficiency Reporting.* SB 1037, signed by then Governor Schwarzenegger in September 2005. It requires that each POU, including the Project Participants, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction, and renewable resources that are cost effective, reliable and feasible. SB 1037 also requires each POU to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. Each of the Project Participants is in compliance with such reporting requirements.

Further, Assembly Bill 2021 ("AB 2021"), signed by then Governor Schwarzenegger on September 29, 2006, requires that POUs establish, report, and explain the basis of the annual energy efficiency and demand reduction targets by June 1, 2007 and every three years thereafter for a ten-year horizon. Assembly Bill 2227 extended the reporting timeframe from three to four years. The information obtained from the POUs is being used by the CEC to present progress made by the State to double energy efficiency savings in electricity and natural gas final end uses by 2030, to the extent doing so is cost effective, feasible, and does not adversely impact public health and safety, as prescribed in SB 350.

*California Renewable Portfolio Standard.* California's legislature and executive branch have been active in promoting increasingly stringent renewable energy procurement requirements since 2002. Early efforts established a standard of 20% of renewable electricity generation by 2017. Since then, both legislative and executive branch initiatives have raised that standard in multiple phases.

On April 12, 2011, Governor Brown signed into law the California Renewable Energy Resources Act, or SBX 1-2. SBX 1-2 established procurement targets for three compliance periods to be implemented by the procurement plan: 20% of the utility's retail sales were to be procured from eligible renewable energy resources by December 1, 2013; 25% by December 31, 2016; and 33% by December 31, 2020.

In October 2015, Governor Brown signed into law SB 350, which requires NCPA and the Project Participants to make reasonable progress each year to ensure it achieves 40% of retail sales from eligible renewable energy resources by December 31, 2024, 45% of retail sales from eligible renewable energy resources by December 31, 2027, and 50% of retail sales from eligible renewable energy resources by December 31, 2030.

*Renewable Energy Policy Development.* The State Legislature is considering the development of a Clean Energy Standard for electric utilities, which will require California to meet 100% of its procurement requirements with zero carbon resources by 2045. SB 100 is the vehicle for this effort and will be debated further during the 2018 legislative session. The outcome could have a material impacts on NCPA and Project Participant operations.

*Integrated Resource Plans (IRP).* SB 350 requires that all POUs with demand greater than 700 gigawatt hours to develop an IRP at least once every five years, no later than January 1, 2019. Four NCPA members are subject to this requirement (Santa Clara, Roseville, Redding, and Palo Alto). Each member is well positioned to complete its IRP within the required timeline. As required in the statute, all IRPs will be submitted to the CEC, including information outlined in the CEC's POU IRP Guidelines that were finalized in August 2017.



## **Environmental Regulation and Permitting Factors**

*General.* Numerous environmental laws and regulations affect NCPA's facilities and operations. NCPA monitors its compliance with laws and regulations and reviews its remediation obligations on an ongoing basis. The following topics highlight some of the major environmental compliance issues affecting NCPA:

*Regulatory Actions Under the Clean Air Act.* The United States Environmental Protection Agency (the "EPA") regulates GHG emissions under existing law by imposing monitoring and reporting requirements, and through its permitting programs. Like other air pollutants, GHGs are regulated under the Clean Air Act through the Prevention of Significant Deterioration ("PSD") Permit Program and the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of a major stationary source and requires best available control technologies ("BACT") to control emissions at a facility. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document and the permit process provides for review of the documents by the EPA, state agencies and the public. GHGs from major natural gas-fired facilities are regulated under both permitting programs through performance standards imposing efficiency and emissions standards.

On October 23, 2015, the EPA published the Clean Power Plan and final regulations for (1) carbon pollution standards for new, modified, and reconstructed power plans, and (2) carbon pollution emission guidelines for existing electricity utility generating units. The total national emissions reduction goal under the Clean Power Plan targets an average of a 32 percent reduction from 2005 levels by 2030, with incremental interim goals for the years from 2022 through 2029. The Clean Power Plan allows states multiple options for measuring reductions and establishes different reduction goals depending upon the regulatory program set forth in the state plan.

The Clean Power Plan is being challenged in the United States Circuit Court of Appeals for the District of Columbia. The United States Supreme Court stayed implementation of the Clean Power Plan on February 9, 2016 for a period of time until the D.C. Circuit renders a decision and the Supreme Court concludes any proceedings brought before it. Due to the stay, states were not required to submit initial plans by the original September 2016 deadline. The D.C. Circuit has continued to hold the case in abeyance and has been requiring EPA to submit 30-day status updates.

On October 16, 2017, the Federal Register published EPA's proposal to repeal the Clean Power Plan, under the premise that it exceeds EPA's statutory authority under Section 111 of the Clean Air Act.

On December 28, 2017, the Federal Register published an Advanced Notice of Proposed Rulemaking to consider proposing a new GHG emission limit rule from existing generating units. Under the new version of the proposed rule, EPA will have to determine whether to set a common efficiency standard for the coal fleet or write guidance for states to set their own standards for individual plants based on age and technology. If the effort moves down this path, NCPA and Project Participants would likely be unaffected by this proceeding since its focus is on coal.

## **Energy Regulatory Factors**

### *Regulatory Impact on the California Energy Market*

Any electricity sales or purchases NCPA makes in the wholesale energy markets operated by the ISO are subject to the ISO tariff, which is a FERC-jurisdictional tariff. ISO's tariff includes rules governing

how sellers may bid electricity (i.e., offer for sale) into the energy markets and rules governing market power mitigation of sellers. ISO regularly proposes changes to its tariff, subject to FERC approval. Additionally, FERC can—and does—order changes to ISO’s tariff if FERC (on its own initiative or prompted by a complaint) determines that ISO’s tariff is unjust, unreasonable, or unduly discriminatory. Such regulatory changes can impact prices for electricity and capacity.

During portions of 2000 and 2001, shortly after ISO’s energy markets were first established, wholesale electricity prices were highly volatile and subject to market manipulation. That market dysfunction resulted in deterioration of credit ratings of many market participants and the bankruptcy of Pacific Gas & Electric Company. ISO’s energy markets have since been redesigned, and Congress has established mechanisms for policing wholesale markets. Price volatility has since decreased compared to the 2000-2001 period.

In addition to regulatory changes, electricity prices in the State depend on a variety of factors that affect the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of climate and other clean energy related legislation and regulations, fuel costs and availability, weather effects on customer demand, transmission congestion, the strength of the economy in the State and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest).

Neither NCPA nor the Project Participants is able to predict future reforms to the electric utility industry or the impact on such entities of recent reforms and proposals.

## **ISO Markets**

The California Independent System Operator (“ISO”) markets are subject to continued change in response to FERC orders, the increased integration of intermittent renewable resources, changing environmental constraints, the ongoing efforts to combat market manipulation and evolving reliability requirements. California ISO Tariff changes related to these and other issues are currently under discussion in California ISO stakeholder processes and in ongoing FERC proceedings. In most cases, these proposals are not sufficiently final in order to determine their likely impact on NCPA or the Project Participants. However, the following issues may have significant impacts on NCPA, the Project Participants or electric utilities generally:

***Increased Integration of Renewables.*** As part of the effort to integrate increased levels of intermittent renewable resources into the grid, the ISO has proposed an array of changes to existing markets and to the resource adequacy structure that assures that sufficient resources are available to the markets. These proposals could affect the value of energy sold and purchases in the wholesale markets.

***Resource Adequacy Requirements.*** Resource Adequacy requirements apply to NCPA and its members, including the Project Participants, to ensure that market participants have contracted for sufficient amounts of the right types of capacity to be available in the markets. To the extent that a load serving entity (“LSE”) fails to procure sufficient capacity resources to meet its loads, it is subject to payment of ISO procurement costs of replacement capacity. To the extent that a shortfall cannot be attributed to a specific LSE, the costs will be spread as part of market uplift charges. These risks apply in the same manner to all LSEs. Due to the increased integration of renewables, discussed above, the ISO is contemplating what could be significant changes to the resource adequacy framework, with the potential for impacts on market participant costs. It is still too early to assess the potential impacts on NCPA. Although it does not appear that ISO is considering proposing a centralized capacity market at this time, proposals from others are occasionally made.

***Transmission Access Charge Review.*** The ISO has undertaken a review of its Transmission Access Charge, with a view to potentially changing the methodology used for allocating transmission costs. Although it is too early to predict what the impacts might be on market participants, any change of this nature has the potential to affect NCPA members.

***Extension of Day Ahead Markets to Energy Imbalance Market.*** ISO has announced its intention to propose changes to the Energy Imbalance Market (EIM) structure that would extend the ISO's day ahead market into the EIM, rather than leaving it as only a real time market. While these proposals have not yet been published, much less analyzed, such a change has the impact to affect prices paid in the ISO markets.

## **Changing Laws and Requirements**

On both the state and federal levels, legislation is introduced frequently that would have the effect of further regulating environmental impacts relating to energy, including the generation of energy using conventional and unconventional technologies. Issues raised in recent legislative proposals have included implementation of energy efficiency and renewable energy standards, addressing transmission planning, siting and cost allocation to support the construction of renewable energy facilities, cyber-security legislation that would allow FERC to issue interim measures to protect critical electric infrastructure, a federal cap-and-trade program to reduce GHG emissions, and renewable energy incentives that could provide grants and credits to municipal utilities to invest in renewable energy infrastructure. It is possible that the 115th Congress (2017-18) and the California Legislature (2017-18 session) will pass legislation addressing similar issues.

Neither NCPA nor any Project Participant is able to predict at this time whether any of these or other legislative proposals will be enacted into law and, if so, the impact they may have on the operations and finances of such entities or on the electric utility industry in general.

## **Constitutional Limitations on Taxes and Fees**

In addition to state and federal legislation, citizen initiatives in the State can lead and have led to substantial restrictions upon governmental agencies, both in terms of raising revenue and management of governmental entities generally. Articles XIII C and XIII D of the State's constitution (and subsequent amendments to Article XIII C enacted by Proposition 26) provided limits on the ability of governmental agencies, including the Project Participants, to increase certain fees and charges. Such articles were adopted pursuant to measures qualified for the ballot pursuant to the State's constitutional initiative process.

Alameda and Palo Alto, two of the Significant Share Project Participants, are currently engaged in litigation filed against the respective city, generally alleging that the annual transfer of funds from the electric utility to the city's general fund is an unauthorized tax for purposes of Article XIII C of the California Constitution in violation of Proposition 26. See "APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS—CITY OF ALAMEDA—Litigation" and "—CITY OF PALO ALTO—Litigation."

From time to time other initiative measures could be adopted by State voters, which may place limitations on the ability of NCPA and/or the Project Participants to raise rates or otherwise affect revenues.

## **Other General Factors**

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities, and

the level of utilization of generation and transmission facilities. In addition to the factors discussed elsewhere herein, such factors include, among others:

- Effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements;
- Changes resulting from conservation and demand-side management programs on the timing and use of energy;
- Effects on the integration and reliability of the power supply from the increased usage of renewables;
- Changes resulting from a national energy policy;
- Effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions and strategic alliances of competing electric and natural gas utilities and from competitive transmitting of less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;
- The repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities;
- Increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- “Self-generation” or “distributed generation” (such as microturbines, fuel cells, and solar installations) by industrial and commercial customers and others;
- Issues relating to the ability to issue tax-exempt obligations, including restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission line service from transmission projects financed with outstanding tax-exempt obligations;
- Effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- Changes from projected future load requirements;
- Increases in costs and uncertain availability of capital;
- Shifts in the availability and relative costs of different fuels (including the cost of natural gas and coal);
- Financial difficulties, including bankruptcy, of fuel suppliers and/or renewable energy suppliers;
- Changes in the electric market structure for neighboring electric grids such as the new energy imbalance market operated by the California ISO;

- Sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the State;
- Inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;
- Other legislative changes, voter initiatives, referenda and statewide propositions;
- Effects of changes in the economy, population and demand of customers in the Project Participants' service areas;
- Effects of possible manipulation of the electric markets;
- Acts of terrorism or cyberterrorism; and
- Natural disasters or other physical calamities, including but not limited to, earthquakes.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility.

## **LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2018 Bonds, or in any way contesting or affecting the validity of the 2018 Bonds or any proceedings of NCPA taken with respect to the issuance or sale thereof.

Upon the basis of information presently available, NCPA and its General Counsel believe that there is no litigation pending or threatened against NCPA which will materially adversely affect the Project or the respective sources of payment for the 2018 Bonds.

### **Market Redesign**

Most of the matters being contested at FERC or being discussed in California ISO stakeholder processes involving NCPA or the Project Participants concern the current operation or potential changes to the ISO market. For a discussion of potential changes in the ISO market, see "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—ISO Markets."

### **California Energy Market Dysfunction, Refund Dispute and Related Litigation**

Following the 1998 operation of the ISO and the California Power Exchange (the "PX"), the deregulated electricity and natural gas markets in California became increasingly dysfunctional, with very high prices in 2000-2001, resulting in the eventual bankruptcy of the PX, PG&E (and others) and a number of orders from FERC. The IOUs—PG&E, Southern California Edison Company ("Edison") and San Diego Gas & Electric Company ("SDG&E")—and the State of California and the CPUC have been pursuing claims for refunds against all sellers into the market, including NCPA and other power-producing municipally owned utilities ("MOUs"), including Santa Clara.

Those claims for refunds against varying groups of sellers have been pursued in a number of *fora* since early Fall, 2000, and have been through numerous FERC proceedings, state and federal court decisions, and the U.S. Supreme Court. Some of those claims are still being pursued both at FERC and in the Courts of Appeal. While NCPA considered the claims against it to be lacking in legal merit, NCPA entered into a settlement with the plaintiffs which provides the terms of a final resolution of all of these claims and of the bankruptcy claims held by NCPA against PG&E and the PX. The settlement agreement was approved by FERC on April 29, 2010. That approval by FERC was the last regulatory step necessary to resolve these disputes between those parties in their entirety, as well as a separate lawsuit filed by the State of California. The state court proceeding against NCPA was dismissed with prejudice on May 20, 2010.

The proceedings at FERC and in the Court of Appeals remain ongoing, but the remaining parties to those proceedings have not asserted any claims against NCPA. NCPA continues to monitor the proceedings to protect its interests.

### **Other Proceedings**

NCPA is involved in various other state court proceedings incidental to its operations. Based on its review of those proceedings with its General Counsel, NCPA believes that the ultimate aggregate liability, if any, resulting from those proceedings will not have a material adverse effect on its financial position.

### **RATINGS**

Moody's Investors Service and Fitch Ratings have assigned to the 2018 Bonds the ratings of "Aa3" and "AA-," respectively. Such ratings reflect only the views of such organizations and are not a recommendation to buy, sell or hold the 2018 Bonds. Explanations of the significance of such ratings may be obtained only from the respective organizations at: Moody's Investors Service, 1 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that either rating will continue for any given period or that it will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. NCPA undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2018 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

### **UNDERWRITING**

Citigroup Global Markets Inc., on behalf of itself and Goldman Sachs & Co., LLC (the "Underwriters"), has agreed to purchase the 2018 Series A Bonds from NCPA at a price of \$\_\_\_\_\_ (which reflects the \$\_\_\_\_\_ par amount of the 2018 Series A Bonds, [plus/less] [net] original issue [premium/discount] of \$\_\_\_\_\_, and less an Underwriters' discount of \$\_\_\_\_\_) and to purchase the 2018 Series B Bonds from NCPA at a price of \$\_\_\_\_\_ (which reflects the \$\_\_\_\_\_ par amount of the 2018 Series B Bonds less an Underwriters' discount of \$\_\_\_\_\_), subject to certain conditions set forth in the Contract of Purchase between NCPA and the Underwriters.

The Underwriters may offer and sell the 2018 Bonds to certain dealers and others at prices lower than the offering prices or at yields higher than the offering yields stated on the inside cover page. The offering prices and yields may be changed from time to time by the Underwriters. The Contract of Purchase for the 2018 Bonds provides that the Underwriters will purchase all of the 2018 Bonds, if any are purchased,

the obligation to make such purchases being subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for NCPA for which they received or will receive customary fees and expenses. Citigroup or an affiliate thereof serves as an interest rate swap provider to NCPA and as the remarketing agent for certain of NCPA's variable rate bonds.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of NCPA.

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC (the "Financial Advisor") has assisted NCPA with various matters relating to the planning, structuring and delivery of the 2018 Bonds. The Financial Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Financial Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Financial Advisor will receive compensation from NCPA contingent upon the sale of the delivery of the 2018 Bonds.

### **TAX MATTERS**

#### **2018 Series A Bonds**

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to NCPA ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2018 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2018 Series A Bonds is less than the amount to be paid at maturity of such 2018 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2018 Series A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2018 Series A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2018 Series A Bonds is the first price at which a substantial amount of such maturity of the 2018 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2018 Series A Bonds accrues daily over the term to maturity of such 2018 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations

between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2018 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2018 Series A Bonds. Beneficial Owners of the 2018 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Series A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2018 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2018 Series A Bonds is sold to the public.

2018 Series A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Series A Bonds. NCPA has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2018 Series A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2018 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2018 Series A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2018 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2018 Series A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2018 Series A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2018 Series A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2018 Series A Bonds. Prospective purchasers of the 2018 Series A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.



The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2018 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of NCPA or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. NCPA has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2018 Series A Bonds ends with the issuance of the 2018 Series A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend NCPA or the Beneficial Owners regarding the tax-exempt status of the 2018 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than NCPA and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which NCPA legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2018 Series A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2018 Series A Bonds, and may cause NCPA or the Beneficial Owners to incur significant expense.

## **2018 Series B Bonds**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the 2018 Series B Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Series B Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix F hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2018 Series B Bonds that acquire their 2018 Series B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2018 Series B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the 2018 Series B Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their 2018 Series B Bonds pursuant to this offering for the issue price that is applicable to such 2018 Series B Bonds (i.e., the price at which a substantial amount

of the 2018 Series B Bonds are sold to the public) and who will hold their 2018 Series B Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a 2018 Series B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a 2018 Series B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2018 Series B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2018 Series B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2018 Series B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the 2018 Series B Bonds in light of their particular circumstances.

#### **U.S. Holders**

*Interest.* Interest on the 2018 Series B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the 2018 Series B Bonds is less than the amount to be paid at maturity of such 2018 Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2018 Series B Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of 2018 Series B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

2018 Series B Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a 2018 Series B Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such 2018 Series B Bond.

*Sale or Other 2018 Series B Disposition of the 2018 Series B Bonds.* Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by NCPA) or other disposition of a 2018 Series B Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2018 Series B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2018 Series B Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the 2018 Series B Bond (generally, the purchase price paid by the U.S. Holder for the 2018 Series B Bond, decreased

by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such 2018 Series B Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the 2018 Series B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the 2018 Series B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

*Defeasance of the 2018 Series B Bonds.* If NCPA defeases any 2018 Series B Bond, the 2018 Series B Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the 2018 Series B Bond.

*Information Reporting and Backup Withholding.* Payments on the 2018 Series B Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the 2018 Series B Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the 2018 Series B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2018 Series B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### ***Non-U.S. Holders***

*Interest.* Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any 2018 Series B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to NCPA through stock ownership and (2) a bank which acquires such 2018 Series B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the 2018 Series B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

*Disposition of the 2018 Series B Bonds.* Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by NCPA or a deemed retirement due to defeasance of the 2018 Series B Bond) or other disposition of a 2018 Series B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days

or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by NCPA) or other disposition and certain other conditions are met.

*U.S. Federal Estate Tax.* A 2018 Series B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such 2018 Series B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

*Information Reporting and Backup Withholding.* Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any 2018 Series B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the 2018 Series B Bond or a financial institution holding the 2018 Series B Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

#### ***Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders***

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2018 Series B Bonds and sales proceeds of 2018 Series B Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "passthru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of 2018 Series B Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of 2018 Series B Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

### **CONTINUING DISCLOSURE**

#### **General**

NCPA and the Significant Share Project Participants have each agreed, pursuant to Continuing Disclosure Agreements with the Trustee, to provide to the Municipal Securities Rulemaking Board (the

“MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) a copy of their respective annual audited financial statements, as well as certain operating data relating to the Project and the Significant Share Project Participants’ respective electric systems. Such audited financial statements are required to be prepared in accordance with generally accepted accounting principles. NCPA will provide to the MSRB through the EMMA System such Project information and its financial statements (unaudited if audited financial statements are not then available) within 180 days after the end of its fiscal year, and each Significant Share Project Participants will provide to the MSRB through the EMMA System their respective financial statements (unaudited if audited financial statements are not then available) and operating data relating to their respective electric systems within 210 days after the end of their respective fiscal years. If unaudited financial statements are provided, audited financial statements will be provided as soon as available. In addition, NCPA has agreed to give timely notice to the MSRB through the EMMA System, of the occurrence of certain enumerated events. These agreements have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “APPENDIX E – PROPOSED FORMS OF CONTINUING DISCLOSURE AGREEMENTS.”

A review of NCPA’s and the Significant Share Project Participants’ compliance with prior continuing disclosure undertakings during the last five years indicates that:

(1) NCPA did not file certain project operating data for Fiscal Year 2013 that it had covenanted to provide in prior undertakings until approximately 342 days after the date required for such filing. In addition, NCPA did not timely file specified event notices for certain rating changes and did not file specified event notices for rating changes of certain insured bonds resulting from changes in the bond insurer’s credit rating.

(2) In certain instances, Alameda filed its annual continuing disclosure report after the date required for such filing and/or filed a report which omitted certain information Alameda had covenanted to provide in prior undertakings. Specifically, Alameda’s annual reports for Fiscal Years 2013 and 2014 in connection with its electric system obligations, including in connection with bonds issued by NCPA, were not filed, or were not filed with all required information, until ranging from approximately 16 days to up to approximately 303 days after the respective dates required for such filings. Annual reports (and required prospective budgets) in connection with other City of Alameda obligations for Fiscal Years 2012 and 2013 were not filed, or were not filed with all required information, until, in some instances, more than two years after the date required for such filing. In addition, Alameda did not always provide rating change notices in a timely manner, and did not provide, in a timely manner after the annual filing dates, any notices of the failure to provide annual financial information.

(3) For Fiscal Year 2015, the financial and operating data to be filed as part of Lodi’s continuing disclosure annual report in connection with certain of Lodi’s obligations, including in connection with NCPA bonds and Lodi’s direct electric system obligations, was not filed until approximately 9 to 14 days after the date required for certain of such filings. For Fiscal Year 2013, Lodi’s annual continuing disclosure filing, when filed in January 2014, was approximately 27 days after the date required for one issue of Lodi electric system obligations. Lodi’s Fiscal Year 2013 annual report when filed was also not properly associated on EMMA with the CUSIPs for all applicable issues of other City of Lodi obligations. In addition, in 2013 and 2014, on several occasions, Lodi failed to make “significant event” filings with respect to changes in the ratings of bond insurers of certain electric system and other City of Lodi obligations, as well as upgrades of the underlying ratings for certain obligations.

(4) In certain instances, Palo Alto’s filed its annual continuing disclosure report after the date required for such filing and/or filed a report which omitted certain information Palo Alto had covenanted to provide in prior undertakings. Specifically, Palo Alto’s annual filings for Fiscal Years 2013, 2014, 2015, 2016 and 2017 in connection with certain outstanding utility revenue bonds of Palo Alto omitted certain

information relating to the top ten customers of its gas system. For Fiscal Years 2013 and 2015, certain information required in connection with an issue of assessment district bonds of Palo Alto was not filed until approximately 124 days and 229 days, respectively, after the date required for such filings. For Fiscal Years 2014, 2015 and 2016, Palo Alto's annual report was not properly associated (or not properly initially associated) on EMMA with the CUSIPs for certain general obligation bonds of Palo Alto, and its annual report for Fiscal Year 2013 was not properly associated with one issue of NCPA bonds. In 2016, in connection with the economic defeasance of portions of certain bonds, the filing of the notices of such defeasance was not timely; about a month after the event.

(5) The annual reports required for Fiscal Years 2013 and 2015 for certain of Roseville's then-outstanding obligations were not filed, or were not filed with all required information, until up to 552 days after the dates required for such filings. The Audited Financial Statements of Roseville for Fiscal Years 2012 and 2013 for certain of Roseville's then-outstanding obligations were filed up to 921 days after the dates required for such filings. Roseville has not in a timely manner filed all significant event notices, including, but not limited to, notices of changes in the ratings of certain then-outstanding obligations resulting from changes in ratings to the bond insurers who insured such obligations or the underlying ratings for such obligations.

(6) Santa Clara's annual continuing disclosure report for Fiscal Year 2013, while timely filed, was not associated with one issue of NCPA Bonds.

(7) Finally, all filings made by NCPA and each of the Significant Share Project Participants have not always been associated, or associated by the required filing deadline, with all CUSIPs for each of the related outstanding obligations.

NCPA and the Significant Share Project Participants (as applicable) believe they have made corrective filings to address the known instances during the last five years of past delayed or failure to file annual reports, omissions of required information and/or rating changes to be filed under their respective prior continuing disclosure undertakings (except with respect to certain bonds or other obligations that are no longer outstanding) and are currently in compliance in all material respects with such prior continuing disclosure undertakings.

### **City of Alameda Settlement with Securities and Exchange Commission**

In connection with an Offer of Settlement by the City of Alameda dated June 27, 2016, and an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order of the United States Securities and Exchange Commission dated August 24, 2016 (the "SEC Order"), the City of Alameda has undertaken to:

(i) Within 180 days of the entry of the SEC Order, establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, including the designation of an individual or officer at Alameda responsible for ensuring compliance by Alameda with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training.

(ii) Within 180 days of the entry of the SEC Order, comply with existing continuing disclosure undertakings, including updating past delinquent filings if Alameda is not currently in compliance with its continuing disclosure obligations.

(iii) For good cause shown, the Securities and Exchange Commission (“SEC”) staff may extend any of the procedural dates relating to the Alameda’s undertakings. Deadlines for procedural dates are to be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

(iv) Disclose in a clear and conspicuous fashion the terms of the settlement in any final official statement for an offering by Alameda within five years of the institution of the SEC’s proceedings.

(v) Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The SEC staff may make a reasonable request for further evidence of compliance, and Alameda has agreed to provide such evidence. The certification and supporting material shall be submitted to certain specified SEC personnel no later than the one-year anniversary of an institution of the SEC’s proceedings.

(vi) Cooperate with any subsequent investigation by the SEC regarding the false statement(s) and/or material omission(s), including the roles of individuals and/or other parties involved.

Alameda has established procedures to ensure compliance with their continuing disclosure undertakings in the future for Alameda and for all entities that are created or controlled by Alameda; and, as stated above, has made remedial filings of all delinquent or missing information in its prior undertakings for issues currently outstanding. Alameda fully intends to comply with all other requirements of the SEC Order.

### **APPROVAL OF LEGAL PROCEEDINGS**

The issuance of the 2018 Bonds is subject to the approval of legality of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to NCPA. Certain legal matters will be passed upon for NCPA by Jane E. Luckhardt, Esq., General Counsel to NCPA, and by Spiegel & McDiarmid LLP, Washington, D.C., Washington Counsel to NCPA. Orrick, Herrington & Sutcliffe LLP is acting as disclosure counsel to NCPA in connection with the 2018 Bonds. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Los Angeles, California.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

On the date of delivery of the 2018 Bonds, NCPA will receive a report from Grant Thornton LLP verifying the adequacy of the cash deposited and held in the Escrow Fund, and the maturing principal amounts of and interest earned on the Escrow Securities initially deposited in the Escrow Fund (if any), to pay when due the interest on the Refunded 2008 Series C Bonds to the redemption date and the redemption price of the Refunded 2008 Series C Bonds on the redemption date.

### **INDEPENDENT AUDITORS**

The combined financial statements of Northern California Power Agency and Associated Power Corporations as of and for the year ended June 30, 2017 have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report. Baker Tilly Virchow Krause, LLP has not been engaged to perform and has not performed, since the date of its report included therein, any procedures on the financial statements addressed in such report. Baker Tilly Virchow Krause, LLP has also not performed any procedures relating to this Official Statement. The combined financial statements of NCPA and Associated

Power Corporations, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated October 19, 2016, expressed an unmodified opinion on those combined statements.

#### **INCLUSION BY SPECIFIC REFERENCE**

When delivered by the Underwriters, in their capacity as such, this Official Statement shall be deemed to include by specific reference all documents previously provided to the Municipal Securities Rulemaking Board (through EMMA) by NCPA or a Significant Share Project Participant with respect to its electric system to the extent that statements in such documents are material to the offering made hereby. Any statements in a document included by specific reference herein shall be modified or superseded for purposes of this Official Statement to the extent that it is modified or superseded by statements contained in this Official Statement or in any other subsequently provided document included by specific reference herein.

#### **MISCELLANEOUS**

This Official Statement includes descriptions of the terms of the 2018 Bonds, the Indenture, the Escrow Agreement, the Third Phase Agreement, the Continuing Disclosure Agreements, certain other agreements and certain provisions of state and federal legislation. Such descriptions do not purport to be complete and all such descriptions and references thereto are qualified in their entirety by references to each such document, copies of which may be obtained from NCPA or, during the period of the offering, from the Underwriters.

Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

#### **NORTHERN CALIFORNIA POWER AGENCY**

By: \_\_\_\_\_  
Randy S. Howard  
General Manager



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**APPENDIX A**

**SELECTED INFORMATION RELATING TO THE  
SIGNIFICANT SHARE PROJECT PARTICIPANTS**

The following information has been supplied by the respective Project Participants, and includes selected historical operating data and data taken from their electric system balance sheets. Neither NCPA nor any Project Participant makes any representation as to the accuracy or completeness of this information with respect to any other Project Participants.

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## **CITY OF ALAMEDA**

### **Introduction**

The City of Alameda (“Alameda”) is a charter city in the State of California. Alameda is an island community of 22.8 square miles located across the bay from San Francisco and to the west of the City of Oakland. Alameda was incorporated in 1854.

Alameda provides electric utility service through its Bureau of Electricity. The Alameda Bureau of Electricity began operation in 1887. The Bureau of Electricity did business as “Alameda Power & Telecom” beginning in 1999. On January 26, 2009, the name was changed to “Alameda Municipal Power.” The Alameda electric utility was the first municipal electric utility in California and is one of the oldest in the nation.

Alameda Municipal Power serves the entire area of the City of Alameda and has about 86.1 pole miles of overhead distribution lines and 178.1 circuit miles of underground distribution lines, 6.8 pole miles of overhead transmission lines, 1.9 circuit miles of underground transmission lines and 5,470 streetlights. During the fiscal year 2016-17, it served an average of 34,648 customers, comprised of an average of approximately 30,495 residential customers, an average of approximately 3,776 commercial and industrial customers and an average of approximately 377 public authority and other customers, with a peak demand of approximately 63.7 MW.

Alameda joined NCPA in 1968, is a participant in most NCPA projects, and has procured other power supply resources independently. In addition, NCPA has developed electric scheduling, dispatch and transmission capabilities that are utilized in the provision of Alameda Municipal Power’s electric utility services. All of Alameda Municipal Power’s rights to electric energy, capacity, environmental attributes and transmission are scheduled by NCPA. Alameda participates in the NCPA power pool. See “NORTHERN CALIFORNIA POWER AGENCY—NCPA Power Pool” in the front part of this Official Statement.

From June 2001 until November 21, 2008, Alameda also provided cable television and internet services through its telecommunications system. On November 18, 2008, the City Council of the City of Alameda unanimously authorized the sale of the telecommunications business line effective November 21, 2008. See “Condensed Operating Results and Selected Balance Sheet Information – *Interfund Transfers*” below.

Only the revenues of the Alameda electric system will be available to pay amounts owed by Alameda under the Third Phase Agreement.

Alameda Municipal Power is under the policy control of the Alameda Public Utilities Board, in accordance with the Alameda City Charter. The Public Utilities Board consists of four commissioners appointed by the Mayor with concurrence of the City Council, and the City Manager of the City (as an ex-officio member), who may not hold any office on the Board.

Pursuant to the Alameda City Charter, the Alameda Public Utilities Board has the power to control and manage the electric system, including the power to set rates for the services of the electric system. The Public Utilities Board establishes goals and policies, approves major purchases and creates the framework for local control of the utility.

Alameda Municipal Power’s main office is located at 2000 Grand Street, Alameda, California 94501, (510) 748-3901. For more information about Alameda and its electric system, contact Nicolas

Procos, General Manager at the above address and telephone number. A copy of the most recent comprehensive annual financial report of Alameda Municipal Power (the “Annual Report”) is available on Alameda Municipal Power’s website at <http://www.alamedamp.com>. The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.

## Power Supply Resources

The following table sets forth information concerning Alameda’s power supply resources and the energy supplied by each during the fiscal year ended June 30, 2017.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
POWER SUPPLY RESOURCES  
For the Fiscal Year Ended June 30, 2017**

<b>Source</b>	<b>Capacity Available (MW)<sup>(1)</sup></b>	<b>Actual Energy (MWh)</b>	<b>% of Total Energy</b>
Purchased Power <sup>(2)</sup> :			
Western	15.4	57,523.2	16.0%
High Winds Project	10.0	22,062.3	6.1
Landfill Gas Projects <sup>(3)</sup>	12.8	44,166.4	12.3
Graeagle	0.4	2,786.6	0.8
NCPA			
Geothermal Plant 1 <sup>(3)</sup>	8.4	-	0.0
Geothermal Plant 2 <sup>(3)</sup>	8.4	-	0.0
Hydroelectric Project	25.3	92,297.2	25.7
Combustion Turbine Project No. 1 & 2	24.9	3,686.6	1.0
Market Purchases for REC Sales <sup>(3)</sup>	0.0	179,461.1	49.9
Other Purchases/Sales (net)	0.0	(42,516.5)	(11.8)
Total Capacity and Total Purchased Energy	105.6	359,466.8	100.0%
Less Line Losses	-	(15,551.8)	(4.3)
Alameda’s Capacity and Retail Sales Requirements	63.7	343,915.0	95.7%

(1) Available non-coincident capacity.

(2) Entitlements, firm allocations and contract amounts.

(3) Renewable generation from the geothermal units and one landfill unit is sold within their RECs and replaced with market purchase generation.

Source: Alameda Municipal Power.

In the fiscal year ended June 30, 2017, Alameda’s average cost of power for 343.77 GWh of energy sales was 7.16 cents per kWh, and its average cost of power for the 359.47 GWh purchased was 6.85 cents per kWh.

## Purchased Power

**Western.** Alameda has power purchase agreements with the Western Area Power Administration (“Western”) that continue through December 31, 2024. Alameda’s Western power is assigned to NCPA

for scheduling and delivery to Alameda. Power purchased under these agreements is generated by the Central Valley Project (“CVP”), a series of federal hydroelectric facilities in Northern California operated by the United States Bureau of Reclamation (the “Bureau”).

On October 5, 2000, Alameda signed a 20-year Base Resource agreement with Western with initial service beginning January 1, 2005. Service under the Western contract will continue through December 31, 2024, with Alameda receiving a “slice of the system” allocation from Western. Alameda’s allocation is currently 1.08075% of the CVP output. Power provided to Alameda under the Western contract is on a take-or-pay basis; Alameda is obligated to pay its share of Western costs whether or not it receives any power.

**Other Purchases.** Alameda has also entered into certain other power purchase agreements: (i) a power purchase agreement with PPM Energy, Inc. (now Iberdrola Renewables, Inc.) for power supplied from the Highwinds Project in Solano County, California under which Alameda Municipal Power receives 6.17% (approximately 10 MW of the 162 MW project) until June 30, 2028; (ii) five long-term power purchase agreements for power supplied by multiple existing and proposed generating facilities utilizing combustible gaseous emissions from landfills located in or near the San Francisco Bay area, under which (a) Alameda has received approximately 3.5 MW of baseload power from two facilities since early 2006, approximately 5.2 MW of baseload output from two additional facilities since 2009, and approximately 1.9 MW of baseload power from a fifth facility since 2009; and (b) Alameda will receive an additional 10 MW of power from Silicon Valley Power during the months of January, February, October, November, and December beginning January 2018 through December 2027. In addition, Alameda makes short-term market purchases as necessary to meet its native load requirements.

Generally, Alameda has entered into power purchase agreements solely or primarily for use within its own system.

### **Joint Powers Agency Resources**

**NCPA.** Alameda does not independently own any generation assets but, in addition to power purchased from Western and others, Alameda is a participant in most NCPA projects. Alameda has purchased from NCPA a 10.00% entitlement share in the Hydroelectric Project. Alameda has purchased from NCPA a 19.00% entitlement share in the Capital Facilities Project. Alameda has purchased from NCPA a 21.820% entitlement share in the Combustion Turbine Project Number One. Alameda has purchased from NCPA a 16.8825% entitlement share in the Geothermal Project. Alameda has purchased from NCPA a 30.36% entitlement share in the Geysers Transmission Project. For a description of such resources, see “THE HYDROELECTRIC PROJECT” and “OTHER NCPA PROJECTS” in the front part of this Official Statement. For each of these NCPA projects in which Alameda participates, Alameda is obligated to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the project, as well as its share of the operation and maintenance expenses of the project. See also “Indebtedness; Joint Powers Agency Obligations” below.

Through NCPA, Alameda also participates in certain power purchase agreements entered into by NCPA, including a power purchase agreement with Henwood Associates, Inc. to purchase 100% of the power produced by the Graeagle Hydroelectric Project, a small 440 kW hydroelectric project (replacing a prior agreement under which Alameda received 50% of the project output). The energy source for the facility is hydroelectric and the facility meets the qualifying facilities requirements established by FERC. The facility output, which varies with hydrological conditions, has averaged about 2,000 MWh per year. Deliveries under the agreement began on February 1, 2010 and will terminate on January 31, 2030. See also “OTHER NCPA PROJECTS” in the front part of this Official Statement.

***TANC California-Oregon Transmission Project.*** Alameda, together with fourteen other northern California cities and districts and one rural electric cooperative, is a member, or associate member, of a California joint powers agency known as the Transmission Agency of Northern California (“TANC”). TANC, together with the City of Redding, California (“Redding”), Western, two California water districts and PG&E (collectively, the “COTP Participants”) own the California–Oregon Transmission Project (the “COTP”), a 339 mile long, 1,600 MW, 500 kV transmission project between southern Oregon and central California. The COTP was placed in service on March 24, 1993, at a cost of approximately \$430 million. In April 2008, TANC purchased the COTP transmission assets (approximately 121 MW) of Vernon Light & Power of the City of Vernon, California (“Vernon”), one of the original owners of the COTP. Alameda did not participate as an acquiring TANC Member for an additional share of the purchased assets from Vernon.

TANC financed its interest in the COTP through the issuance of California-Oregon Transmission Project Revenue Bonds and commercial paper notes, of which approximately \$208.4 million principal amount of revenue bonds was outstanding as of January 31, 2018. See “Indebtedness; Joint Powers Agency Obligations” below.

Pursuant to Project Agreement No. 3 for the COTP (the “TANC Agreement”), TANC has agreed to provide to Alameda and 12 other members of TANC (the “TANC Member-Participants”) a participation percentage of TANC’s entitlement of COTP transfer capability. In return, each TANC Member-Participant has severally agreed to pay TANC a corresponding percentage of TANC’s share of the COTP construction costs, including debt service on TANC’s outstanding revenue bonds and other obligations issued by TANC to finance its ownership share of the COTP. A TANC Member-Participant’s obligations to make payments to TANC are not dependent upon the operation of the COTP and are not subject to reduction. Upon an unremedied default by one TANC Member-Participant in making a payment required under the TANC Agreement, the nondefaulting TANC Member-Participants are required to increase pro-rata their participation percentage by the amount of the defaulting TANC Member-Participant’s entitlement share, provided that no such increase can result in a greater than 25% increase in the participation percentage of the nondefaulting TANC Member-Participants.

Pursuant to the TANC Agreement, Alameda is obligated to pay 1.2274% of TANC’s COTP operating and maintenance expenses and 1.33% of TANC’s COTP debt service (on bonds other than TANC’s 2009 Series A Bonds on which it is obligated for 1.4496% of debt service) and is entitled to 1.2274% of TANC’s share of COTP transfer capability (approximately 17 MW net of third-party layoffs of TANC) on an unconditional take-or-pay basis. Alameda’s share of annual operating and maintenance expenses and debt service for the COTP is approximately \$0.7 million per year. See, however, “—COTP Long-Term Layoff” below.

To utilize the full transfer capability of the COTP and the Intertie (described below) on a firm basis between the Pacific Northwest and California, it is necessary to coordinate the operation of all three transmission lines. The Pacific AC Intertie (the “Intertie”) is a two line system which, like the COTP, connects California utilities with those in a Pacific Northwest. The Intertie lines are owned by certain of the California investor-owned utilities and Western and are operated by the California Independent System Operator (the “CAISO”). Rate schedules are on file with FERC to accomplish this coordination. The three-line system comprised of the COTP and the Intertie is collectively referred to as the California-Oregon Intertie (“COI”).

The COTP became a part of the Sacramento Municipal Utility District Western balancing authority area effective December 1, 2005, the operations of which were subsequently transferred to the Balancing Authority of Northern California. As a result, the TANC Member-Participants are able to

undertake direct scheduling of the COTP within the control area substantially free of the CAISO tariff, charges, congestion and encumbrances.

***TANC Tesla–Midway Transmission Service.*** The southern physical terminus of the COTP is near PG&E’s Tesla Substation near Tracy, California. The COTP is connected to Western’s Tracy and Olinda Substations. PG&E provides TANC and its members with 300 MW of firm bi-directional transmission capacity in its transmission system between its Tesla Substation and its Midway Substation near Buttonwillow, California (the “Tesla Midway Transmission Service”) under a long-term agreement known as the South of Tesla Principles. Alameda’s share of Tesla Midway Service is 6.0 MW. Alameda may utilize its full allocation of Tesla–Midway Transmission Service for firm and non-firm power transactions when economic to do so and if available.

***COTP Long-Term Layoff.*** Due to situational and economic changes in value of power deliveries over the COTP, Alameda and six other TANC members laid off their participation shares in the COTP to other TANC members for a period of 25 years with the option to extend for an additional five years upon all parties’ approval. TANC has provided an enabling agreement which became effective on July 1, 2014. The agreement transfers the use and associated rights of Alameda’s project participation shares to the receiving parties. The receiving parties agree to pay the debt service and operating and maintenance costs associated with those shares and an additional value payment after the debt service is retired. Under the agreement, Alameda would continue to be a member of TANC and would continue to be ultimately responsible for its allocated share of the costs of the COTP in the event of a default by a receiving party during the term of the agreement.

## **Energy Efficiency and Conservation; Renewable Resources**

State laws enacted in 2005 and 2006 require publicly-owned utilities (“POUs”), such as Alameda Municipal Power, in procuring energy, to first implement all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible, and to provide annual reports to customers and to the California Energy Commission (the “CEC”) describing their investment in energy efficiency and demand reduction programs. Assembly Bill 2021, which became law in 2007, requires investor-owned utilities (“IOUs”) and POUs to identify energy efficiency potential and establish annual efficiency targets so that the State can meet the goal of reducing total forecasted electricity consumption by 10% over the ten years.

Alameda Municipal Power has a full portfolio of public benefits programs, addressing four areas of concentration: low income assistance programs, renewable energy production, advanced electric technology demonstration, research and development, as well as energy efficiency programs. It has continually funded new renewable resources including geothermal, wind, landfill gas, and hydroelectric generation.

Alameda Municipal Power has had energy efficiency programs in place since the 1990s. These energy efficiency programs focus on the unique end-uses in Alameda with its coastal climate, and the resulting lack of air conditioning load. Alameda Municipal Power offers energy efficiency programs for all of its customer classes and has established an aggressive target for reducing future consumption by nearly 12% during the next ten years.

Alameda’s renewables portfolio consists of its share of NCPA’s geothermal and hydroelectric projects as well as power purchase agreements for the purchase of landfill-gas-to-energy, wind, and additional hydroelectric generation. All of this generation is considered California-eligible renewable generation with the exception of generation from large (>30 MW) hydroelectric facilities. In the absence

of REC sales to CDWR/Shell, AMP's renewable percentage would have been 75.4% in 2017 and 82.4% in 2018.

### **Future Power Supply Resources**

Alameda is currently investigating options to meet future resources requirements in an environmentally beneficial manner including additional renewable resources and energy efficiency savings.

### **Interconnections, Transmission and Distribution Facilities**

Alameda's electric system is interconnected with the system of PG&E at two PG&E substations. Alameda owns facilities for the distribution of electric power within the city limits of Alameda, which includes approximately 8.70 miles of 115 kV power lines, approximately 258.6 miles of 12 kV distribution lines (approximately 67% of which are underground) and fourteen substations. Alameda's electric system experienced approximately 0.35 minutes of outage time per customer in fiscal year 2016-17.

### **Forecast of Capital Expenditures**

Alameda's current five-year capital plan for electric facilities contemplates capital expenditures in the following years and amounts:

#### **CITY OF ALAMEDA ALAMEDA MUNICIPAL POWER ESTIMATED CAPITAL EXPENDITURES**

<b>Fiscal Year Ended June 30,</b>				
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$9,927,000	\$5,454,000	\$3,756,000	\$5,559,000	\$3,410,000

*Source:* Alameda Municipal Power.

The capital expenditures are for distribution system improvements and extensions, the underground conversion program, the addition of Automated Metering Infrastructure (AMI), additions for new loads, community solar, replacements and maintenance, computer equipment and software and vehicles. Alameda anticipates funding the majority of such costs from current year revenues and designated reserves.

### **Insurance**

As a member of the California Joint Powers Risk Management Authority ("CJPRMA") and the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), Alameda carries both liability and property coverage in excess of self-insurance at varying levels. Through CJPRMA, Alameda carries \$40 million in general liability coverage subject to a \$500,000 self-insured retention. As a member of CJPRMA, Alameda is a participant in both the vehicle physical damage and property programs. Alameda carries physical damage coverage for vehicles worth \$25,000 or more, subject to a \$10,000 deductible. With respect to the property and boiler and machinery coverage, Alameda carries "all risk" (excluding flood and earthquake) replacement cost coverage for both real and personal property,



subject to a \$25,000 deductible. Finally, Alameda carries workers' compensation coverage with statutory limits, in excess of a \$350,000 self-insured retention through LAWCX.

## **Employees**

As of June 30, 2017, approximately 86 City of Alameda employees were assigned specifically to the Alameda electric utility. Effective February 23, 2014, AMP's management personnel are represented by the Electric Utility Professionals of Alameda ("EUPA") instead of the Management and Confidential Employees Association ("MCEA"). Non-management personnel are represented either by the International Brotherhood of Electrical Workers ("IBEW") or the Alameda City Employees Association ("ACEA"). The current Memoranda of Understanding with each of EUPA, ACEA and IBEW expires in December 2018. There have been no strikes or other work stoppages at the City of Alameda, including Alameda Municipal Power, since the early 1970s.

Retirement benefits to City of Alameda employees, including those assigned to Alameda Municipal Power, are provided through the City of Alameda's participation in the California Public Employees Retirement System ("CalPERS"), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating plan members. Employees of the City assigned to Alameda Municipal Power participate in the CalPERS Miscellaneous Plan. CalPERS determines contribution requirements for the plan using a modification of the Entry Age Normal Method. Under this method, the City of Alameda's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute the contribution requirements are also used to compute the actuarial accrued liability. Assembly Bill 340, the Public Employee's Pension Reform Act ("PEPRA"), implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA.

CalPERS uses the market related value method of valuing the plan's assets. An investment rate of return of 7.65% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis within twenty years.

The City of Alameda's total employers' contributions for the three fiscal years 2014-15 through 2016-17 were as follows: fiscal year 2014-15, \$3,506,145 (of which \$1,016,782 was contributed by the electric utility); fiscal year 2015-16, \$4,527,506 (of which \$1,312,978 was contributed by the electric utility); and fiscal year 2016-17, \$5,265,991 (of which \$1,631,011 was contributed by the electric utility). The City of Alameda made these contributions as required, together with certain additional immaterial amounts required as a result of the payment of employee compensations. As of June 30, 2015 (the most recent actuarial data available), the entry age accrued liability for the Miscellaneous Plan (in which City of Alameda employees assigned to Alameda Municipal Power participate) was \$259,979,219, the actuarial value of assets was \$189,573,478, resulting in an unfunded liability of \$70,405,741, with a funded ratio of 73%. The portion of the net pension liability allocable to Alameda Municipal Power employees is \$21,006,196.

In addition, the City of Alameda provides certain post-employment benefits other than pensions ("OPEB") to City employees, including those assigned to the Alameda Municipal Power, who retire from the City and receive a CalPERS pension through its participation in the CalPERS medical and dental

benefits program. Contribution requirements of the postemployment benefit are based on pay-as-you-go financing. The City's annual required contribution of the employer ("ARC") was determined as part of a January 1, 2015 actuarial valuation using the Entry Age Normal Actuarial Cost Method. This is a projected benefit cost method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) a 4.0% investment rate of return; and (b) a healthcare cost trend of declining annual increases ranging from 7-7.2% initially to 5%. The actuarial methods and assumptions use techniques that "smooth" the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revisions at least biannually, as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability as of June 30, 2017 is being amortized using a 19-year closed amortization period using the level of payroll method. Assumption changes, plan changes and gains or losses are being amortized using a 15-year closed period. For the fiscal years 2014-15, 2015-16 and 2016-17, the City of Alameda contributed 34%, 84% and 41%, respectively, of the annual OPEB cost of \$8,010,000 (fiscal year 2014-15), \$10,373,000 (fiscal year 2015-16) and \$10,869,882 (fiscal year 2016-17), respectively. Amounts contributed for such fiscal years were as follows: fiscal year 2014-15, \$2,999,333 (of which \$57,708 was contributed by the electric utility); fiscal year 2015-16, \$8,730,060 (of which \$57,708 was contributed by the electric utility); and fiscal year 2016-17, \$4,498,616 (of which \$57,996 was contributed by the electric utility). As of January 1, 2015, the entry age actuarial accrued liability for the health care benefits plan was \$113.16 million, the actuarial value of assets was \$177,000, resulting in an unfunded liability of \$112.99 million.

Additional information regarding the City of Alameda's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at <http://www.cityofalamedaca.gov>.

## Service Area

The largest employers in Alameda as of June 30, 2017 are as follows:

### CITY OF ALAMEDA 2016-17 LARGEST EMPLOYERS

Employer	Business	Number of Employees
Penumbra	Med. Device Developer/Manufacturer	1,071
Alameda Unified School district	Public School	1,044
VF Outdoor	Clothing Design/Manufacturer	783
Alameda Hospital	Health Care/Hospital	727
Oakland Raiders	Sports Team	595
Abbott Diabetes Care	Med. Device Developer/Manufacturer	531
City of Alameda	Local Government	522
Kaiser Foundation Health Plan	Health Care/Clinic	425
Safeway Store	Grocery Store	418
Cost Plus Corporate Headquarters	Business Administration	412

Source: City of Alameda Finance Department.

The following table reflects the five-year history of building permit valuation for the City:

**CITY OF ALAMEDA  
BUILDING PERMITS AND VALUATIONS  
Calendar Years 2013 through 2017  
(dollars in thousands)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Permit Valuation					
New Single-family	\$ 545	\$ 6,952	\$ 44,541	\$41,239	\$15,528
New Multi-family	0	11,899	32,982	18,341	11,586
Res. Alterations/Additions	20,806	21,590	23,892	22,674	19,490
Total Residential	<u>\$21,351</u>	<u>\$40,441</u>	<u>\$101,415</u>	<u>\$82,254</u>	<u>\$46,604</u>
New Commercial	\$ 1,959	\$24,391	\$ 6,547	\$12,249	\$ 832
New Industrial	162	0	0	43,077	0
New Other Comm.	1,152	1,149	8,802	2,739	48,271
Alterations/Additions	15,795	16,638	24,005	40,936	28,876
Total Nonresidential	<u>\$19,068</u>	<u>\$42,178</u>	<u>\$39,354</u>	<u>\$99,001</u>	<u>\$77,979</u>
New Dwelling Units					
Single Family	1	18	141	141	53
Multiple Family	0	79	136	87	63
Total	<u>1</u>	<u>97</u>	<u>277</u>	<u>228</u>	<u>116</u>

Source: Construction Industry Research Board.

The five-year history of assessed valuations in Alameda is as follows:

**CITY OF ALAMEDA  
TOTAL ASSESSED VALUATIONS  
(Fiscal Years 2012-13 through 2016-17)**

<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
\$9,423,046,773	\$9,949,194,280	\$10,531,584,610	\$11,155,282,233	\$11,858,309,875

Source: City of Alameda Finance Department.

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Shown below is certain population data for the City of Alameda, the County of Alameda and the State of California:

**CITY OF ALAMEDA, COUNTY OF ALAMEDA,  
STATE OF CALIFORNIA POPULATION  
(1970-2010 as of April 1; 2011-2017 as of January 1)**

	<u>City of Alameda</u>	<u>County of Alameda</u>	<u>State of California</u>
1970	70,968	1,071,446	19,971,069
1980	63,852	1,105,379	23,668,562
1990	73,979	1,276,702	29,760,021
2000	73,713	1,443,939	33,873,086
2010	74,736	1,557,749	37,253,956
2011	74,081	1,521,157	37,427,946
2012	74,640	1,532,137	37,668,804
2013	75,126	1,548,681	37,984,138
2014	76,413	1,578,891	38,340,074
2015	75,961	1,574,497	39,032,444
2016	79,277	1,627,865	39,296,476
2017	79,928	1,647,704	39,536,653

*Sources:* U.S. Bureau of Census and California State Department of Finance.

## Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Alameda in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Alameda taken with respect to the Third Phase Agreement.

***Zachary Ginsburg, on behalf of himself, and others similarly situated v. City of Alameda et al.***  
***Alameda Superior Court Case No. RG15791428.*** On October 29, 2015, Zachary Ginsburg filed a petition for writ of mandate and complaint in the Superior Court for the State of California, County of Alameda, alleging that electric rates charged by Alameda Municipal Power represent an “illegal tax” under the provisions of Proposition 26, a 2010 ballot measure. An appellate decision earlier in 2015, *Citizens for Fair REU Rates v. City of Redding*, 182 Cal. Rptr. 3d 722 (Feb. 19, 2015), had held that in certain circumstances, electric rates that were used to fund payments by a city-owned electric utility to a City’s General Fund could constitute a “tax” subject to provisions of the California Constitution that would require voter approval. Plaintiff alleges that because AMP made certain transfers to the City’s General Fund without voter approval, he and a class of all AMP customers who paid for electricity from October 2012 through the present are entitled to “tax refunds.” Plaintiff also complains that differences between the rates charged to commercial users and residential users are an alleged illegal cross-category subsidy in favor of commercial users. After Plaintiff filed a Second Amended Verified Petition on March 15, 2016, the City filed its answer, denying the allegations and stating its affirmative defenses, on April 26, 2016.

The California Supreme Court has granted review of the *City of Redding* matter, and the matter is fully briefed and awaiting oral argument. The City moved to stay the *Ginsburg* matter, and the Court granted the stay on December 9, 2016. No trial date or date for hearing on whether a class should be certified has yet been set.

Present lawsuits and claims concerning Alameda's electric system are incidental to the ordinary course of operations of the electric system and are largely covered by Alameda's self-insurance program. In the opinion of Alameda Municipal Power's management and, with respect to such litigation, the Alameda City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position of Alameda Municipal Power.

## **Rates and Charges**

Alameda Municipal Power has the exclusive jurisdiction to set electric rates within its service area by action of the Alameda Public Utilities Board. These rates are not subject to review by any state or federal agency.

Alameda's fiscal year 2016-17 average rate per kWh sold for all electric service is estimated to be 16.19 cents per kWh. The average rate per kWh sold for residential service in fiscal year 2016-17 is estimated to be 16.96 cents. The average rates for commercial service are estimated to be 20.28 cents per kWh. Alameda's average rate for municipal and public authority service for fiscal year 2016-17 is estimated at 19.23 cents per kWh. In general, the rate adjustment for fiscal year 2016-17 was designed to increase revenue in each service category by 1.1 cents per kWh. Currently, Alameda management estimates that Alameda's electric rates are approximately 24.41% below those in the surrounding area on average.

The following table presents a recent history of Alameda's rate changes. Alameda also imposes a solar surcharge in conjunction with its electric rates which is applied to fund its photovoltaic incentive programs as required by Senate Bill 1 (the California Solar Initiative).

### **CITY OF ALAMEDA ALAMEDA MUNICIPAL POWER ELECTRIC RATE CHANGES**

<b>Date</b>	<b>Percent Change (Average)</b>
July 1, 2010	3.75%
July 1, 2011	3.85
July 1, 2012	3.25
July 1, 2013	3.25
July 1, 2014	2.00
July 1, 2015	4.60
July 1, 2016	5.00
July 1, 2017	5.00

*Source:* Alameda Municipal Power.

## **Largest Customers**

Alameda's ten largest electric customers in terms of kWh sales for the fiscal year ended June 30, 2017 accounted for 21.32% of total kWh sales and 20.46% of total revenues. The largest customer accounted for 4.17% of total kWh sales and 3.87% of total revenues. The smallest of the ten largest customers accounted for 1.32% of total kWh sales and 1.23% of revenues.

## Customers, Sales, Revenues and Demand

The average numbers of customers, kWh sales, revenues derived from sales by classification of service and peak demand during the five fiscal years 2012-13 through 2016-17, are listed below.

### CITY OF ALAMEDA ALAMEDA MUNICIPAL POWER ELECTRIC CUSTOMERS, SALES, REVENUES AND DEMAND

	Fiscal Years Ended June 30,				
	2013	2014	2015	2016	2017
Number of Customers:					
Residential	30,260	30,293	30,307	30,377	30,495
Commercial Small	3,781	3,786	3,834	3,735	3,764
Commercial Medium	9	12	8	8	12
Public Authority	331	363	361	363	362
Other	24	28	15	11	15
Total Customers	34,405	34,482	34,525	34,494	34,648
Kilowatt-Hour Sales:					
Residential	135,924,914	131,209,422	125,431,220	125,831,929	126,850,402
Commercial Small	176,259,228	175,075,476	174,257,771	176,575,883	172,520,353
Commercial Medium	35,487,830	31,951,900	26,587,830	31,490,040	30,127,960
Public Authority	12,585,314	12,537,513	12,809,590	12,375,517	11,428,198
Other	3,186,846	3,138,994	3,116,374	2,546,494	2,838,825
Total kWh sales	363,444,132	353,913,305	342,202,785	348,819,863	343,765,738
Revenues from Sale of Energy:					
Residential	\$ 18,781,411	\$ 18,974,096	\$ 18,849,656	\$ 19,869,104	\$ 21,510,126
Commercial Small	24,967,214	25,554,219	25,660,869	27,071,358	27,177,335
Commercial Medium	4,552,958	4,088,510	3,435,518	4,278,240	4,366,885
Public Authority	1,779,313	1,859,914	2,047,549	1,973,689	1,958,154
Other	623,308	660,902	797,198	1,028,631	913,248
Total Revenues from Sale of Energy	\$ 50,704,204	\$ 51,137,641	\$ 50,790,790	\$ 54,221,022	\$ 55,925,748
Peak Demand (kW)	68,100	69,308	63,372	64,283	63,738

Source: Alameda Municipal Power.

## Indebtedness; Joint Powers Agency Obligations

As of January 31, 2018, Alameda had outstanding obligations under an Installment Sale Agreement, dated as of August 1, 2010 (the "Electric System Installment Sale Agreement"), by and between the Alameda Public Financing Authority and Alameda Municipal Power, in the aggregate principal amount of \$25,290,000, the installment payments payable by Alameda under which are payable from and secured solely by a pledge of and lien on net revenues of the electric system of Alameda Municipal Power. These obligations are subordinate to the payments required to be made with respect to Alameda's obligations to NCPA and TANC as described below.

As previously discussed, Alameda participates in certain joint powers agencies, including NCPA and TANC. Obligations of Alameda with respect to TANC and NCPA constitute operating expenses of Alameda payable prior to any of the payments required to be made by Alameda's under the Electric System Installment Sale Agreement described above. The agreements with NCPA and TANC are on a

“take-or-pay” basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain “step up” provisions obligating Alameda to pay a share of the obligations of a defaulting participant. Alameda’s participation and share of debt service obligation (without giving effect to any “step up” provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES  
(Dollar Amounts in Millions)  
(As of January 31, 2018)**

	<u>Outstanding Debt<sup>(1)</sup></u>	<u>Alameda’s Participation<sup>(2)</sup></u>	<u>Alameda’s Share of Outstanding Debt<sup>(1)</sup></u>
NCPA			
Geothermal Project	\$ 28.8	16.8825%	\$ 4.9
Hydroelectric Project	322.4	10.0000	32.2
Capital Facilities Project Unit One	33.8	19.0000	6.4
 TANC - SOT	 2.6	 2.1040	 0.1 <sup>(3)</sup>
TOTAL *	<u>\$387.6</u>		<u>\$43.6</u>

\* Columns may not add to totals due to independent rounding.

(1) Principal only. Does not include obligation for payment of interest on such debt.

(2) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant’s original participation.

(3) Alameda’s actual payments represent approximately 10.26% of outstanding debt service as a result of credit to non-participating members with respect to portion of debt obligation.

Source: Alameda Municipal Power.

For the fiscal year ending June 30, 2017, Alameda estimates its payment obligations for debt service on its joint powers agency debt obligations to be approximately \$10.1 million and for the fiscal year ending June 30, 2018, Alameda estimates its payment obligations for debt service on its joint powers agency debt obligations to be approximately \$10.3 million. A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated joint powers agency members (a corresponding amount of which proportionate to its

debt service obligations to such joint powers agency could be due from Alameda). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Alameda).

### **Transfers to the General Fund**

The Alameda City Charter provides that Alameda Municipal Power transfer to the City General Fund certain excess earnings of the Electric System after payment of bond interest and sinking fund requirements and operating expenses (exclusive of depreciation) and certain amounts authorized to be retained by the Alameda Municipal Power from earnings of the Electric System, all as defined in and provided pursuant to the terms of the City Charter. In the absence of such transfer of excess earnings as determined under the City Charter, the Public Utilities Board has authorized by resolution certain contributions from the Electric System to the City General Fund in accordance with the provisions of the City Charter.

The following table sets out the transfers from the Electric System Alameda Municipal Power's General Fund for the five fiscal years 2012-13 through 2016-17.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
TRANSFERS TO THE GENERAL FUND  
(Dollar Amounts in Thousands)**

<b>Fiscal Year</b>	<b>Transfer Amount</b>
2013	\$2,800,000
2014	2,800,000
2015	2,800,000
2016	2,800,000
2017	2,800,000

*Source: Alameda Municipal Power.*

In November 2016, a ballot measure was approved to allow Alameda Municipal Power to transfer \$3,700,000 annually to the City General Fund, beginning in Fiscal Year 2018 and to transfer responsibility for the maintenance and repairs of the streetlights to the Public Works Department.

Litigation has been filed challenging the transfer to the City General Fund, see "Litigation" above.

### **Significant Accounting Policies**

Alameda's most recent Component Unit Financial Statements for the fiscal years ended June 30, 2017 and 2016 were audited by Vavrinek, Trine, Day & Company, LLP, Pleasanton, California, in accordance with generally accepted auditing standards. The audited financial statements contain opinions that the financial statements present fairly the financial position of Alameda Municipal Power. The reports include certain notes to the financial statements which are not described herein. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available upon request from the City of Alameda, Alameda Municipal Power, 2000 Grand Street, Alameda, California



94501 and from their website at *www.AlamedaMP.com*. It is the policy of Alameda Municipal Power to periodically bid, select and retain independent auditors.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Alameda Municipal Power's operations are accounted for as an Enterprise Fund. Enterprise funds are used by municipalities to account for operations which are financed and operated similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods and services to the public on a continuing basis be recovered primarily through user charges.

Alameda Municipal Power's accounting records and financial statements are on the accrual basis and are substantially in accordance with the Uniform System of Accounts for Class A and B Electric Utilities prescribed by the FERC, as required by the Alameda City Charter.

#### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of operating results and selected balance sheet information of Alameda's electric utility for the five fiscal years 2012-13 through 2016-17. The information for the fiscal years ended June 30, 2013 through June 30, 2017 was prepared by Alameda on the basis of its audited financial statements for such years. The historical debt service coverage ratios have been calculated in accordance with Alameda's Electric System Installment Sale Agreement.

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**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CONDENSED OPERATING RESULTS AND SELECTED BALANCE SHEET INFORMATION**

	Fiscal Years Ended June 30				
	2013	2014	2015	2016	2017
Electric System Revenues					
Sales of Electricity	\$50,704,204	\$51,137,641	\$50,790,790	\$54,221,022	\$55,925,748
REC & C&T Sales	1,444,095	1,355,947	1,390,534	1,852,516	3,159,383
Other Revenues <sup>(1)</sup>	4,283,423	6,938,783	6,824,069	6,363,950	5,071,175
Total Electric System Revenues	\$56,431,722	\$59,432,371	\$59,005,393	\$62,437,488	\$64,156,306
Operation and Maintenance Costs					
Purchased Power <sup>(2)(3)</sup>	\$28,544,844	\$28,196,783	\$27,517,599	\$29,781,270	\$28,201,607
Energy Efficiency, Solar and Other	1,241,434	1,086,966	1,605,608	1,684,963	1,504,629
Operations & Maintenance	3,871,957	4,097,223	4,328,813	4,573,500	4,674,307
Customer Service, Information Systems	2,005,147	2,074,830	2,113,922	2,226,364	2,170,617
Administrative & General	6,114,615	6,032,512	6,115,467	7,732,884	7,425,117
Customer Relations	628,344	499,294	531,550	540,214	530,544
Jobbing Sales Expense	239,946	718,904	202,796	315,472	993,580
Balancing Account Adjustment	2,318,595	(1,897,439)	(660,241)	1,010,084	1,425,636
Total Operation and Maintenance Costs <sup>(4)</sup>	\$44,964,882	\$40,809,073	\$41,755,514	\$47,864,751	\$46,926,037
Net Revenues	\$11,466,840	\$18,623,298	\$17,249,879	\$14,572,737	\$17,230,269
Rate Stabilization Fund Transfers	(\$4,283,423)	(\$6,938,783)	(\$6,824,069)	(\$6,363,950)	(\$5,071,175)
Use of Reserves	156,736	134,636	1,411,438	2,281,580	1,020,393
Adjusted Annual Net Revenues	\$7,340,153	\$11,819,151	\$11,837,248	\$10,490,367	\$13,179,487
Debt Service	2,753,097	2,747,479	2,712,637	2,640,325	2,631,044
Debt Service Coverage <sup>(5)</sup>	2.67	4.30	4.36	3.97	5.01
Amount Available After Debt Service	\$4,587,056	\$9,071,672	\$9,124,611	\$7,850,042	\$10,548,443

**Selected Balance Sheet Information:  
(in thousands)**

Unrestricted Cash & Investments <sup>(6)</sup>	\$50,095	\$45,581	\$42,094	\$41,909	\$39,422
Rate Stabilization Fund Balance <sup>(7)</sup>	4,283	11,222	16,505	20,583	24,633
Net Plant in Service	34,285	38,052	35,669	38,470	36,275
Construction Work in Progress	1,878	46	4,519	1,736	6,452
Electric Utility Plant-Net	36,163	38,097	40,188	40,206	42,727
Outstanding Electric System Debt <sup>(7)</sup>	\$28,947	\$28,749	\$27,590	\$26,460	\$25,290

(1) Other Revenues includes operating and non-operating sources such as solar surcharge, interest income, lease income, account establishment, reconnection and late fees, jobbing sales and other miscellaneous items.

(2) Includes purchased power costs and payments to NCPA and TANC.

(3) Purchased Power costs reflect inclusion of prior year budget settlements from NCPA.

(4) Excluding Payments in lieu of taxes and depreciation.

(5) Adjusted Annual Net Revenues divided by debt service.

(6) Includes General Reserve balance held at NCPA. See also "Available Reserves" below.

(7) Includes renewable energy credit sales and cap and trade auction sales placed into reserve for Rate Stabilization Fund.

Source: Alameda Municipal Power.

**Interfund Transfers.** During the fiscal year 2008-09, \$1,095,614 in interfund transfers (*i.e.* no repayment expected) from the Electric System enterprise fund to the telecommunications system enterprise fund were recorded for expenses due to the sale of the Alameda's telecommunications system on November 21, 2008. During the fiscal year 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, and 2016-17, additional interfund transfers from the Electric System enterprise fund to the telecommunications system enterprise fund amounted to \$2,734,279, \$2,929,410, \$987,222, \$206,429,

581,343, 574,818, and 2,190,23 respectively, for expenses. In June 2016, Alameda Municipal Power made the final payment to the City of Alameda for \$2.2 million terminating the telecommunications enterprise fund. See “Litigation” above.

***Available Reserves.*** As of June 30, 2017, the balance in cash and equivalents available at Alameda Municipal Power was \$22,482,833. In addition, Alameda had available in reserve accounts held by NCPA an additional \$3,138,623 as of such date.

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## **CITY OF LODI**

### **Introduction**

The City of Lodi (“Lodi”) is a general law city in the State of California incorporated in 1906. Lodi is located in the San Joaquin Valley of California, 35 miles south of the State capital of Sacramento, and 90 miles east of San Francisco. Lodi’s boundaries encompass approximately 13.98 square miles.

Lodi provides electric utility service through an electric utility department. The legal responsibilities and powers of the electric utility department, including the establishment of rates and charges, are exercised through the five-member Lodi City Council. Three members of the City Council will start being elected by-districts effective November 2018. The last two seats will transition to by-district elections in 2020 to accommodate the existing staggered four year terms. The Lodi electric utility department is under the direction of the Electric Utility Director who is appointed by the City Manager.

Lodi joined NCPA at its founding in 1968. Lodi participates in several NCPA generation projects and member service programs. In addition, Lodi is an NCPA Pool Member and NCPA’s Central Dispatch Center in Roseville provides real-time dispatching and scheduling of most available resources to serve Lodi’s electric load.

The electric system serves the entire area of the City of Lodi (approximately 13.98 square miles) and has approximately 131 miles of overhead lines and over 123 miles of underground lines. During the fiscal year ended June 30, 2017, the Lodi electric system served 26,152 customers, comprised of 22,870 residential customers, 3,112 commercial/industrial customers and 170 other customers. On July 24, 2006, an all-time, historical high peak demand of 140.4 MW was reached.

Only the revenues of the Lodi electric system will be available to pay amounts owed by Lodi under the Third Phase Agreement.

The Lodi electric department’s main office is located at 1331 South Ham Lane, Lodi, California 95242, (209) 333-6762. For more information about Lodi and its electric system, contact Elizabeth Kirkley, Electric Utility Director, at the above address and telephone number. A copy of the most recent comprehensive annual financial report of the City of Lodi (the “CAFR” or “Annual Report”) is available on Lodi’s website at <http://www.lodi.gov>. The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.

### **Power Supply Resources**

The following table sets forth information concerning Lodi’s power supply resources and the energy supplied by each during the fiscal year ended June 30, 2017.

**CITY OF LODI**  
**ELECTRIC UTILITY DEPARTMENT**  
**POWER SUPPLY RESOURCES**  
**For the Fiscal Year Ended June 30, 2017**

<b>Source</b>	<b>Capacity Available (MW)<sup>(1)(4)</sup></b>	<b>Actual Energy (MWh)</b>	<b>% of Total Energy</b>
Purchased Power <sup>(2)</sup> :			
Western	7.2	34,137	7.7%
NCPA			
Geothermal Project	11.5	83,576	19.0
Hydroelectric Project	26.2	95,710	21.7
Combustion Turbine Project No. 1	9.5	1,721	0.4
Capital Facilities, Unit One	19.6	1,836	0.4
Lodi Energy Center	26.6	28,554	6.5
Contracts and Exchanges <sup>(3)</sup>	37.3	195,483	44.3
Total	137.8	441,017 <sup>(4)</sup>	100.0%
Total Capacity and Energy Sold at Wholesale	N/A	3,355	
Lodi System Requirement for Retail Load <sup>(5)</sup>	128.7	437,662	

(1) Source: NCPA Annual Resource Adequacy Filings.

(2) Entitlements, firm allocations and contract amounts.

(3) Includes participation in Astoria 2 Solar Project, Seattle City Light Exchange, and purchases procured on behalf of Lodi through NCPA, including through NCPA's Market Purchase Program.

(4) Includes exchanges and line losses.

(5) NCPA All Resources Bill.

Source: City of Lodi.

In the fiscal year ended June 30, 2017, Lodi's average cost of power delivered to the Lodi electric system was 8.5 cents per kWh.

### **Purchased Power**

**Western.** Lodi is a party to the Contract for Electric Service Base Resource contract with the Western Area Power Administration (the "Base Resource Contract"), which is set to expire on December 31, 2024, under which Lodi takes delivery of 0.569% share of the base resource output of the Central Valley Project ("CVP"). The CVP consists of a series of federal hydroelectric facilities located and interconnected in Northern California. The amount of energy delivered to Lodi under the Base Resource Contract is subject to hydrology variability and water storage levels within the CVP. The Base Resource Contract is structured as a take-or-pay basis; whereby Lodi is obligated to pay its share of Western's costs whether or not it receives any power. Base Resource energy is scheduled for delivery to Lodi by NCPA. For the fiscal year ended June 30, 2017, the average melded cost of delivered power under the Base Resource Contract was approximately \$27.04 per MWh.

**Other Purchases.** Lodi has a 25 MW participation share in the Capacity and Energy Exchange Agreement between NCPA and Seattle City Light (the "SCL Exchange Agreement"), pursuant to which energy is exchanged between the parties based on seasonal requirements. The amount of energy received by Lodi during fiscal year 2016-17 is reflected in the Contracts and Exchanges figures listed in the table above. Energy received under the SCL Exchange Agreement is transmitted to Lodi using CAISO

transmission. The SCL Exchange is set to expire on May 31, 2018. Other power purchases for fiscal year 2016-17, as reflected in the Contracts and Exchanges figures listed in the table above, are associated with short-term purchases. NCPA transacts and schedules daily and hourly (spot) power purchases and sales to balance and serve Lodi's native load requirements.

### **Joint Powers Agency Resources**

**NCPA.** Lodi does not independently own any generation assets but, in addition to power purchased from Western and others, Lodi is a participant in various NCPA projects. Lodi has a 10.37% project participation entitlement share of the North Fork Stanislaus River Hydroelectric Development Project. Lodi has a 39.5% project participation entitlement share of the Combustion Turbine Project Number Two Steam Injection Gas Turbine Project. Lodi has a 14.56% project participation entitlement share of the Geothermal Generating Unit 2 Project, and a 6.0% project participation entitlement share of the Geothermal Generating Project Number 3, which are jointly operated as a single project pursuant to the Amended and Restated Geothermal Operating Agreement. Lodi has a 20.61% entitlement share in the Geysers Transmission Project, pursuant to which NCPA, on behalf of Lodi, delivers output from the geothermal generating assets pursuant to the Agreement of Cotenancy in the Castle Rock Junction-Lakeville 230-kV Transmission Line. Lodi has a 13.39% project participation entitlement share in the Combustion Turbine Project Number One (exclusive of the portion acquired by the City of Roseville). Lodi has a 9.5% generation entitlement share in NCPA's Lodi Energy Center Project. For a description of such resources, see "THE PROJECT" and "OTHER NCPA PROJECTS" in the front part of this Official Statement. For each of these NCPA projects in which Lodi participates, Lodi is obligated pursuant to contract to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the projects, as well as its share of all operation and maintenance expenses of the projects. See also "Indebtedness; Joint Powers Agency Obligations" below.

**TANC California – Oregon Transmission Project.** Lodi is a member of the Transmission Agency of Northern California ("TANC") and has executed certain agreements to acquire a participation percentage share of TANC's entitlement of the California-Oregon Transmission Project ("COTP") transfer capability. Lodi participated in the acquisition of an increased share of transfer capability of the COTP in connection with the acquisition by TANC in April 2008 of the COTP transmission assets of the City of Vernon, California ("Vernon"), one of the original owners of the COTP, which acquisition was financed by TANC through the issuance of additional TANC debt (the "Vernon acquisition debt"). Lodi has a participation share of 26.7 MW of TANC's entitlement to transfer capability of the COTP and is responsible for 1.92% of TANC's COTP operating and maintenance expenses and 1.89% of TANC's COTP debt service (non-Vernon) and 2.62% of the Vernon acquisition debt. See "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

On April 2, 2014, the Lodi City Council approved a 25-year layoff of Lodi's 26.7 MW share of COTP transfer capability, effective July 1, 2014, whereby Lodi and all of the TANC Members who are in the balancing authority area of the California Independent System Operator Corporation ("CAISO") will lay off their interests to certain other COTP participants (*i.e.*, Modesto Irrigation District ("MID"), Turlock Irrigation District ("TID") and Sacramento Municipal Utility District ("SMUD")) (subject to certain rights of Lodi and the other layoff entities to recall, and certain rights of MID, TID, and/or SMUD to return, up to 50% of their respective shares of the entitlement amount laid off). In exchange for their respective increased right to use of COTP transfer capability, MID and SMUD will pay Lodi's (and the other layoff entities') current allocated share of COTP costs. This layoff arrangement does not change Lodi's membership status in TANC and does not relieve Lodi of its obligations under the TANC Agreement in the event of any default in payment by an acquiring party. See also "Indebtedness; Joint Powers Agency Obligations" below.

***TANC Tesla–Midway Transmission Service.*** TANC and certain TANC Members have arranged for Pacific Gas & Electric Company (“PG&E”) to provide TANC and its members with 300 MW of firm bi-directional transmission capacity on its transmission system between its Midway Substation near Buttonwillow, California, and its Tesla Substation near Tracy, California, near the southern physical terminus of the COTP (the “Tesla–Midway Transmission Service”) under an agreement known as the South of Tesla Principles. Lodi’s share of this Tesla–Midway Transmission Service is 6.21 MW. Lodi has utilized its full allocation of Tesla–Midway Transmission Service for firm and non-firm power transactions in the past. See “CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC Tesla-Midway Transmission Service*” for a further description of the Tesla-Midway Transmission Service.

## **Renewable Resources**

Lodi expects to procure, either on its own or through NCPA, a renewable power resource portfolio that satisfies applicable State requirements, the main provisions of which are currently contained in the California Renewable Energy Resources Act (“SBX1 2”), the Clean Energy and Pollution Reduction Act of 2015 (“SB 350”), and the California Global Warming Solutions Act of 2006 (the “GWSA”). See “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments” in the front part of this Official Statement. Lodi’s current renewable power resources include geothermal, solar and small hydro.

With its existing power resources, participation in a new solar energy project (described below), and historic carryover, Lodi anticipates meeting its Renewable Portfolio Standard (“RPS”) requirements through 2021.

The Astoria 2 Solar Project, which reached commercial operation on December 9, 2016, is a 75 MW photovoltaic plant developed by Recurrent Energy, located in the southeastern portion of Kern County. Lodi entered into a power purchase agreement with Recurrent Energy for a 13.3333%, or 10 MW, share of the output of the Astoria 2 Solar Project, which is enough energy to meet approximately 7% of Lodi’s retail load.

The contract term for the Astoria 2 Solar Project is 20 years. Energy from this project qualifies as Portfolio Content Category 1 energy under RPS. Combined with existing generation resources and historic carryover, this project will enable Lodi to meet its RPS obligations through 2021.

The cost of power from the Astoria 2 Solar Project is fixed at \$63/MWh for the 20-year life of the project. The price is only paid for energy actually delivered. Lodi does not have any ownership interest in the project and will not incur any capital expenditures related to the project.

The Antelope Expansion Phase 1 Solar Facility (“Antelope Expansion Project”), which is expected to reach commercial operation on December 31, 2021, is a 51 MW photovoltaic plant developed by Antelope Expansion 1B, LLC, located in the City of Lancaster, Los Angeles County, California. NCPA, on behalf of Lodi and other NCPA members, entered into a power purchase agreement with Antelope Expansion 1B, LLC for a 33.78%, or 17 MW, share of the output of the Antelope Expansion Project. Lodi has a 58.82%, or 10 MW, project participation percentage share of the Antelope Expansion Project.

The contract term for the Antelope Expansion Project is 20 years. Energy from this project will qualify as Portfolio Content Category 1 energy under RPS. The output produced from the project will contribute to Lodi’s compliance with RPS obligations beyond the 2020 compliance period.

The cost of power from the Antelope Expansion Project is fixed at \$39.00/MWh for the 20-year life of the project. The price is only paid for energy actually delivered. Lodi does not currently have any ownership interest in the project, and as such will not incur any capital expenditures related to the project.

### **Future Power Supply Resources**

Based upon its current forecasted sales growth, resource mix and market prices, Lodi believes its annual balance-of-month, day-ahead, and hour-ahead purchases will be less than 25% of total energy requirements for the next two years. Lodi's interest in multiple NCPA generation projects provides substantial capacity toward covering Lodi's net short position in the event that market prices rise above the respective unit's cost of production. Lodi has developed medium-term hedging strategies to reduce volatility associated with market purchases and the seasonal nature of its loads and resources. In addition, due to the long lead time in acquiring certain resources, including renewable resources, Lodi, through NCPA, continues to consider additional projects that might be included in its resource mix in coordination with NCPA and other NCPA members.

### **Energy Efficiency and Conservation**

Since 1998, Lodi has maintained a public benefits program as required by State law, a component of which is demand-side management (commonly referred to as energy efficiency and conservation). Under this program, Lodi offers customers rebates to incentivize investment in energy efficient products and improvements, including insulation, replacement windows, improvements to air duct systems, high-efficiency air conditioners, heat pumps, attic and whole-house fans, refrigeration efficiency improvements, EnergyStar appliances, web-enabled smart thermostats, pump/motor/process equipment improvements and lighting retrofits.

Lodi also provides energy education for residential and non-residential customers, including on-site energy audits, and hosts a number of programs to promote energy education and customer outreach. As part of its education and customer outreach efforts, Lodi provides a school-based energy efficiency education program for 6th grade elementary school students, offers free energy efficiency measures through its direct install program and is a sponsor of the annual NorCal Science Festival.

Lodi utility customers continue to be positively impacted by one or more of Lodi's public benefits programs, either in the form of a direct utility rebate or via one of its outreach and educational programs.

### **Interconnections, Transmission and Distribution Facilities**

Lodi's electric system is interconnected with the system of PG&E (three 60 kV lines). Lodi owns facilities for the distribution of electric power within the city limits of Lodi, which includes approximately 14 miles of 60 kV power lines, approximately 240 miles of 12 kV distribution lines (approximately 51% of which are underground) and four substations. Lodi's system experiences approximately 45.6 minutes of outage time per customer per year.

### **Forecast of Capital Expenditures**

Lodi's five-year capital projection for the electric facilities contemplates potential capital expenditures for substation upgrades, streetlight improvements, ongoing overhead and underground maintenance, and related system reliability projects. In addition, the California Independent System Operator (CAISO) in its 2017-18 Transmission Planning Process has identified a project, the Lockeford-Lodi Area 230 kV Development, which is needed to solve thermal overload and voltage issues on the 60 kV network between Pacific Gas and Electric Company's (PG&E) Lockeford Substation and Lodi's



Industrial Substation. The CAISO is recommending a double-circuit 230 kV line from the PG&E Lockeford Substation to a new 230/60 kV substation to be built by Lodi. The estimated in-service date is 2023. The cost to Lodi will be approximately \$25 million, which is expected to be funded by bond financing. The project is anticipated to realize a cost savings of approximately \$4 million annually by eliminating the low voltage transmission access charge. Final approval of the project will be decided at the next CAISO Board Meeting scheduled for March 21 and 22, 2018. Lodi anticipates funding its capital costs from rate revenues, special development fees and possible new debt issuance as required. Over the next five years, total capital expenditures are estimated to range from \$15 million to \$40 million depending on the actual projects undertaken and their timing.

## **Employees**

As of July 1, 2017, 51 full-time City of Lodi employees were assigned specifically to the electric utility department. Contract/temporary employees are hired as necessary. Substantially all of the non-management Lodi personnel assigned to the electric utility department are represented by the International Brotherhood of Electrical Workers, Union 1245 (“IBEW”). The City’s contract with IBEW expired on December 31, 2017. Negotiations are ongoing and IBEW workers continue to provide service to Lodi Electric under the terms of the prior agreement. Despite the lack of agreement, the labor management relationships remains strong. There have been no strikes or other union work stoppages at the City of Lodi, including the electric utility department.

Retirement benefits to City of Lodi employees, including those assigned to the electric utility department, are provided through the City of Lodi’s participation in the California Public Employees’ Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. Participants are required to contribute a percentage (7% for employees assigned to the electric utility department) of their annual covered salary. The City of Lodi’s contribution rate for current service (normal cost) and the Unfunded Accrued Liability (UAL) payment to make up for shortfalls in the pension system are determined by annual actuarial calculations based on the benefit formula and the number of employees and their respective salary schedules. For the fiscal year ending June 30, 2018, the Citywide contribution to the CalPERS miscellaneous plan (of which all electric utility employees are members) was budgeted to be \$1,511,420 in Normal Cost and \$2,898,420 in UAL. The Normal Cost is based on the City’s assumption for payroll expense, and the UAL is set by CalPERS. For the Electric Utility’s share of such contributions, the budgeted amounts for the Normal Cost share was \$393,050 and for the UAL was \$755,390. The contribution requirements of plan members and the City are established and may be amended by CalPERS. Assembly Bill 340, the Public Employee’s Pension Reform Act (“PEPRA”), implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA. As of February 15, 2018, there are 14 PEPRA members in the electric utility and 37 classic members. As more PEPRA members are hired in the future, the Normal Cost should be reduced. Because the UAL is tied to current shortfalls in the pension system it is not directly impacted by the hiring of PEPRA members. Beginning July 1, 2018, CalPERS will begin phasing in a reduction in the discount rate (assumed rate of return on investments) used to determine agency contributions. The discount rate is being reduced from 7.5% to 7.0% as follows:

<b>Valuation Date</b>	<b>Fiscal Year for Required Contribution</b>	<b>Discount Rate</b>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.25%
June 30, 2018	2020-21	7.00%

The impact of each reduction will be phased in over five years, with the full impact realized in the 2024-25 fiscal year. The City of Lodi anticipates total pension costs approximately doubling as compared to the current fiscal year during this time. To address the issue, the City has adopted a Pension Stabilization Policy (PSP) and created a Pension Stabilization Fund (PSF). As of December 31, 2017, \$5,229,493 was set aside in the PSF, an Internal Revenue Service Section 115 (c) trust fund established for the purposes of paying future pension liabilities. The PSP requires 100% of General Fund reserves in excess of the 16% General Fund reserve target be deposited into the PSF, and all other funds invest a proportional share based on the budgeted pension obligations in that fiscal year. Based on this policy, an additional \$4,318,481 will be invested into the PSF before the end of fiscal year ending June 30, 2018. The PSP remains in effect until the funded status of the City's two pension plans for Miscellaneous and Safety employees are at a combined 80% funded status when considering the Market Value of Assets at CalPERS and in the PSF. As of the June 30, 2016 actuarial report, the funded status for the Miscellaneous Plan was 68.4%, Safety plan was 58.3% and combined plans was 63.4%. As of December 31, 2017, the combined funded status when considering the PSF assets increases to 64.8%. Based on fiscal year ending June 30, 2018 combined normal cost and UAL pension payments, the electric utility is responsible for approximately 11.1% of the total pension liability for the City. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

Additional information regarding the City of Lodi's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at <http://www.lodi.gov>.

### **Service Area**

Lodi is located in the San Joaquin Valley, adjacent to State Highway 99, between the City of Stockton, 10 miles to the south, and the City of Sacramento, 35 miles to the north. The local economy is diverse among residential, agricultural, commercial and industrial sectors.

Lodi is a worldwide agricultural shipping center for the San Joaquin Valley. The surrounding prime agricultural land is a major producer of wine grapes.

The City's employment base is diverse with industry that includes agribusiness, biotechnology, distribution, food and beverage product manufacturing, general service, government, health care, heavy manufacturing, and wine-based tourism and lodging.

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The largest employers in Lodi as of June 30, 2017 are as follows:

**CITY OF LODI  
LARGEST EMPLOYERS**

<b>Employer</b>	<b>Business</b>	<b>Number of Employees</b>
Lodi Unified School District	Education	3,026
Pacific Coast Producers	Canning	1,630
Lodi Health Hospital	Healthcare	1,384
Blue Shield	Healthcare	858
Walmart	Retail	487
TreeHouse	Specialty Food	485
City of Lodi	Government	393
Farmers & Merchants Bank	Banking	335
Costco	Retail	237
Target	Retail	142

*Source:* City of Lodi, City Manager's Office.

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A five-year history of assessed valuations in Lodi is as follows:

**CITY OF LODI  
ASSESSED VALUATIONS  
For Fiscal Years 2012-13 through 2016-17  
(Dollar Amounts in Thousands)**

<b>Fiscal Year</b>	<b>Land</b>	<b>Improvements</b>	<b>Personal Property</b>	<b>Total</b>	<b>Less Exemptions</b>	<b>Net Assessed Value</b>
2012-13	\$1,227,969	\$3,445,328	\$300,290	\$4,973,587	\$327,783	\$4,645,804
2013-14	\$1,364,401	\$3,443,266	\$321,741	\$5,129,408	\$324,439	\$4,804,969
2014-15	\$1,469,347	\$3,610,391	\$338,312	\$5,418,050	\$326,833	\$5,091,217
2015-16	\$1,601,581	\$3,736,867	\$309,861	\$5,648,309	\$331,562	\$5,316,747
2016-17	\$1,711,208	\$3,854,604	\$294,457	\$5,860,269	\$334,485	\$5,525,784

*Source:* San Joaquin County Auditor-Controller's Office.

The following chart indicates the growth in the population of the City of Lodi, the County of San Joaquin and the State of California since 1970.

**CITY OF LODI, COUNTY OF SAN JOAQUIN,  
STATE OF CALIFORNIA POPULATION ESTIMATES  
(1970–2010 as of April 1; 2011–2017 as of January 1)**

	<b>City of Lodi</b>	<b>County of San Joaquin</b>	<b>State of California</b>
1970	28,691	291,073	19,971,069
1980	34,850	343,500	23,668,562
1990	51,900	477,700	29,760,021
2000	57,011	563,598	33,873,653
2010	62,134	685,306	37,253,956
2011	62,519	691,818	37,536,835
2012	62,678	698,412	37,881,357
2013	62,747	704,727	38,238,492
2014	62,922	712,046	38,572,211
2015	63,143	723,985	38,915,880
2016	63,396	735,677	39,189,035
2017	64,058	746,868	39,523,613

*Source:* U.S. Bureau of Census and California State Department of Finance.

## **Litigation**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Lodi in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Lodi taken with respect to the Third Phase Agreement.

There is no litigation pending, or to the knowledge of Lodi, threatened, questioning the existence of Lodi, or the title of the officers of Lodi to their respective offices. There is no litigation pending, or to the knowledge of Lodi, threatened, questioning or affecting in any material respect the financial condition of Lodi's electric system.

Present lawsuits and other claims against Lodi's electric system are incidental to the ordinary course of operations of the electric system and are largely covered by Lodi's self insurance program. In the opinion of Lodi's management and the Lodi City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position of Lodi.

## **Rates and Charges**

Lodi has the exclusive jurisdiction to set electric rates within its service area. These rates are not subject to review by any State or federal agency.

Lodi's fiscal year 2016-17 average rate per kWh for residential service was 17.8 cents. Lodi's fiscal year 2016-17 average rate for commercial and industrial service was 14.3 cents per kWh. Lodi's fiscal year 2017-18 average rate per kWh for residential service is projected to be 18.5 cents. Lodi's fiscal year 2017-18 average rate for commercial and industrial service is projected to be 14.9 cents per kWh.

The following table presents a recent history of Lodi's rate increases since 2013. The last base rate increase took effect July 1, 2017.

### **CITY OF LODI ELECTRIC UTILITY DEPARTMENT RATE CHANGES**

<b>Effective Date</b>	<b>Percent Change</b>
December 2017	Elimination of Solar Surcharge
July 2017	Average 2% increase across all rate classes Electric Vehicle rate restructure replacing minimum charge with customer charge; aligning energy charges with residential rates City rate restructure replacing minimum charge with customer charge
November 2016	Residential rate restructure replacing minimum charge with customer charge; reduction to 3 energy tiers; Mobile home park rate restructure replacing minimum charge with customer charge and reducing paid discount; reduction to 3 energy tiers
September 2015	Extended Economic Development rates
January 2015	Average 5% increase across all rate classes
July 2013	Established Electric Vehicle and Industrial Equipment Charging Rates

*Source:* City of Lodi.

In addition, Lodi has a public hearing scheduled for March 7, 2018 to consider introduction of an ordinance revising non-residential electric rates as it relates to power factor adjustments.

The Lodi City Council reviews electric system rates periodically and makes adjustments as necessary. All customers pay rates in accordance with the standard rate tariffs published in the Lodi Municipal Code.

Lodi implemented an Energy Cost Adjustment ("ECA") in August 2007. The purpose of the ECA is to recover market power costs due to the fluctuations in power market conditions and energy sales. The ECA is reviewed monthly and is either increased or decreased as market conditions and energy sales change. The historic, average ECA is listed below.

**CITY OF LODI**  
**ENERGY COST ADJUSTMENTS**  
**For Fiscal Years 2012-13 through 2016-17**

<b>Fiscal Year</b>	<b>ECA (\$/kWh)</b>
2012-13	0.0051
2013-14	0.0082
2014-15	0.0057
2015-16	0.0064
2016-17	0.0056

**Largest Customers**

The ten largest customers of Lodi's electric system in terms of kWh sales, as of June 30, 2017, accounted for 28% of total kWh sales and 33% of revenues. The largest customer accounted for 5.5% of total kWh sales and 5.9% of total revenues.

**Lodi's Operations Since Industry Restructuring**

Since the deregulation of the California energy markets, Lodi has implemented revenue enhancements, cost containment measures and changes in operating procedures to help mitigate financial risks associated with changes in market power costs. See "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Energy Regulatory Factors – *Developments in the California Energy Market.*" These actions include:

- **Energy Cost Recovery.** Implemented an Energy Cost Adjustment (ECA) for all customers. This rate action guarantees coverage of bulk power purchase costs. See "Rates and Charges" above.
- **Risk Management Program.** Lodi established an Energy Risk Management Policy. Consistent with the policy Lodi has established guidelines which provide a time and price triggered tier approach to closing open positions as long as 5 years into the future. The table below illustrates this approach:

<b>Month</b>	<b>Covered Position As % of Forecasted Load</b>				
0 designates current month	>60 <sup>th</sup>	60 <sup>th</sup>	50 <sup>th</sup> -Median	25 <sup>th</sup>	<25 <sup>th</sup>
1-3	80-85%	85-90%	90%	90%	90%
3+	80-85%	85%	85-90%	90%	90%
6+	70-75%	75-80%	80-85%	85-90%	90%
9+	60-65%	65-70%	70-75%	75-80%	80%
12+ months	60-65%	65-70%	70-75%	75-80%	80%

The Energy Risk Management Policy applies to all aspects of Lodi's wholesale procurement and sales activities, long-term contracting associated with energy supplies, and associated financing related to generation, transmission, transportation, storage, Renewable Energy Credits (RECs), Greenhouse Gas (GHG) offsets, Resource Adequacy (RA) capacity, ancillary services and participation in Joint Powers Agencies (JPAs).

## Customers, Sales, Revenues and Demand

The number of customers, kWh sales, revenues derived from sales by classification of service and peak demand during the five fiscal years 2012-13 through 2017-18, are listed below.

### CITY OF LODI ELECTRIC UTILITY DEPARTMENT CUSTOMERS, SALES, REVENUES AND DEMAND<sup>(1)</sup>

Fiscal Years Ended June 30,					
	2013	2014	2015	2016	2017
Number of Customers:					
Residential	22,369	22,547	22,355	22,459	22,870
Commercial	2,902	2,898	3,264	3,296	3,071
Industrial	39	38	40	44	41
Other	246	250	253	213	170
Total	25,556	25,733	25,912	26,012	26,152
Kilowatt Hour (kWh) Sales:					
Residential	151,814,834	148,762,783	148,950,428	151,137,940	146,192,111
Commercial	140,733,500	146,176,148	149,380,413	150,522,357	149,882,241
Industrial	131,473,405	130,333,102	128,814,673	125,018,845	118,900,040
Other	11,800,726	12,022,160	11,635,397	10,567,193	10,436,182
Total	435,822,465	437,294,193	438,780,911	437,246,335	425,410,574
Revenues from Sale of Energy <sup>(2)</sup>					
Residential	\$25,377,978	\$25,270,075	\$25,165,194	\$26,525,558	\$26,021,916
Commercial	21,816,149	23,127,603	23,780,354	24,693,195	24,432,075
Industrial	14,173,951	14,381,296	14,418,921	14,469,390	13,852,860
Other	1,861,567	1,913,833	1,871,470	1,819,036	1,540,730
Total	\$63,229,645	\$64,692,808	\$65,235,939	\$67,507,179	\$65,847,581
Peak Demand (MW)	123.3	128.7	134.0	124.3	128.7

(1) Columns may not add to totals due to rounding.

(2) Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi, CAFR and Customer Information System reports.

## Indebtedness; Joint Powers Agency Obligations

As of June 30, 2017, Lodi had outstanding \$58.7 million principal amount of obligations payable from net revenues of Lodi's electric utility system. These obligations are subordinate to the payments required to be made with respect to the Lodi's obligations to NCPA and TANC described below. In addition, Lodi has an outstanding loan with F&M Bank in the amount of \$1.3 million associated with an LED Streetlight Improvement Project. The annual loan payments will be paid from the Greenhouse Gas Free Allowance proceeds. Lodi has no variable rate or auction rate direct debt.

As previously discussed, Lodi participates in certain joint powers agencies, including NCPA and TANC, which have issued indebtedness to finance the costs of certain projects on behalf of the respective project participants. Obligations of Lodi under its agreements with respect to TANC and NCPA constitute

operating expenses of Lodi. Such agreements are on a “take-or-pay” basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain “step up” provisions obligating Lodi to pay a share of the obligations of a defaulting participant. Lodi’s participation and share of debt service obligation (without giving effect to any “step up” provisions) for each of such joint powers agency projects in which it participates are shown in the following table.

**CITY OF LODI**  
**ELECTRIC UTILITY DEPARTMENT**  
**OUTSTANDING DEBT OF JOINT POWERS AGENCIES**  
**(Dollar Amounts in Millions)**  
**(As of June 30, 2017)**

	<b>Outstanding Debt<sup>(1)</sup></b>	<b>Lodi’s Participation<sup>(2)</sup></b>	<b>Lodi’s Share of Outstanding Debt<sup>(1)</sup></b>
NCPA			
Geothermal Project Three	\$ 32.8	10.28%	\$ 3.4
Hydroelectric Project	343.8	10.60 <sup>(3)</sup>	36.4
Capital Facilities Project	37.4	39.50	14.8
Lodi Energy Center, Issue One	233.4	17.03	39.7
<b>TOTAL</b>	<b>647.4</b>	<b>100.00%</b>	<b>94.3</b>

(1) Source: NCPA. Outstanding debt does not include unamortized premium/discount. Excludes Lodi’s participation share of TANC COTP entitlement which has been assigned to other TANC members. See “Joint Powers Agency Resources – TANC California-Oregon Transmission Project.”

(2) Participation obligation is subject to increase upon default of another participant. Such increase shall not exceed, without the written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant’s original participation.

(3) Lodi’s actual payments represent approximately 10.64% of outstanding debt service as a result of credit to non-participating members with respect to portion of debt obligation.

Source: City of Lodi.

Lodi estimates its payment obligations for debt service on its joint powers agency debt obligations aggregated approximately \$7.65 million for the fiscal year ended June 30, 2017 and will aggregate approximately \$7.99 million for the fiscal year ending June 30, 2018. It should be noted that these amounts do not include any COTP amount as Lodi’s share of the debt was laid off effective July 1, 2014. A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated



joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Lodi). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Lodi).

### **Significant Accounting Policies**

Lodi's most recent CAFR for the fiscal year ended June 30, 2017 was audited by Macias, Gini & O'Connell, LLP, Sacramento, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by Lodi. The reports include certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the City of Lodi, Finance Department, 310 West Elm Street, Lodi, California 95240. Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The electric system is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting policies of Lodi conform to generally accepted accounting principles (GAAP) as applicable to governments.

### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of operating results and selected balance sheet information of Lodi's electric utility for the five fiscal years 2012-13 through 2016-17. The information for the fiscal years ended June 30, 2013 through June 30, 2017 was prepared by Lodi on the basis of its audited financial statements for such years.

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**CITY OF LODI**  
**ELECTRIC UTILITY DEPARTMENT**  
**SUMMARY OF OPERATING RESULTS AND SELECTED**  
**BALANCE SHEET INFORMATION<sup>(1)</sup>**  
**(\$ in 000s)**

	<b>Fiscal Year ended June 30,</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>OPERATING REVENUES:</b>					
Rate Revenue	\$61,888	\$61,837	\$63,370	\$65,265	\$64,114
ECA Revenue	1,341	2,856	1,867	2,242	1,734
Other Revenue	745	2,451	1,895	2,933	1,967
Total Operating Revenues	63,974	67,144	67,132	70,440	67,815
<b>OPERATING EXPENSES:</b>					
Purchased Power	39,191	37,303	38,512	37,788	35,650
Non-Power Costs <sup>(2)</sup>	12,018	13,046	13,604	13,417	16,609
Total Operating Expenses	51,209	50,349	52,116	51,205	52,259
<b>NET REVENUE AVAILABLE FOR DEBT SERVICE:</b>	12,765	16,795	15,016	19,235	15,557
Debt Service	8,414	8,356	8,318	8,289	5,288
Remaining After Debt Service	4,351	8,439	6,698	10,946	10,268
<b>OTHER REVENUES (EXPENSES):</b>					
Greenhouse gas allowance	2,018	453	2,323	1,571	2,370
Payments in Lieu of Taxes	(6,977)	(6,977)	(7,033)	(7,082)	(7,131)
Net Cash Flow Before Capital Expenditure	(608)	1,915	1,988	5,435	5,507
<b>SELECTED BALANCE SHEET INFORMATION:</b>					
Net Plant in Service	\$ 9,226	\$ 8,950	\$ 8,585	\$ 8,271	\$ 7,957
Land and Construction Work in Progress	\$ 764	\$ 764	\$ 764	\$ 764	\$ 764
Ending Operating Reserve Balance	\$31,082	\$33,939	\$36,583	\$42,891	\$49,651
Long-Term Debt	\$70,332	\$71,288	\$66,303	\$61,084	\$58,669
Debt Service Coverage Ratio <sup>(1)</sup>	1.52	2.01	1.81	2.32	2.94

<sup>(1)</sup> Figures shown are calculated in accordance with the documents pursuant to which Lodi's outstanding electric system revenue obligations were issued, which may or may not be on the same basis as Generally Accepted Accounting Principles. See "Indebtedness; Joint Powers Agency Obligations."

<sup>(2)</sup> Non-power costs include costs of services provided by other departments and does not include depreciation and amortization expense.

Source: City of Lodi.

## **CITY OF PALO ALTO**

### **Introduction**

The City of Palo Alto (“Palo Alto” or the “City”) is a charter city of the State of California. Pursuant to the California Constitution, the City’s charter, and its municipal code, Palo Alto has the power to furnish electric utility service to its inhabitants. In connection therewith, Palo Alto has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities or services furnished and to incur indebtedness.

Palo Alto provides electric and other utility services through its Department of Utilities. The legal responsibilities and power of the Department of Utilities, including the establishment of rates and charges, are exercised through the nine-member Palo Alto City Council. The members of the City Council are elected citywide for staggered four-year terms. The Palo Alto Department of Utilities is under the direction of the General Manager of Utilities who is accountable to the City Manager and who is appointed by the City Manager with the approval of the City Council.

Since 1900, Palo Alto has provided all electric service within the City of Palo Alto. For the fiscal year which ended June 30, 2017, Palo Alto served 29,616 customers, had total sales of approximately 918 million kWh and a peak demand of 171 MW.

To provide electric service within its service area, Palo Alto owns and operates an electric system which includes power supply resources and transmission and distribution facilities. Palo Alto also purchases power and transmission services from others and participates in pooling and other utility type arrangements. In addition, Palo Alto provides gas utility and other normal city services to its inhabitants such as police and fire protection and water and sewer service.

In March 2011, the Palo Alto City Council approved the updated Long-term Electric Acquisition Plan (“LEAP”) Objectives, Strategies and Implementation Plan. LEAP provides high level policy direction for the pursuit of energy efficiency, demand resources, renewable energy, local generation and transmission resources. LEAP also sets direction for the management of hydroelectric resources and market exposure uncertainty. LEAP was updated in March and April 2012 to include revisions related to Palo Alto’s energy storage targets and renewable portfolio standard.

In 2013, the Palo Alto City Council approved a Carbon Neutral Plan which defined carbon neutrality for Palo Alto’s electric portfolio, demonstrated a transparent and verifiable protocol to measure carbon content and established a goal to achieve carbon neutrality by the end of 2013. As a result, Palo Alto has neutralized all greenhouse gas emissions associated with the City’s electric portfolio since 2013, putting the City of Palo Alto on track to achieve its Sustainability and Climate Action Plan greenhouse gas emission reduction goal of 80% emissions reduction from 1990 levels by 2030. See “- Future Power Supply Resources-Carbon Neutral Plan” below.

In 2015, California passed Senate Bill 350 (“SB 350”), the “Clean Energy and Pollution Reduction Act of 2015.” SB 350 increased California’s renewable electricity procurement goal from 33% by 2020 to 50% by 2030 based on Renewables Portfolio Standard eligible resources. SB 350 also requires Palo Alto to develop and submit an Integrated Resource Plan for the electric utility every four years, with the first required to be adopted by the Palo Alto City Council by January 1, 2019.

In 2017, Palo Alto kicked-off a process to develop the Electric Integrated Resource Plan (“EIRP”) for the 2019 to 2030 planning horizon. The EIRP will update LEAP and map out Palo Alto’s long-term plan for achieving its electric energy, capacity and reliability needs through the use of

distributed energy resources (“DER”), such as energy efficiency and solar photovoltaics, and carbon neutral supply resources. The EIRP is expected to be presented for consideration by City Council in late 2018 and will serve as the City’s EIRP for the purpose of meeting California’s integrated resource planning compliance requirements for publicly owned utilities under SB 350.

Palo Alto has a comprehensive Energy Risk Management Program governing electric and natural gas transactions. The program consists of City Council approved policies, and operational guidelines approved by the City’s Risk Oversight and Coordination Committee. The Energy Risk Management Program segregates commodity purchase and sale functions related to the front, middle and back offices.

Only the revenues of the Palo Alto electric utility will be available to pay amounts owed by Palo Alto under the Third Phase Agreement.

The main offices of the City of Palo Alto Department of Utilities are located at 250 Hamilton Avenue, 3<sup>rd</sup> Floor, Palo Alto, California 94301 (650) 329-2161. For more information about Palo Alto and its Department of Utilities, contact Ed Shikada, General Manager of Utilities, at the above address and telephone number. A copy of the most recent comprehensive annual financial report of the City of Palo Alto (the “Annual Report”) is available on Palo Alto’s website at <http://www.cityofpaloalto.org>. The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.

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## Power Supply Resources

The following table sets forth information concerning Palo Alto's power supply resources and the energy supplied by each during the fiscal year ended June 30, 2017.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
POWER SUPPLY RESOURCES  
For the Fiscal Year Ended June 30, 2017**

Source	Capacity Available (MW)	Actual Energy (GWh)	Percent of Total Energy
Purchased Power:			
Western	177	494	51%
Wind Energy	25	112	12
Landfill Gas Energy	14	107	11
Solar Energy	127	249	26
Forward Market Purchases <sup>(1)</sup>	50	40	4
NCPA			
Geothermal Project <sup>(2)</sup>	--	--	--
Hydroelectric Project	58	212	24
Seattle City Light Exchange <sup>(3)</sup>	--	--	--
Short-Term Market Sales	(231)	(268)	(28)
Total	<u>N/A<sup>(4)</sup></u>	<u>945</u>	<u>100%</u>
System Requirement for Retail	<u>201</u>		

(1) See "--Purchased Power--Other Power Purchases" below.

(2) Capacity and energy sold to TID. See "--Joint Powers Agency Resources--NCPA" below.

(3) Assigned to City of Santa Clara effective June 2008. See "--Joint Powers Agency Resources--NCPA" below.

(4) Capacity availability varies by season and is not necessarily additive at any given time.

Source: City of Palo Alto.

In the fiscal year ended June 30, 2017, Palo Alto's average cost of power delivered to the Palo Alto electric system was approximately 7.8 cents per kWh.

## Purchased Power

**Western.** Palo Alto receives a substantial portion of its supply of power from the CVP pursuant to a contract with the Western Area Power Administration ("Western").

In October 2000, Palo Alto signed a 20-year agreement with Western (the "Western Base Resource Contract") for the continued purchase of hydroelectricity from the CVP. Service under the new Western Base Resource Contract began on January 1, 2005 and continues through 2024, with Palo Alto receiving an 11.620% "slice of the system" allocation from Western. On January 1, 2015, Palo Alto's allocation increased to 12.309%. The power marketed by Western to Palo Alto is provided on a take-or-pay basis where Western's annual costs are allocated to preference customers based on their CVP participation percentage. Western then allocates the annual take-or-pay charges to the preference customers based on a monthly percentage that is designed to reflect the anticipated seasonal energy deliveries. Palo Alto is obligated to its preference customer share of the costs associated with operating the CVP facilities. Palo Alto's energy allocation dropped from the prior levels of approximately 900

GWh/year prior to 2005, to about 380 GWh/year in an average hydrological year starting in January 2005. Palo Alto's annual cost obligation under the Western Base Resource Contract is approximately \$14 million per year, resulting in an average cost of approximately \$38 per MWh in an average hydrological year.

***Wind Energy Contracts.*** Palo Alto currently has two long-term contracts for the output of wind electricity generation. Under a contract with Avangrid Renewables (formerly Iberdrola Renewables and PPM Energy, Inc.) ("Avangrid"), for power from the High Winds I project (owned by NextEra Energy Resources, LLC (formerly FPL Energy, LLC)) in Solano County, Palo Alto is allocated available capacity of 20 MW and acquired a fixed unit price on expected generation of 43 GWh/year. The term of the High Winds I contract ends in 2028. Under a separate contract with Avangrid, for power from the Shiloh I project (owned by Iberdrola Renewables) in Solano County, Palo Alto is allocated available capacity of 25 MW and acquired a fixed unit price on expected generation of 56 GWh/year. The term of the Shiloh I contract ends in 2021.

***Landfill Gas Energy Contracts.*** Palo Alto currently has five long-term contracts for the output of landfill gas electricity generation under separate contracts with Ameresco, Inc. Under the first contract with Ameresco Santa Cruz Energy, L.L.C., for power from the Santa Cruz project (at a landfill owned by County of Santa Cruz) in Watsonville, California, Palo Alto is allocated available capacity of 1.5 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 9.0 GWh/year. The Santa Cruz project began commercial operation in February 2006 and its contract term ends in 2026. Under a second contract with Ameresco Half Moon Bay, L.L.C., for power from the Ox Mountain project (at a landfill owned by Republic Services, Inc.) in Half Moon Bay, California, Palo Alto is allocated available capacity of 5.1 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 42.5 GWh/year. The Ox Mountain project began commercial operation in April 2009 and its contract term ends in 2029. Under a third contract with Ameresco Keller Canyon, L.L.C., for power from the Keller Canyon project (at a landfill owned by Republic Services) in Pittsburg, California, Palo Alto is allocated available capacity of 1.5 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 13.8 GWh/year. The Keller Canyon project began commercial operation in August 2009 and its contract term ends in 2029. Under a fourth contract with Ameresco Johnson Canyon, L.L.C., for power from the Johnson Canyon project (at a landfill owned by Salinas Valley Solid Waste Authority) in Gonzales, California, Palo Alto is allocated available capacity of 1.4 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 9.2 GWh/year. The Johnson Canyon project began commercial operation in May 2013 and its contract term ends in 2033. Under a fifth contract with Ameresco San Joaquin, L.L.C., for power from the San Joaquin project (at a landfill owned by San Joaquin County) in Linden, California, Palo Alto is allocated available capacity of 4.3 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 27.5 GWh/year. The San Joaquin project began commercial operation in April 2014 and its contract term ends in 2034.

Palo Alto expects to receive a total of 102 GWh from these five landfill gas projects, representing approximately 11% of Palo Alto's load. Each of the foregoing landfill gas energy contracts is unit contingent.

***Solar Energy Contracts.*** Palo Alto currently has six long-term contracts for the output of solar electricity generation under separate contracts with three different parent companies. The first three contracts are with the Sustainable Power Group (sPower): the 26.656 MW Hayworth Solar project in Kern County, and the 40 MW Elevation Solar C and 20 MW Western Antelope Blue Sky Ranch B projects in Los Angeles County. These three contracts all feature fixed per-unit prices and produce expected generation of 52 GWh/year, 101 GWh/year, and 50.5 GWh/year, respectively. The terms of such contracts all end in 2041. Palo Alto also has two solar energy contracts with Clēnera: the 20 MW

Frontier Solar project in Stanislaus County, and the 20 MW EE Kettleman Land project in Kings County. Both of these contracts feature fixed per-unit prices and produce expected generation of 52.5 GWh/year and 53.5 GWh/year, respectively. The terms of such contracts all end in 2041. The term of the Frontier Solar contract ends in 2046, while that of the EE Kettleman Land contract ends in 2040. Finally, Palo Alto has a contract with Hecate Energy for a 26 MW project that is still in the development stages. This contract, for a fixed per-unit price, has a 25-year contract term, and is expected to begin in 2021.

Palo Alto expects to receive a total of 320 GWh from the five operating solar energy projects, representing approximately 34% of Palo Alto's load. Each of the foregoing solar energy contracts is unit contingent.

**Other Power Purchases.** Palo Alto has nine active Master Agreements with BP Energy, Shell Energy North America, Powerex Corp, Cargill Power Markets, Exelon Generation, Avangrid (formerly Iberdrola Renewables), NextEra Energy Power Marketing, Turlock Irrigation District, and PacifiCorp to facilitate competitive forward market purchases to meet Palo Alto's loads in the short- to medium-term. As of June 30, 2017, Palo Alto had outstanding electricity purchase commitments for the period July 2017 to June 2019 totaling 79 GWh, and sales commitments for this period totaling 161 GWh. These market based purchases and sales are made within the parameters of Palo Alto's Energy Risk Management Program.

In fiscal year 2016-17, gross market-based purchases provided approximately 4% of Palo Alto's energy needs, while gross market-based sales equaled 28% of Palo Alto's energy needs. The volume of market purchases and sales however is highly dependent on hydro conditions and long-term commitments to renewable resource based supplies. During normal hydro conditions, gross market purchases are expected to meet approximately 18% of energy needs, while gross market sales will amount to approximately 26% of energy needs. All purchase transactions and sales-incidental-to-purchases are designed to meet native load. NCPA serves as Palo Alto's scheduling and billing agent for all transactions, and acts as the interface with the California Independent System Operator ("CAISO") under the Second Amended and Restated Metered Subsystem Aggregation Agreement (the "MSSA"). See NORTHERN CALIFORNIA POWER AGENCY – NCPA Power Pool" in the front part of this Official Statement.

### **Joint Powers Agency Resources**

**NCPA.** Except for a small 4.5 MW generator within the City of Palo Alto, Palo Alto does not independently own any generation assets. In addition to purchasing power from other sources, Palo Alto is a participant in several NCPA projects. Palo Alto has purchased from NCPA a 22.920% entitlement share in the NCPA Hydroelectric Project. Palo Alto has purchased from NCPA a 6.158% participation in the NCPA Geothermal Project. In 1984, Palo Alto permanently assigned its share of the Geothermal Project to Turlock Irrigation District ("TID") on a take-or-pay basis for the life of the plant, since Palo Alto's need for base load generation at the time the sale was made was limited. Palo Alto remains, however, secondarily liable for payment of project costs not paid by TID. For each of these NCPA projects in which Palo Alto participates, Palo Alto is obligated to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the project, as well as its share of the operation and maintenance expenses of the project. See also "Indebtedness; Joint Powers Agency Obligations" below.

In addition, in 1992, NCPA entered into an agreement with Seattle City Light to provide for a seasonal power exchange. The agreement entitles Palo Alto to 11 MW (10.3 MW at Palo Alto's meter) during the summer and obligates it to return 8 MW (at Palo Alto meter) during the winter. Deliveries under this agreement began June 1, 1995. Changes in Palo Alto's electric portfolio needs and wholesale

market conditions led Palo Alto to assign its full share and obligations in the Seattle City Light exchange to the City of Santa Clara effective June 2008. NCPA has since provided notice to Seattle City Light to terminate this agreement effective on May 31, 2018.

For a description of such NCPA resources, see “THE HYDROELECTRIC PROJECT” and “OTHER NCPA PROJECTS” in the front part of this Official Statement.

***TANC California-Oregon Transmission Project.*** Palo Alto is also a member of the Transmission Agency of Northern California (“TANC”) and has a participation share of 4.00% (net of layoffs) of TANC’s entitlement to transfer capability (approximately 50 MW) of the California-Oregon Transmission Project (“COTP”) and is responsible for 4.032% of TANC’s COTP operating and maintenance expenses and 4.00% of TANC’s aggregate debt service. As a result of low utilization on Palo Alto’s part of the transmission capacity and therefore low value relative to costs, in addition to a focus on acquiring in-state renewable resources, in August 2008 Palo Alto effected a long-term assignment of its full share and obligations in COTP to Sacramento Municipal Utility District (“SMUD”), TID and Modesto Irrigation District (“MID”). The long-term assignment is for 15 years with an option to renew for five years. In March 2016, TANC restructured the long-term debt associated with COTP securing favorable rates and extending the debt through the end of 2039. Palo Alto’s layoff recipients, SMUD, TID and MID, through an amendment to the assignment agreement, agreed to extend the term of the payments under the assignment agreement to continue to pay Palo Alto’s portion of the COTP debt during the term of the term of the COTP bonds. For a further description of the TANC COTP project, see “CITY OF ALAMEDA—Joint Powers Agency—*TANC California-Oregon Transmission Project*” herein.

### **Future Power Supply Resources**

***Carbon Neutral Plan.*** In March 2013 the Palo Alto City Council approved a Carbon Neutral Electric Resource Plan committing Palo Alto to using carbon neutral electric resources beginning in calendar year 2013. The policy also provides that such resource portfolio adjustments should not result in a rate increase of more than 0.15¢/kWh (equivalent to about \$1.00/month for an average residential bill). As of 2017, Palo Alto has sufficient hydroelectric and renewable generation contracts to provide enough energy to supply its entire load (assuming average hydroelectric conditions).

In accordance with LEAP and the Carbon Neutral Plan, Palo Alto has entered into a number of electricity purchase contracts as described above. As of December 31, 2017, Palo Alto had procured approximately 114% of its total projected electricity needs for fiscal year 2018-19 (assuming the projected hydroelectric production). Going forward, Palo Alto expects to meet its energy needs through energy efficiency and other distributed energy resources, existing hydroelectric generation and renewable resources and additional renewable generation contracts which are expected to be on line in 2021. Palo Alto will continue to procure energy supplies to meet Palo Alto’s short and medium-term energy needs through market purchases with Palo Alto’s pre-selected suppliers.

Palo Alto’s current renewable energy resource policy targets a 50% resource portfolio share by 2030. The policy also provides that such resource portfolio adjustments should not result in a rate increase of more than 0.5¢/kWh (equivalent to about \$3.35/month for an average residential bill). Palo Alto also permits its commercial customers to voluntarily participate in a green power program whereby participating customers can elect to pay a premium through their electric rates to purchase renewable energy certificates through Palo Alto for all or a portion of their energy needs.



## Distributed Energy Resources

Distributed energy resources include generation, storage, demand response, and energy efficiency on the distribution system which can change the shape and timing of energy use. Palo Alto has undertaken a comprehensive process to plan to maximize the value of distributed energy resources and is reviewing a coordinated Distributed Energy Resources Plan. In addition, Palo Alto's Electric and Gas Public Benefits and Water Efficiency Programs include programs related to efficiency, renewable energy, low-income discounts, and research, development and demonstration (RD&D) of emerging technologies. Due to increasing supply costs, significant new regulatory requirements, and Palo Alto's desire to promote environmental stewardship, it has placed an increased emphasis on energy and water efficiency. Palo Alto continues to pursue cost-effective energy efficiency as a priority in reducing customer bills. The LEAP includes energy efficiency as the highest-priority goal and requires that an assessment of least total cost, which includes environmental costs and benefits, be conducted when acquiring any energy resource. The Gas Utility Long-term Plan ("GULP") also includes energy efficiency as an important contributor to the energy plan.

***Energy Efficiency Savings Goals and Achievements.*** California Assembly Bill 2021 ("AB 2021") required all publicly owned utilities to identify all potentially achievable cost-effective electric efficiency savings and to establish annual targets for energy efficiency (EE) savings over ten years, with the first set of EE targets to be reported to the California Energy Commission (the "CEC") on or before June 1, 2007, and updated every three years thereafter. California Assembly Bill 2227 passed in 2012 amended this target-setting schedule to every four years. Palo Alto adopted its first Ten-Year Energy Efficiency Portfolio Plan in April 2007, which included annual electric and gas efficiency targets between 2008 and 2017, with a ten-year cumulative savings goal of 3.5% of the forecasted energy use. In accordance to California law, the electric efficiency targets were updated in 2010, with the ten-year cumulative savings goal doubling to 7.2% between 2011 and 2020. Since then, increasingly stringent statewide building code and appliance standards have resulted in substantial energy savings. However, these "codes and standards" energy savings cannot be counted toward meeting the utility's EE goals. The ten-year electric efficiency targets were updated again in 2012, with the ten-year cumulative electric efficiency savings being revised downwards to 4.8% between 2014 and 2023.

In 2015, SB 350 mandated the state to double statewide energy efficiency savings in electricity and natural gas end uses by 2030, with cost-effective utility energy efficiency programs as one component. In February 2017, City Council adopted the current set of Ten-Year Electric Efficiency Goals, updating the ten-year cumulative electric efficiency savings target to 5.7% between 2018 and 2027. For the fiscal year 2016-17, the electric utility achieved electric savings of 0.7% of load through its customer efficiency programs. Cumulative electric efficiency savings since 2006 are approximately 6% of the fiscal year 2017 electric usage.

In parallel to the development of Ten-Year Electric Efficiency Goals, Palo Alto adopted its first set of gas efficiency targets in 2007 to reduce gas consumption by 3.5% between 2008 and 2017. In 2010, the gas efficiency targets were updated to reduce use by 5.5% between 2011 and 2020. Similar to the electric side, gas efficiency potential has declined due to recent changes to California's appliance standards and building codes. The ten-year electric efficiency targets were updated again in 2012, with the ten-year cumulative gas efficiency savings being revised downwards to 2.85% between 2014 and 2023. In March 2017, City Council adopted the current set of Ten-Year Gas Efficiency Goals, updating the ten-year cumulative gas efficiency savings target to 5.1% between 2018 and 2027. For fiscal year 2016-17, the gas utility achieved gas efficiency savings of 0.8% of the gas sales. Cumulative gas efficiency savings since 2006 is about 3.8% of the fiscal year 2017 gas usage.

**Local Solar Plan.** In April 2014, the Palo Alto City Council passed the Local Solar Plan, which sets the City-wide goal of meeting 4% of the City's energy needs from local solar by 2023 and identifies a number of strategies to facilitate achieving that goal. These strategies include the development of several solar programs to encourage installation of roof-top solar, such as existing incentives like the feed-in tariff program and the PV Partners solar rebate program. As of June 2017 all solar installations within the City generate 1.8% of the City's electricity from about 10 MW of installed local solar capacity.

**Customer-side Renewable Generation Programs.** The following is a description of Palo Alto's customer-side renewable generation programs:

*PV Partners:* The PV Partners Program encourages photovoltaic or solar electric ("PV") installations on Palo Alto homes and businesses by providing a rebate based on the capacity, measured in watts, of newly installed PV systems. The PV Partners Program continues to be one of the most successful in the State. Rebate funds were fully reserved in April 2016. The effect of the PV Partners program can be seen in the cumulative total of PV installations. As of June 30, 2017, there were 1,003 PV installations with the total capacity of 8.617 MW (5.04% of Palo Alto's system peak load).

*Net-Energy Metering Successor Program:* Prior to January 1, 2018 residential and commercial customers in Palo Alto who installed approved PV systems were able to sign up for the Palo Alto Net Energy Metering ("NEM") program. Palo Alto reached the NEM cap of 10.8 MW in January 2018 and Palo Alto is now offering a NEM Successor Program instead. The NEM Successor process is integrated with the permitting process, and customers receive a credit for electricity exported to the grid based on Palo Alto's avoided costs.

*Palo Alto CLEAN (Clean Local Energy Accessible Now):* This feed-in tariff program (referred to as "Palo Alto CLEAN") purchases electricity generated by renewable energy resources located in Palo Alto's service territory and interconnected on the utility-side of the electric meter. The electricity is purchased by Palo Alto for the electric renewable portfolio standard. The program was launched in 2012 and has been modified over the past few years. On February 3, 2014 the Palo Alto City Council approved a total program capacity of 3 MW at a price of 16.5 cents per kilowatt hour (kWh) fixed for 20 years. On May 8, 2017 the Palo Alto City Council approved minor changes to Palo Alto CLEAN. The program no longer has a total participation cap for either solar or non-solar eligible renewable energy resources. Palo Alto is currently offering to purchase the output of eligible renewable electric generation systems located in the City at the following prices:

- For solar energy resources: 16.5 cents per kilowatt hour (¢/kWh) for a 15-, 20- or 25-year contract term until the subscribed capacity reaches 3 MW; thereafter, the price will drop to 8.8 ¢/kWh for a 15-year contract term, 8.9 ¢/kWh for a 20-year contract term, or 9.1 ¢/kWh for a 25-year contract term; and
- For non-solar eligible renewable energy resources: 8.3 ¢/kWh for a 15-year contract term, 8.4 ¢/kWh for a 20-year contract term, or 8.5 ¢/kWh for a 25-year contract term.

There is no minimum or maximum project size, but the program is best suited for commercial property owners with available roof-tops or parking lots. Palo Alto's Public Works Department recently solicited proposals to install solar PV systems and electric vehicle chargers at four City-owned parking structures. Two of these four parking garage solar PV systems are operational as of August 2017, and the remaining two are expected to be operational by April 2018. As of February 2018, there are a total of six solar PV systems participating in the Palo Alto CLEAN

program, including the four aforementioned systems on City-owned parking garages. These six projects account for 2.915 MW of the capacity available at the 16.5 ¢/kWh contract rate and all are expected to be online by October 2018, with contract terms ranging from 15 to 25 years.

*Solar Hot Water Program:* Palo Alto launched the solar water heating (SWH) program in May 2008, in advance of a State law requiring natural gas utilities to offer incentives. This program offers rebates of up to \$2,719 for residential systems and up to \$100,000 for commercial and industrial systems. A sample of installations are inspected for quality and program compliance by an independent contractor. The program was recently extended through 2020. A total of 60 systems have been installed as of June 30, 2017; 54 of these are residential. From 2008 to 2017, \$337,911.37 in rebates were disbursed. In the fiscal year 2017, this program resulted in annual energy savings of 19,826 therms and 13,387 kWh.

### **Low-Income Programs**

The following is a description of Palo Alto's low income assistance programs:

- ***Residential Energy Assistance Program (REAP).*** This program provides qualifying low-income residents with free energy efficiency measures and access to the Rate Assistance Program (RAP) rate discount. For qualifying customers, a Home Assessment, an application to the RAP, and an on-site customer evaluation for weatherization and energy efficiency measure installation, including insulation and lighting, is provided. Customers may have refrigerators and/or furnaces replaced if the need is found.
- ***Rate Assistance Program (RAP).*** This program provides a 25% discount for electric and gas charges for qualified customers. Applicants can qualify based on medical or financial need.
- ***ProjectPLEDGE.*** This program provides a one-time contribution of up to \$750 applied to the utilities bill of qualifying residential customers. Eligibility criteria includes recent emergency events for employment and health. Administered by the Department of Utilities, this program is funded by voluntary customer contributions.

### **Interconnections, Transmission and Distribution Facilities**

Palo Alto's electric system is directly interconnected with the system of Pacific Gas and Electric Company ("PG&E") by a single 115 kV delivery point at Palo Alto's Colorado substation. Palo Alto receives transmission services under the MSSA between NCPA and the CAISO.

Palo Alto's distribution system consists of the 115 kV to 60 kV delivery point, two 60 kV switching stations, 9 distribution substations, approximately 12 miles of 60 kV sub transmission lines, and approximately 469 miles of 12 kV and 4kV distribution lines including 223 miles of overhead lines and 245 miles of underground lines.

### **Forecast of Capital Expenditures**

Palo Alto's five-year capital plan for electric distribution facilities contemplates capital expenditures in the following years and amounts:

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
ESTIMATED CAPITAL EXPENDITURES  
(Dollar Amounts in Thousands)**

<b>Fiscal Year Ended June 30,</b>				
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$21,033	\$13,364	\$20,936	\$14,460	\$12,680

*Source:* City of Palo Alto.

The capital expenditures are for infrastructure replacement and new customer connections; Palo Alto anticipates funding the majority of such costs from current year revenues. Since the 1960's Palo Alto has followed a policy of funding its capital improvements primarily from revenues rather than debt financing.

Palo Alto does not currently plan to make further investment in new large-scale generation. Most of Palo Alto's anticipated energy deficits are expected to be met with renewable power purchase agreements, long-term and short-term market purchases, and customer site distributed generation. Palo Alto is in the initial phases of studying a transmission upgrade project.

### **Employees**

As of June 1, 2017, 107 full-time equivalent ("FTE") staff were assigned to the electric system of the Palo Alto Department of Utilities. All full-time employees, excluding those in management, confidential and professional classifications, are represented by the Service Employees' International Union ("SEIU") Local 521. Matters pertaining to wages, benefits and working conditions are governed by a memorandum of understanding between the City of Palo Alto and SEIU. The memorandum of understanding with this union expires on December 31, 2018. Palo Alto's wage and fringe benefits are generally comparable to those offered by other local public agencies.

Palo Alto covers substantially all of its permanent employees under pension plans offered by the California Public Employees Retirement System ("CalPERS"), an agent for multiple employer defined benefit pension plans, which acts as a common investment and administrative agent for its participating member employers. Pension costs are funded by monthly contributions to CalPERS by Palo Alto. Employees of the City of Palo Alto Department of Utilities participate in the Miscellaneous Plan, which is part of the Public Agency portions of CalPERS (the "Plan"). CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS.

CalPERS uses the 15-year smoothed market method of valuing Plan assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 20 years. Investment gains and losses are tracked and amortized over a 30-year rolling period, except for

special gains and losses in fiscal years 2009 through 2011 which are being amortized over fixed and declining 30 year periods. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

The City of Palo Alto's Annual Pension Cost, representing the payment of annual required contributions determined by CalPERS for the Miscellaneous Plan for the three fiscal years 2014-15 through 2016-17 were as follows: fiscal year 2014-15, \$17,958,000; fiscal year 2015-16, \$18,808,000; and fiscal year 2016-17, \$20,644,000. The City of Palo Alto made these contributions as required. At June 30, 2017 (based on the GASB 68 Accounting Valuation Report), the total pension liability for all City of Palo Alto employees under the Miscellaneous Plan was approximately \$714,019,000, the plan fiduciary net position was approximately \$469,782,000 and the net pension liability was approximately \$244,237,000, representing a funded ratio of 65.8%.

The City's required contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase Palo Alto's required contributions to CalPERS in future years. Accordingly, Palo Alto cannot provide any assurances that Palo Alto's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

In addition to providing pension benefits, the City of Palo Alto participates in the California Public Employees Medical and Health Care Act to provide certain health care benefits for retired employees, including employees of the City of Palo Alto Department of Utilities. Employees who retire directly from the City of Palo Alto are eligible for benefits if they retire on or after age 50 with 5 years of service and are receiving a monthly pension from CalPERS. In fiscal year 2007-08, Palo Alto implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB"), and elected to participate in an irrevocable trust to provide a funding mechanism for its OPEB liability. The trust, California Employers' Retirees Benefit Trust ("CERBT"), is administered by CalPERS and managed by a separately appointed board, which is not under control of the City Council. The City's policy is to prefund these OPEB benefits by accumulating assets in the Trust Fund pursuant to City Council Resolution. The annual required contribution ("ARC") was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include: (i) a 7.25% investment rate of return, (ii) a 3.25% projected annual salary increase, and (iii) specified health care cost trends increasing by 5.00% in 2021 and beyond. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The City of Palo Alto's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30-year closed amortization period.

The Plan's annual OPEB Cost and the City's actual contributions for the three fiscal years 2014-15 through 2016-17 were as follows: fiscal year 2014-15, Annual OPEB Cost, \$14,733,000, City Actual Contribution, \$15,034,000; fiscal year 2015-16, Annual OPEB Cost, \$15,292,000, City Actual Contribution, \$14,083,000; and fiscal year 2016-17, Annual OPEB Cost, \$16,890,000, City Actual Contribution, \$14,647,000. The Annual OPEB cost is equal to the employer's annual required contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under- or over-contributions. As of June 30, 2015, the most recent actuarial valuation date, the City

of Palo Alto's retiree health (OPEB) plan had an entry age actuarial accrued liability for all City of Palo Alto employees of approximately \$234,795,000, the actuarial value of assets (which differs from market value) was approximately \$78,578,000 and the actuarial accrued unfunded liability was approximately \$156,217,000, representing a funded ratio of 33.5%.

Additional information regarding the City of Palo Alto's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at <http://www.cityofpaloalto.org>.

## Service Area

The main businesses in Palo Alto are manufacturing and industrial, but Palo Alto is also home to important health care and education providers. There are numerous manufacturing plants producing electronic components, communications equipment, computer systems and similar products and general items such as pharmaceutical and aerospace systems.

The ten largest employers in Palo Alto as of June 30, 2017 are shown in the following table.

### CITY OF PALO ALTO LARGEST EMPLOYERS

Employer	Business	Number of Employees
Stanford Health Care	Health Care Delivery	5,500
Lucille Packard Children's Hospital	Health Care Delivery	4,850
Stanford University <sup>(1)</sup>	Education	4,300
Veteran's Affairs Palo Alto Health Care System	Health Care Delivery	3,900
VMware Inc.	Software	3,500
SAP	Software	3,500
Space Systems/Loral	Satellite System Design & Manufacturing	2,800
Hewlett Packard Company	Computer Hardware and Software	2,500
Palo Alto Medical Foundation	Health Care Delivery	2,200
Varian Medical Systems	Medical Devices and Software	1,400

<sup>(1)</sup> Stanford University number of employees was provided by the Stanford Office of Planning and includes only employees located in Palo Alto.

Source: City of Palo Alto.

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A five-year history of building permits in Palo Alto is as follows:

**CITY OF PALO ALTO  
BUILDING PERMITS  
For Calendar Years 2013-2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential Valuation (in thousands)					
Single Family	\$105,522	\$102,579	\$ 74,090	\$ 60,421	\$ 77,845
Multifamily	\$ 37,185	\$ 63,465	\$ 47,581	\$ 4,225	\$ 14,300
TOTAL	<u>\$142,707</u>	<u>\$166,044</u>	<u>\$121,671</u>	<u>\$ 64,646</u>	<u>\$ 92,145</u>
New Dwelling Units					
Single Family	118	91	125	98	131
Multiple Family	92	9	201	12	16
TOTAL	<u>210</u>	<u>100</u>	<u>326</u>	<u>110</u>	<u>147</u>

*Sources:* City of Palo Alto Development Center

Shown below is certain population data for Palo Alto, the County of Santa Clara and the State of California:

**CITY OF PALO ALTO, COUNTY OF SANTA CLARA,  
STATE OF CALIFORNIA POPULATION  
(1970-2010 as of April 1; 2011-2017 as of January 1)**

<u>Year</u>	<u>City of Palo Alto</u>	<u>County of Santa Clara</u>	<u>State of California</u>
1970	55,835	1,065,313	19,971,069
1980	55,200	1,295,071	23,668,562
1990	57,400	1,497,577	29,760,021
2000	58,917	1,682,585	33,873,086
2010	64,403	1,781,642	37,253,956
2011	65,164	1,803,362	37,536,835
2012	65,882	1,828,496	37,881,357
2013	66,688	1,856,416	38,238,492
2014	67,024	1,879,196	38,572,211
2015	67,399	1,903,209	38,915,880
2016	68,134	1,922,619	39,189,035
2017	68,691	1,938,180	39,523,613

*Sources:* U.S. Bureau of Census and California State Department of Finance.

## Transportation

Palo Alto is served by freeways, interstate and state highways, bus service and trucking lines. Passenger rail transportation is provided by the Amtrak on a north/south commuter track. Air transportation is available at San Francisco International Airport, located approximately 25 miles to the north, and the San Jose International Airport which is approximately 15 miles from downtown Palo Alto.

Public education is provided in Palo Alto from kindergarten through high school. Palo Alto is also the location of Stanford University.

## **Litigation**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Palo Alto in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Palo Alto taken with respect to, the Third Phase Agreement.

There is no litigation pending, or to the knowledge of Palo Alto, threatened, questioning the existence of Palo Alto, or the title of the officers of Palo Alto to their respective offices. As of the date of this Official Statement, there is no litigation pending, or to the knowledge of Palo Alto, threatened, questioning or affecting in any material respect the financial condition of Palo Alto's electric utility system.

*Green v. City of Palo Alto.* Through annual equity transfers, the City transfers a portion of the earnings of its gas and electric utilities to its general fund each year, pursuant to a voter-approved charter provision authorizing it to do so. In October 2016, plaintiff Miriam Green filed a class action lawsuit against Palo Alto challenging the City's equity transfers and electric rates, under Proposition 26. In FY 2017 this amounted to \$18.7 million (\$12 million electric, \$6.7 million gas) and the FY 2016 transfers were \$17.2 million (\$11.6 million electric, \$5.6 million gas). In this respect, Palo Alto is similar to all municipal power utilities (and the four municipal gas utilities in California), which make annual general fund transfers on various theories. In May 2017, the court approved the parties' stipulation (a formal agreement between counsel) certifying the class of plaintiffs in exchange for the plaintiffs' agreement (i) to stay the case pending decision in *Citizens for Fair REU Rates v. City of Redding*, California Supreme Court Case No. S224779 (Redding) and (ii) to dismiss plaintiff's three claims challenging the cost-justification of the City's electric rates. Redding raises the same issue as plaintiff's suit against Palo Alto, has been fully briefed since July 2015 and may be argued at any time. After the Supreme Court's decision, the City will re-evaluate its case, assuming Redding clarifies the applicable law. No matter the outcome, the Green litigation is not expected to have a material financial impact on the City's electric fund.

Lawsuits and other claims filed against Palo Alto as it relates to its Department of Utilities' electric utility system and operations arise in the ordinary course and scope of Palo Alto's municipal utility business and are largely covered by Palo Alto's self-insurance program. In the opinion of Palo Alto's management and attorneys, these lawsuits and other claims will not have a material adverse effect upon Palo Alto's electric utility system and operations.

## **Rates and Charges**

The Palo Alto City Council is authorized by the Palo Alto Municipal Code to set fees and charges, pay for and supply all electric energy and power to be furnished to customers according to such schedules, resolutions, rules and regulations as are adopted by the City Council. These rates are not subject to review by any State or federal agency. In addition, the City Charter provides for the maintenance of a separate fund for each utility into which is deposited receipts from the operations of such utilities and from which are payable the utility's costs and expenses, including operating and maintenance, debt service, capital expenditures, funding of reserves, and general fund transfers.

Palo Alto's fiscal year 2015-16 average rates per kWh for residential service was 12.1 cents. Palo Alto's fiscal year 2015-16 average rates for commercial and industrial service was 11.4 cents per kWh.



Palo Alto's fiscal year 2016-17 average rate per kWh for residential service was 13.6 cents. Palo Alto's fiscal year 2016-17 average rate for commercial and industrial service was 12.3 cents per kWh.

The following table presents a history of Palo Alto's electric utility rate increases since 2013.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
RATE CHANGES**

<b>Date</b>	<b>Percent Change</b>
July 1, 2017	14.0
July 1, 2016	11.0
July 1, 2015	0.0
July 1, 2014	0.0
July 1, 2013	0.0

*Source:* City of Palo Alto.

Palo Alto spends approximately 2.85% of gross electric revenues on the public benefit programs it originally developed in response to California Assembly Bill 1890, which was adopted in 1996 ("AB 1890"). In addition to funding available through the public benefits program, Palo Alto funds additional efficiency and renewable energy programs through the electric utility's supply resource acquisition budget.

### **Largest Customers**

The ten largest customers of Palo Alto's electric utility system, based upon energy usage for the fiscal year ended June 30, 2017 accounted for approximately 36.8% of total kWh sales and approximately 32.2% of total electric revenues. The largest account consumed 8.9% of Palo Alto's total kWh sales and contributed 6.9% of total revenues and the smallest of the ten largest accounts accounted for 1.8% of total kWh sales and 1.5% of revenues.

### **Palo Alto's Operations Since Industry Restructuring**

***Electric System Policies.*** In March 1997, the City Council of Palo Alto approved three electric utility policies relating to customer choice, stranded cost recovery and marketing beyond Palo Alto borders. Palo Alto undertook a number of actions in order to implement those policies. Direct access (discussed below) was offered to large commercial and industrial customers; however none of them exercised the option. Given the lack of interest in the community for direct access in combination with the instability of energy markets in 2001 and CPUC actions relating to direct access, direct access was suspended by the City Council effective August 1, 2001. There are no plans to re-implement direct access at this time.

AB 1890, adopted in 1996, provided for the deregulation of California's electric industry effective January 1, 1998. A key element of deregulation was the provision for "direct access", which would allow electric customers to choose their electric commodity supplier. Palo Alto, along with other California utilities, was faced with the prospect of losing customers and load to direct access and having made significant investments in generation assets purchased or built to serve these customers. In response to such risk, PG&E and other investor- and municipally-owned utilities established stranded cost surcharges to collect funds from ratepayers to cover the amount that these uneconomic assets were projected to cost above their market value in the future (*i.e.*, "stranded cost").

***Electric Special Project Reserve (formerly the Calaveras Reserve).*** In 1983, the City Council established the Calaveras Reserve in the Electric Fund to help defray a portion of the annual debt service costs associated with the NCPA Calaveras Hydroelectric Project, which was put in service at that time. As originally established, the Calaveras Reserve policy did not provide for a target balance and depletion of the reserve was anticipated by 2002.

In 1996, the City Council changed the purpose of the Calaveras Reserve and authorized collections from electric ratepayers to cover its stranded cost. In addition, the City Council approved a new Calaveras Reserve policy linking the reserve balance to an amount sufficient to cover potential stranded costs. The assets identified as stranded included the Seattle City Light Exchange contract, the Calaveras Hydroelectric Project and the COTP.

In 1997, the City Council revised the reserve target level to cover above-market, or “stranded,” costs to \$93 million by December 31, 2001 to be collected from a stranded cost surcharge imposed on electric rates. When the Calaveras Reserve balance reached \$71 million in 1999, stranded costs were deemed fully collected. At that time, Council authorized the cessation of the collection of the stranded cost surcharge and established the Calaveras Reserve Target and Guidelines with a schedule to drawdown the funds and manage electric rates through transfers from the Calaveras Reserve to the Electric Supply Rate Stabilization Reserve (E-SRSR) through the end of fiscal year 2032-33, when the Calaveras Reserve would be exhausted.

In 2001, the California electric industry faced an energy crisis triggering wholesale power price spikes and rolling blackouts throughout the State. The crisis was blamed on poor deregulation market design and market manipulation by energy suppliers. As a result, direct access was suspended in California for the investor-owned utilities (although it was subsequently phased in for non-residential end-use customers of the investor-owned utilities pursuant to Senate Bill 695, adopted in 2009) and subsequently, Palo Alto suspended its direct access program. Further, as a result of changing market conditions and the assignment of certain electric assets, the estimate of the City’s stranded cost is lower now than when stranded cost collections stopped in 1999. Since then, electric market prices have increased significantly, reducing the stranded cost associated with the Calaveras Hydroelectric Project.

On June 15, 2009, the City Council adopted new guidelines to manage the Calaveras Reserve which required an annual calculation of short-term stranded costs during the annual budget process for the upcoming budget year(s) and set the minimum transfer from the Calaveras Reserve to the Electric Supply Operating Budget equal to this amount. The revised guidelines also called for an annual calculation of long-term stranded cost and identification of any excess funds in the Calaveras Reserve available to fund projects to the benefit of electric ratepayers.

On November 1, 2011, the City Council renamed the Calaveras Reserve as the Electric Special Project Reserve (“ESP”) and approved a new policy direction and guidelines for use of funds. On May 18, 2015, the City Council updated the guidelines to extend the deadlines to commit funds and close the ESP Reserve, as follows:

- The purpose of the ESP Reserve is to fund projects that benefit electric ratepayers;
- ESP Reserve funds are to be used for projects of significant impact;
- Projects proposed for funding must demonstrate a need and/or value to electric ratepayers. The projects must have verifiable value and not be speculative, or risky in nature;
- Projects proposed for funding must be substantial in size, requiring funding of at least \$1 million;
- Set a goal to commit funds by end of fiscal year 2016-17; and
- Any uncommitted funds remaining at the end of fiscal year 2021-22 will be transferred to the Electric Supply Operation Reserve and the ESP Reserve will be closed.

As of December 2017, the ESP Reserve funds have not been fully committed; however, staff is evaluating suitable large projects such as advanced metering infrastructure which could increase utility resiliency. The approximate balance of the ESP Reserve as of June 30 for the five fiscal years 2012-13 through 2016-17 is set forth below:

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Balance	\$51,838,000	\$51,838,000	\$51,838,000	\$51,838,000	\$51,838,000

*Source:* For fiscal years 2012-13 through 2016-17 City of Palo Alto Audited Financial Statements.

As of June 30, 2017, the balance of ESP Reserve was \$51,838,000.

**Rate Stabilization Reserve.** In June 1998, the City Council approved staff’s recommendation to unbundle the Electric and Gas Rate Stabilization Reserves (“RSR”). The RSR was originally created to cover a number of unforeseen contingencies, including the need to supplement rates which cover distribution expenses, and commodity supply costs. The City Council has approved a set of guidelines for the Rate Stabilization Reserves based on a forecast of contingencies to be covered. In December 2003 and again in January 2007, the City Council updated the reserve guidelines taking into account, among other aspects, the increased cost volatility due to the electric portfolio cost exposure to hydroelectric production uncertainties that arose in 2005 with the new Western Base Resource Contract. In June 2014, the City Council approved updated Reserves Management Practices, and existing reserves were separated for more specific purposes. The Rate Stabilization Reserves now are used to manage the trajectory of future rate increases, with the Operations Reserve being used to manage normal variations in the costs of providing electric service and as a reserve for contingencies. As of June 30, 2017, the balance of RSR was \$9.0 million.

**Operations Reserve.** In June 2014, the City Council approved update Reserves Management Practices. New Electric Supply Fund and Electric Distribution Fund Operations Reserves were created, and are used to manage normal variations in the costs of providing electric service and as a reserve for contingencies. The City Council approved a set of guidelines for the minimum and maximum level of reserves to be held, as well as policies should reserves fall outside of those ranges. As of June 30, 2017, the balance of the Supply Operations and Distribution Operations Reserves were \$12.9 and \$7 million, respectively. These amounts are below the City Council guidelines for the minimum level of reserves to be held, but the City Council approved transfers in fiscal year 2018 to raise the balance of such reserves above the guidelines for the minimum level.

**Hydro Stabilization Reserve.** In accordance with the City’s updated Reserves Management Practices approved in June 2014, supply cost savings and surplus energy sales revenue associated with higher than average generation from hydroelectric resources may be added to the Electric Supply Fund’s Hydro Stabilization Reserve by action of the City Council and held to offset higher commodity supply costs during years of lower than average generation. Withdrawal of funds from the Hydro Stabilization Reserve requires action by the City Council. As of June 30, 2017, the balance of the Hydro Stabilization Reserve was \$11.4 million.

**Public Benefits Reserve.** In June 1998, the City Council of Palo Alto approved the Public Benefits Reserve to be created for the purpose of establishing a separate reserve from the Electric Fund. The revenue collected for the Public Benefit programs that are not spent are deposited into this reserve for future use. The balance of the Public Benefits Reserve at June 30, 2017 was \$681,000.

**Unbundled Electric Rates.** In June 1997, Palo Alto became the first electric utility in California to unbundle its electric rates on customers' bills. Palo Alto's unbundled electric rates are comprised of the following four components: (i) a power supply charge, (ii) a distribution charge, (iii) a transition cost recovery charge and (iv) a public benefits charge. The distribution charge, transition cost recovery charge and public benefits charge are non-bypassable charges and therefore are paid to Palo Alto by the customer, regardless of energy supplier. On July 1, 1999, the transition cost recovery charge was discontinued.

## Customers, Energy Sales, Revenues and Demand

The average number of customers, kWh sales, revenues derived from sales by classification of service and peak demand during the five fiscal years 2012-13 through 2016-17, are listed below.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
CUSTOMERS, SALES, REVENUES<sup>(1)</sup> AND DEMAND<sup>(2)</sup>  
Fiscal Year Ended June 30,**

	<b>2013</b>	<b>2014</b>	<b>2015<sup>(3)</sup></b>	<b>2016</b>	<b>2017</b>
Number of Customers:					
Residential	26,642	26,439	25,226	25,372	25,642
Commercial	2,482	2,556	3,682	3,715	3,753
Industrial	131	120	106	91	85
Other	219	224	122	126	136
Total	29,474	29,339	29,136	29,304	29,616
Kilowatt-Hour Sales (in thousands):					
Residential	186,997	182,228	145,447	150,112	148,986
Commercial	448,922	470,229	558,601	589,091	580,832
Industrial	227,431	213,768	202,839	168,141	157,502
Other	83,490	84,559	29,936	29,812	30,368
Total	946,841	950,784	936,823	937,157	917,687
Revenues from Sale of Energy:					
Residential	\$ 19,951	\$ 18,744	\$ 17,404	\$ 18,191	\$ 20,269
Commercial	62,671	65,244	66,457	68,593	73,471
Industrial	24,327	23,175	21,800	17,762	17,164
Other	3,265	3,225	3,234	3,127	3,780
Total	\$110,214	\$110,388	\$108,895	\$108,033	\$114,684
Peak Demand (MW)	174	168	172	178	171

(1) Revenues are exclusive of wholesale sales.

(2) Columns may not add to totals due to rounding.

(3) In 2015, "Other" redefined as City of Palo Alto facilities only. Multi-family facilities reclassified to "Commercial."

Source: City of Palo Alto.

## Indebtedness; Joint Powers Agency Obligations

In October 2007, the City issued \$1.5 million of 2007 Electric Utility Clean Renewable Energy Tax Credit Bonds ("CREBs") to finance the City's photovoltaic solar panel project. The bonds do not

bear interest and are scheduled to be fully paid by December 2021. In lieu of receiving the periodic interest payments, bondholders are allowed annual federal income tax credits in an amount equal to a credit rate for such CREBs multiplied by the outstanding principal amount of the CREBs owned by the bondholders. As of June 30, 2017, the remaining outstanding principal balance of the CREBs was \$0.5 million.

The City issued Utility Revenue Bonds, 1995 Series A (the “1995 Utility Bonds”) on February 1, 1995 to finance certain extensions and improvements to the City’s Storm Drainage and Surface Water System. The 1995 Utility Bonds are special obligations of the City secured by a lien on net revenues of the City’s entire “Enterprise,” which consists of the City of Palo Alto water system, gas system, storm and surface water drainage system, sanitary sewer system, and electric utility system, except refuse service fund, fiber optics fund, and airport fund. The annual principal and interest debt service payments are solely paid by the City’s storm and surface water drainage system. As of June 30, 2017, the outstanding principal amount of the 1995 Utility Bonds was \$1.8 million.

As previously discussed, Palo Alto participates in two joint powers agencies, including NCPA and TANC. Obligations of Palo Alto under its agreements with respect to NCPA and TANC constitute operating expenses of Palo Alto payable prior to any of the payments required to be made on Palo Alto’s utilities’ revenue bonds or other obligations. Agreements with the joint powers agencies in which Palo Alto participates are on a “take-or-pay” basis, which requires payments to be made whether or not projects are completed or operable, and whether output from such projects is suspended, interrupted or terminated. These agreements contain “step-up” provisions obligating Palo Alto to pay a share of the obligations of a defaulting participant. Palo Alto’s participation and share of debt service obligation (without giving effect to any “step-up” provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES  
(Dollar Amounts in Millions)  
(As of January 31, 2018)**

	<u>Outstanding Debt<sup>(1)</sup></u>	<u>Palo Alto Participation<sup>(2)</sup></u>	<u>Palo Alto Share of Outstanding Debt<sup>(1)</sup></u>
NCPA			
Geothermal Project	\$ 28.8	0.0% <sup>(3)</sup>	\$ 1.8 <sup>(3)</sup>
Hydroelectric Project	322.4	22.92 <sup>(4)</sup>	73.9 <sup>(4)</sup>
TANC			
Bonds - COTP	\$205.8	0.0 <sup>(5)</sup>	8.2 <sup>(5)</sup>
<b>TOTAL</b>	<u>\$557.0</u>		<u>\$83.9</u>

(1) Principal only. Does not include obligation for payment of interest on such debt.

(2) Participation based on actual debt service obligation. Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant’s original participation.

(3) Participant share of 6.16% was permanently assigned to TID in October 1984. Palo Alto remains contractually liable for its share. See “Power Supply Resources–Joint Powers Agency Resources–NCPA” above.

(4) Palo Alto’s actual payments represent approximately 23.5% of outstanding debt service as a result of credit to non-participating members with respect to portion of debt obligation.

(5) Participation share of 4.00% was assigned to SMUD, TID and MID in August 2008. Palo Alto remains contractually obligated for its share. See “Power Supply Resources–Joint Powers Agency Resources–TANC California-Oregon Transmission Project” above.

Source: City of Palo Alto.

A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements for the purposes of substantially fixing the related interest cost. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the related interest rate swap agreements will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Palo Alto). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Palo Alto).

### **Significant Accounting Policies**

Palo Alto's most recent Annual Financial Report for the fiscal year ended June 30, 2017 has been audited by Macias Gini & O'Connell LLP, Walnut Creek, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly, in all material respects, the respective financial position of the various funds maintained by Palo Alto. The reports include certain notes to the financial statements which are not described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the Administrative Services Department, City of Palo Alto, 250 Hamilton Avenue, Palo Alto, California 94301 and are available on-line at <https://www.cityofpaloalto.org/gov/depts/asd/reporting.asp>. Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Palo Alto electric system is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of income and selected balance sheet information of Palo Alto's Department of Utilities electric utility system for the five fiscal years 2012-13 through

2016-17. The information for the fiscal years ended June 30, 2013 through June 30, 2017 was prepared by Palo Alto on the basis of its audited financial statements for such years.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
CONDENSED OPERATING RESULTS AND SELECTED  
BALANCE SHEET INFORMATION<sup>(1)</sup>  
(Dollar Amounts in Thousands)**

	<b>Fiscal Year ended June 30,</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Summary of Income:					
Operating Revenues	\$121,805	\$121,916	\$120,842	\$120,743	\$137,543
Operating Expenses <sup>(2)</sup>	<u>(97,076)</u>	<u>(103,817)</u>	<u>(113,534)</u>	<u>(111,314)</u>	<u>(119,568)</u>
Operating Income	24,729	18,099	7,308	9,429	17,975
Other Income <sup>(3)</sup>	(10,666)	(5,802)	(6,676)	(5,763)	(9,224)
Loss on Disposal of Fixed Assets	(395)	(271)	(312)	(74)	(116)
Transfers in	296	1,089	51	259	2,679
Transfers out <sup>(4)</sup>	<u>(12,090)</u>	<u>(11,460)</u>	<u>(11,580)</u>	<u>(12,110)</u>	<u>(12,543)</u>
Net Income	\$ 1,874	\$1,655	\$(11,206)	\$(8,259)	\$(1,229)
Selected Balance Sheet Information:					
Net Property Plant and Equipment	\$171,933	\$176,408	\$180,546	\$187,091	\$190,930
Unrestricted	<u>143,329</u>	<u>140,465</u>	<u>96,515</u>	<u>81,711</u>	<u>76,643</u>
Total Net Assets	\$315,262	\$316,873	\$277,061	\$268,802	\$267,573

(1) Includes electric and fiber optics funds.

(2) Includes purchased power costs and payments to NCPA and TANC. Also includes depreciation in the amount (in thousands) of \$8,223 in fiscal year 2013, \$7,504 in fiscal year 2014, \$7,383 in fiscal year 2015, \$7,607 in fiscal year 2016, and \$7,733 in fiscal year 2017.

(3) The negative "Other Income" consists of debt service the City paid on NCPA bonds and negative investment earnings due to recording of market value losses.

(4) Composed primarily of transfers to Palo Alto general fund for costs incurred for the benefit of the Palo Alto utility system, transfers to fund retiree medical benefits and transfers to the capital projects fund.

Source: City of Palo Alto.

## **CITY OF ROSEVILLE**

### **Introduction**

The City of Roseville (“Roseville” or the “City”) is a charter city in the State of California. Roseville is located in Placer County, in California’s Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 135,868 at January 1, 2017, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City, through its electric system (the “Electric System”), has been providing electrical power to its residents, businesses, and Roseville’s street and traffic lighting systems since 1912. In 1956, Roseville entered into a contract with the Federal Bureau of Reclamation for 54 megawatts (“MW”; a megawatt equals 1 million watts) of electric capacity from the Central Valley hydroelectric project, which consists of a system of dams, reservoirs and power plants within central and northern California (the contract is currently administered through the Western Area Power Administration (“Western”). In the early 1970s, Roseville’s demand for electricity exceeded the Western resource allocation. To help meet this additional need, in 1968 Roseville became a charter member in NCPA. Roseville participates in several resources developed by NCPA, including its geothermal, steam-injected gas turbine, and hydroelectric projects. In October of 2007, Roseville completed construction of a 160 MW natural gas fired combined cycle power plant (the “Roseville Energy Park” or “REP”). REP was built as a reliable, economic alternative to bulk power purchases. REP has a base operating capacity of 120 MW with the ability to peak-fire up to 160 MW. On September 1, 2010, Roseville completed the purchase from NCPA, and assumed full title and ownership, of two of the five 24 MW simple cycle combustion turbines originally part of the NCPA Combustion Turbine Project No. 1 (for a total of 48 MW of capacity), which are connected to the Roseville electric distribution system (and now referred to as “Roseville Power Plant 2”) to meet reserve and capacity requirements.

Roseville’s Electric System is under the supervision of the Roseville City Council. A seven-member Roseville Public Utilities Commission serves as an advisory board to the City Council on matters relating to all utilities owned and operated by the City. The City Council appoints all seven members of the Public Utilities Commission. The Electric Utility Director oversees operations of the electric utility and reports to the City Manager.

Only the revenues of the Roseville Electric System will be available to pay amounts owed by Roseville under the Third Phase Agreement.

The Roseville electric department’s main office is located at 2090 Hilltop Circle, Roseville, California 95747, (916) 797-6937. For more information about Roseville and its Electric System, contact Michelle Bertolino, Electric Utility Director, at the above address and telephone number. A copy of the most recent comprehensive annual financial report of the City of Roseville (the “Annual Report”) is available on Roseville’s website at [https://www.roseville.ca.us/government/departments/finance/general\\_accounting\\_department/](https://www.roseville.ca.us/government/departments/finance/general_accounting_department/). The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.



## Service Area, Customer Base and Demand

**Service Area.** The Roseville Electric System serves an area of approximately 43 square miles, virtually coterminous with the City's borders. As of June 30, 2017, the Electric System served an estimated 58,397 customers.

**Customer Base.** In Fiscal Years 2012-13 through 2016-17, the Electric System's customer base increased by over 1.5% per year. Anticipated residential growth includes over 25,000 new residences associated with approved projects upon build-out of current and developing specific plans. Recent commercial growth includes a McKesson Medical-Surgical distribution center, health care industry expansions for Kaiser Permanente and Adventist Health, and the Falls Event Center.

Shown below is certain population data for the City of Roseville, the County of Placer and the State of California:

### CITY OF ROSEVILLE, COUNTY OF PLACER, STATE OF CALIFORNIA POPULATION (1970-2010 as of April 1; 2011-2017 as of January 1)

	City of Roseville	County of Placer	State of California
1970	18,221	77,632	19,971,069
1980	24,347	117,247	23,668,562
1990	45,189	175,290	29,760,021
2000	79,921	248,399	33,873,086
2010	118,788	348,432	37,253,956
2011	121,052	353,228	37,538,835
2012	123,836	358,152	37,881,357
2013	126,864	362,551	38,238,492
2014	129,219	367,442	38,572,211
2015	130,828	370,710	38,915,880
2016	133,618	376,203	39,189,035
2017	135,868	382,837	39,523,613

*Source:* 1970, 1980, 1990 and 2000 figures from U.S. Bureau of Census; other figures from California State Department of Finance.

The largest employers in Roseville as of June 30, 2017 are set forth in the table on the following page:

**CITY OF ROSEVILLE  
LARGEST EMPLOYERS  
(As of June 30, 2017)**

<b>Employer</b>	<b>Business</b>	<b>Number of Employees</b>
Kaiser Permanente	Health Care	4,988
Hewlett-Packard	Technology	2,300
Sutter Roseville Medical Center	Health Care	2,100
Union Pacific Railroad	Railroad	1,150
City of Roseville	Government	1,149
Roseville Joint Union High School District	Education	1,090
Roseville City School District	Education	1,034
PRIDE Industries	Employment Service	838
Adventist Health	Health Care	801
Consolidated Communications	Cable Television	440

Source: City of Roseville.

***Historical Customers Sales and Peak Demand.*** The average number of customers, electricity sales measured in megawatt hours (“MWh”) and in revenues, and peak demand during the past five Fiscal Years, is listed below.

**CITY OF ROSEVILLE  
ELECTRIC SYSTEM  
CUSTOMERS, SALES, REVENUES AND PEAK DEMAND<sup>(1)</sup>**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number of Customers: <sup>(2)</sup>					
Residential	48,387	49,013	49,851	50,784	51,638
Commercial	6,561	6,666	6,673	6,700	6,759
Total	54,948	55,679	56,524	57,484	58,397
MWh Deliveries					
Average:					
Residential	443,489	434,594	428,824	439,495	439,598
Commercial	750,694	748,218	748,913	750,482	737,843
Total MWh sales	1,194,183	1,182,812	1,117,737	1,189,977	1,177,441
Revenues (\$ in 000s):					
Residential	\$ 66,189	\$ 66,728	\$ 67,660	\$ 68,853	\$ 68,543
Commercial	89,172	92,347	96,028	95,078	93,011
Total Revenues from Sale of Energy	\$ 155,361	\$ 159,075	\$ 163,688	\$ 163,930	\$ 161,554
Peak Demand (MW)	330	340	340	331	355

(1) Revenues listed are as billed. For realized revenues, see the table under "Historical Revenues, Expenses and Debt Service Coverage" below.

(2) Customer counts reported as fiscal year average annual values.

Note: Totals may not add due to rounding.

Source: City of Roseville.

### **Ten Largest Customers**

As of June 30, 2017, the ten largest customers of Roseville's Electric System by usage accounted for an estimated 23% of total kWh sales and 18% of total Electric System revenues. The largest customer accounted for an estimated 9% of total kWh sales and 7% of total Electric System revenues. The smallest of the ten largest customers accounted for an estimated 0.7% of total kWh sales and 0.6% of total Electric System revenues.

### **Sources of Power Supply**

#### **General**

Roseville has a diverse portfolio of resources that includes large hydroelectric, geothermal, natural gas fired thermal, system power contracts, and additional contracts for renewable energy. In addition, Roseville purchases its incremental needs through open market purchases. Roseville owns and operates the Roseville Energy Park and the two units constructed under NCPA Combustion Turbine Project No. 1 (subsequently renamed Roseville Power Plant 2) connected to the Roseville electric distribution system. Roseville has a long-term contract with Western for a share of the Central Valley Project net generation and entitlements to the output of several NCPA projects.

The table on the following page provides an estimated summary of the City's sources of power supply for Fiscal Year 2016-17.

**CITY OF ROSEVILLE  
ELECTRIC SYSTEM  
SOURCES OF POWER SUPPLY  
Fiscal Year 2016-17**

<b>Source</b>	<b>Type</b>	<b>Capacity Available (MW)<sup>(1)</sup></b>	<b>Actual Power Energy (GWh)<sup>(2)</sup></b>	<b>% of Total</b>
<b>Generation:</b>				
Roseville Energy Park <sup>(3)</sup>	Natural Gas	80	222	18%
Roseville Power Plant 2	Natural Gas	24	1	0
<b>Purchased Power:</b>				
Western <sup>(4)</sup>	Hydro	63	208	17
<b>NCPA</b>				
Geothermal Project	Geothermal	8	64	5
Hydroelectric Project	Hydro	29	113	9
Capital Facilities Project, Unit One	Natural Gas	20	2	1
<b>Open Market Purchases:</b>				
Renewable Purchases	Various	24	246	20
Non-Renewable Purchases	Various	120	371	30
<b>TOTAL*</b>		<b>368*</b>	<b>1,227*</b>	<b>100%*</b>
<b>Peak Demand (MW)</b>		<b>355</b>		
<b>Capacity Reserve Percent<sup>(5)</sup></b>		<b>4%</b>		

(1) Capacity in MW and available for system peak.

(2) One gigawatt hour (GWh) equals 1 million kilowatt hours (kWh).

(3) Includes slight de-rating for summer (ambient temperatures).

(4) Includes reserve capacity.

(5) Capacity includes long-term and seasonable purchases. Capacity reserve planning target is 15% of the forecasted peak. Actual peak exceeded forecasted peak, resulting in 4% reserves.

\* Numbers may not total due to rounding.

Source: City of Roseville.

### **Roseville Energy Park**

Roseville Energy Park ("REP"), is a 120 MW base load combined cycle, natural gas fueled power plant with duct firing capability up to 160MW. The REP is located in the City of Roseville and is directly connected to Roseville's distribution system. REP is comprised of two Siemens SGT 800 combustion turbine units and a Siemens STG 900 steam turbine. The plant has been in commercial operation since October 2007 and is owned and operated by the City. In March 2017, REP's steam turbine was damaged, and REP ran through the summer 2017 in an 80MW dual combustion turbine configuration. Equipment repairs to restore full capacity are expected to be completed in May 2018.

## **Roseville Power Plant 2**

The Roseville Power Plant 2 (“RPP2”) consists of two 24 MW simple cycle combustion turbines for a total of 48 MW of capacity. These units were previously part of the NCPA Combustion Turbine Project No. 1 of which Roseville was a participant. On September 1, 2010 Roseville took ownership of the two units which provide peaking capacity and reserves for Roseville. In July 2016, combustion turbine 2 (“CT2”) went into outage for generator repairs, derating RPP2 to 24 MW. Roseville expects to repair CT2 and return it to service in late 2018.

## **Western Area Power Administration**

Roseville has long-term contracts with Western that provide a 4.85333% share of the net output of the Central Valley Project (“CVP”), provide for interconnection and interconnected operations with Western’s transmission system, and provide for transmission services. The power supply contract provides varying amounts of capacity and energy depending upon hydrological and storage conditions of the CVP. The output is reduced by Western’s project use, first preference customer allocations, environmental, and control area obligations. Roseville is directly connected to Western’s transmission system and acquires reserves under contract that include regulation and frequency response service, and spinning and non-spinning reserves. The term of the power supply contract extends through December 31, 2024.

## **Joint Powers Agency Resources**

**NCPA.** In addition to generating and purchasing power from other sources, Roseville is a participant in a number of NCPA projects. Roseville has purchased from NCPA a 12.00% entitlement share in the Hydroelectric Project. Roseville has purchased from NCPA a 36.50% entitlement share in the NCPA Capital Facilities Project, Unit One. Roseville has purchased from NCPA a 7.88% entitlement share in the Geothermal Project. For a description of such resources, see “THE PROJECT” and “OTHER NCPA PROJECTS” in the front part of this Official Statement. For each of these generation projects in which Roseville participates, Roseville is obligated to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the project as well as its share of the operation and maintenance expenses of the project. See also “Indebtedness; Joint Powers Agency Obligations” below.

In order to meet certain obligations required of NCPA to secure transmission and other support services for the NCPA Geothermal Project, NCPA and its transmission project participants (including Roseville) undertook the “Geysers Transmission Project,” which includes (a) an ownership interest in PG&E’s 230 kilovolt (“kV;” 1 kilovolt equals 1,000 volts) line from Castle Rock Junction in Sonoma County to the Lakeville Substation, (b) additional firm transmission rights in this line, and (c) a Central Dispatch Center (see “Dispatch and Scheduling” below). Roseville is entitled to a 14.18% share of the Geysers Transmission Project transfer capability, and is responsible for 14.18% of the costs of such project. For a description of the Geysers Transmission Project, see “OTHER NCPA PROJECTS” in the front part of this Official Statement.

## **Long Term Purchases**

Roseville has historically entered into long term purchases to hedge electricity costs. With the passage of Senate Bill X1 2 (California Renewable Energy Resources Act) and Senate Bill 350 (Clean Energy & Pollution Reduction Act), Roseville has additional incentive to enter into long term contracts. Certain contracts over ten years have the ability to have renewable energy “banked” to be used to meet future compliance periods. One requirement for “banking” is a renewable contract must have a term of ten years or greater for Renewable Portfolio Standard (“RPS”) compliance through 2020, and 65% of Renewable Energy Credits from long term contracts thereafter. Roseville’s current portfolio is expected to

fulfill Roseville's RPS compliance requirements through 2024 including contracts with Silicon Valley Power, Powerex Corporation, Avangrid Renewables, Lost Hills Solar, Blackwell Solar, as well as grandfathered resources including geothermal and small hydroelectric projects. See also "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments—*California Renewable Portfolio Standard*" in the front part of this Official Statement for more information on SB X1 2 and SB 350.

### **Open Market Term Purchase and Sale Agreements**

Roseville enters into various fixed-price purchase or sale contracts on the open market at various times to meet its power supply requirements and hedge its portfolio costs consistent with its risk management policies. Purchases include transactions to hedge natural gas (physical or financial) and electricity (physical or financial) over various tenors authorized in Roseville's trading authority policy. Electricity is generally sold or acquired in 25 MW increments on a seasonal or annual basis. Roseville also typically enters into seasonal and short-term purchases for varying terms from a number of power suppliers. Typical short-term purchase terms range from 1 to 3 months, though these contracts can occasionally be as long as 12 months.

### **Future Power Supply Resources**

In addition to the above supply sources, Roseville expects that it will obtain additional resources from market purchases or investment in generation facilities, either independently, through NCPA or other agencies. In accordance with current State law, Roseville expects that future energy purchases will increasingly be made from renewable energy sources. See "Energy Efficiency and Conservation" below. See also "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments" in the front part of this Official Statement.

### **Power Supply Risk Management**

The Electric System has a rigorous risk management program to ensure that customers will, to the best extent possible, be insulated from the volatility of supply prices. Roseville established a Risk Oversight Committee ("ROC"), as well as extensive risk management policies and procedures. The ROC includes two members of the City Council, two members of the Roseville Public Utilities Commission, the City Manager, the Assistant City Manager, the City Treasurer/Financial Executive, the City Attorney, and the Electric Utility Director. The ROC meets quarterly to review energy trading activities and to ensure their adherence to the risk management policies.

All energy purchases are made to supplement existing resources to meet forecasted load requirements. Generally, Roseville purchases or sells energy that is deficit or surplus to its retail customer needs independently within a 3-year horizon and by using the scheduling and load following services of ACES Power Marketing ("ACES") within a 30-day horizon. Roseville's risk management policies include short-term and long-term measures.

In general, short-term measures limit exposure due to market prices, hydro conditions, and unit outages for the coming 12 months to 7.5% or less of Roseville's expected purchased power cost and limit portfolio open volume to no more than +/- 10% of forecast load.

Roseville's long-term risk management strategy encourages a balanced "layered" energy portfolio. The Energy Hedge Policy provides a ceiling and floor for the required hedged energy (electricity and natural gas) to meet expected loads as follows:

<b>Rolling Year</b>	<b>Minimum Hedged Supply</b>	<b>Maximum Hedged Supply</b>
1	90%	110%
2	70%	100%
3	45%	80%

The policy requires that Roseville purchase forward electric contracts and/or forward gas contracts to fulfill its long-term hedged supply requirement. In the event of decreases in expected sales levels, the policy may require that Roseville sell forward electric gas and/or electric contracts. Allowed instruments in the hedging program include:

- Electric forward sales or purchases with authorized counterparties
- Electric tolling arrangements with qualified counterparties
- Bilateral Gas contracts with qualified counterparties
- Gas futures, Floors and Caps through the NYMEX or other approved market

Roseville's natural gas procurement strategy primarily involves purchasing natural gas for REP's operation at a daily index price. Roseville hedges its daily index purchases with monthly financial fixed for floating swap contracts or physical forward purchases in accordance with its Energy Hedge Policy described above. For the period January 1, 2018 through December 31, 2020, the City has fixed the price of approximately 10 million MMBtu of natural gas and over 1,200 GWh of electricity. These financial contracts are divided between BP Energy, Citigroup Energy, Conoco Philips, Aron and Company, Macquarie Energy, Exelon, and Shell Energy.

### **Natural Gas Prepayment**

The Roseville Natural Gas Financing Authority entered into a 20-year pre-paid natural gas supply contract in January 2007 with Merrill Lynch Commodities Inc. ("MLCI"). The natural gas the City is obligated to purchase under the pre-paid gas supply agreement provides approximately 40% of Roseville's expected gas requirements for the REP. The natural gas supply contract provides Roseville with seasonally adjusted fixed monthly quantities of gas at a discounted monthly index price.

### **Regional Transmission Facilities**

***Western Area Power Administration Network Integrated Transmission Service Agreement ("NITS")***. Roseville's electrical system interconnects with the transmission system of Western. The Western transmission system is part of the BANC balancing authority area and interconnects with the CAISO Controlled Grid. Roseville imports all of its requirements not met by the Roseville Energy Park and the Roseville Power Plant 2 over the Western transmission system. Roseville contracts for transmission service to meet its load under a NITS contract that expires on December 31, 2024. This contract provides for imports of electricity from various delivery points into the Roseville's electric system. Roseville pays a proportionate share of Western's cost for operating and maintaining the system, which is currently \$4.0 million per year.

***Balancing Authority of Northern California***. The Balancing Authority of Northern California ("BANC") is a joint powers authority consisting of the Sacramento Municipal Utility District ("SMUD"), the Modesto Irrigation District ("MID"), Roseville, the City of Redding, the Trinity Public Utility District, and the City of Shasta Lake. With a peak electricity demand of around 5,000 MW, BANC is the third

largest balancing authority in California, serving 763,000 retail customers, and includes more than 1,700 miles of high voltage transmission lines. Roseville represents approximately 7% of the total BANC member load.

***California Independent System Operator Controlled Grid.*** The CAISO provides a market for Roseville to purchase its incremental energy needs, and in which to sell the output of its entitlements in NCPA's generating units, and contract purchases. Under current CAISO operating protocols, Roseville pays per MWh charges for uses of the transmission system for exports from CAISO. Roseville estimates that approximately half of its incremental short-term energy needs are acquired from the CAISO Controlled Grid.

***TANC California-Oregon Transmission Project ("COTP").*** Roseville is a member of the Transmission Agency of Northern California ("TANC") and has executed the TANC Agreement for a participation percentage of TANC's entitlement of COTP transfer capability. Pursuant to the TANC Agreement, Roseville has a participation share of 2.313% of TANC's entitlement to transfer capability of the COTP (approximately 29.35 MW) and is responsible for 2.313% of TANC's COTP operating and maintenance expenses and 2.295 % of TANC's aggregate debt service on a take-or-pay basis. Roseville's share of annual debt service continues to the year 2039 and is approximately \$700,000 per year. See also "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

***TANC Tesla-Midway Transmission Service.*** The southern physical terminus of the COTP is near PG&E's Tesla Substation in the San Francisco Bay Area. The COTP is connected to Western's Tracy and Olinda Substations. TANC has arranged for PG&E to provide TANC and its members with 300 MW of firm bi-directional transmission capacity in its transmission system between its Tesla Substation and the Midway Substation (the "Tesla-Midway Service") under an agreement known as the South of Tesla Principles. Roseville's share of this Tesla-Midway Transmission Service is 5 MW. Roseville utilizes its allocation of Tesla-Midway Transmission Service for firm and non-firm power transactions when available and economic to do so. See also "CITY OF ALAMEDA—Joint Powers Agency—*TANC Tesla-Midway Transmission Service*" herein for additional information regarding the TANC Tesla-Midway Transmission Service.

***Roseville Layoff of COTP and Tesla-Midway Service.*** In 2009, with the assistance of TANC, Roseville reached an agreement with SMUD, Turlock Irrigation District ("TID") and MID to lay off its COTP and Tesla-Midway Transmission Service rights to TANC, and subsequently for TANC to layoff these rights to SMUD, TID and MID. This layoff was from 2009 through 2014 and all of Roseville's rights and obligations to the COTP project under the TANC Agreement were restored effective July 1, 2014.

## **Roseville Distribution System**

Roseville owns and operates the electrical distribution system serving retail customers within the City of Roseville boundaries. The distribution system is connected to the Western transmission system at two connection points, the 230-kV Berry Street Receiving Station and the 230-kV Fiddymont Station. The distribution system consists of over 145 miles of overhead lines, over 735 miles of underground lines, 53 fiber circuit miles, and 17 substations. Roseville performs continued maintenance on its distribution system to sustain service reliability.

## **Dispatch and Scheduling**

Roseville contracts with ACES to provide scheduling services and has discontinued its participation in the NCPA Power Pool. NCPA continues to dispatch the NCPA power plants to meet the schedules of



energy delivery prepared and submitted by ACES on Roseville's behalf. NCPA provides dispatch service from its Central Dispatch Center located at its headquarters in Roseville.

### **Energy Efficiency and Conservation**

In 1996, California Assembly Bill 1890 ("AB 1890"), the California electric utility deregulation law, required the establishment of public benefit programs for investor-owned and public power utilities through 2001. In 2006, Assembly Bill 2021 further required power utilities to set yearly goals for the actual amount of energy efficiency savings (in kWh) to be procured. These requirements have been further codified as part of the California Public Utilities Code. The California Public Utilities Code does not set an expiration/sunset date on these requirements for public power utilities. Roseville funds these programs at a minimum of 2.85% of budgeted yearly revenues (approximately \$4.0 million in Fiscal Year 2016-17).

Roseville has developed a full portfolio of public benefits programs for the Electric System since 1996, addressing the following areas of concentration required by State law: energy efficiency programs, renewable energy production, demand reduction, advanced electric technology demonstration, research and development, and low income assistance programs. Residential and commercial energy efficiency offerings focus primarily on summer period consumption reduction and include programs for both existing facilities and new construction.

Under California Assembly Bill 2021, Roseville is required to develop ten year plans for energy efficiency goals and report on these goals to the California Energy Commission ("CEC") with updates every four years (as recently amended from every three years). The CEC has the obligation to develop energy efficiency goals for the entire State, after consultation with utilities and others. The Roseville Electric System participates in the State effort, and the Roseville City Council approved the ten-year energy efficiency goals most recently in March 2017.

California Senate Bill 1037, signed into law in September 2005, established several important policies regarding energy efficiency. Among the many provisions of the law is a Statewide commitment to cost-effective and feasible energy efficiency, with the expectation that all utilities consider energy efficiency before investing in any other resources to meet growing demand. Roseville is required to report annually to its customers and to the CEC, its investment in energy efficiency and demand reduction programs. Roseville continues its commitment to energy efficiency and is in compliance with these requirements.

For a more detailed discussion of recent California legislation relating to the electric energy market, see "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments" in the front part of this Official Statement.

### **Employees**

**General.** As of June 30, 2017, 150 City of Roseville employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing, collections and accounting, are performed by the Finance Department of the City.

The bulk of the non-management City personnel working at the Electric System are represented by the International Brotherhood of Electrical Workers ("IBEW"). The current IBEW contract has a term through December 31, 2018. There have been no strikes or other work stoppages at Roseville, including at the Electric System.

***Retirement Benefits.*** Substantially all permanent City employees, including those employees assigned to the Electric System, are eligible to participate in pension plans offered by the California Public Employees Retirement System (“CalPERS”), an agent multiple employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. CalPERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earning from investments. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

The contribution requirement of plan members and the City are established and may be amended by CalPERS. CalPERS determines contribution requirements using a modification of the Entry Age Normal Method, which is a projected benefit cost method. This method takes into account the benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability.

Employees of the Electric System participate in the CalPERS Miscellaneous Plan, and the Electric System pays a percentage of the City’s Miscellaneous Plan expenses based on the number of employees. Active Miscellaneous Plan members are required to contribute 8.0% (6.25% for employees hired after January 1, 2013) of their annual covered salary. The City is required to contribute to at an actuarially determined rate. The rate for the year ended June 30, 2017 was 24.666% of annual covered payroll for Miscellaneous Plan employees. The City’s annual pension costs (and total contribution amount) for the Miscellaneous Plan in which the employees of the Electric System participate for the Fiscal Years 2016-17, 2015-16 and 2014-15 amounted to \$23,253,712, \$21,450,882, and \$19,956,451, respectively (of which \$4,661,017, \$3,666,954, and \$3,511,115, respectively, was contributed by the Electric System). The City paid 100% of the contributions required by CalPERS for each of such Fiscal Years. The budgeted contribution for the Electric System for Fiscal Year 2017-18 is \$4,810,716.

As of June 30, 2016 (the most recent actuarial information available), the Entry Age Actuarial Accrued Liability for the Miscellaneous Plan, in which City employees assigned to the Electric System participate, was \$581,478,243 and the Actuarial Value of Assets (which varies from market value) was \$53,826,000, with an Unfunded Actuarial Accrued Liability of (\$221,033,834), resulting in a funded ratio of 62.0%. The portion of the plan allocable to Roseville Electric System employees is not separately calculated.

CalPERS uses a market-related value method of valuing the CalPERS plan’s assets, which smooths the effect of short-term volatility in the market value of investments over a three-year period. The actuarial valuation assumptions used prior to 2017 include (a) a 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.55% to 14.45% for Miscellaneous Plan members; (c) an inflation component of 3%; and (d) a 2-3% per year cost-of-living adjustment for retirees. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 20 years. Investment gains and losses are accumulated as they are realized and 10% of the net balance is amortized annually.

On December 21, 2016, the CalPERS Board of Administration voted to lower the pension plan’s assumed rate of return for purposes of its actuarial valuations from 7.5% to 7.0% by 2020 (which reduction

will be phased in over the period from fiscal year 2017-18 to 2019-20). CalPERS has estimated that with a reduction in the rate of return to 7.0%, most employers could expect a 1% to 3% increase in the normal cost for Miscellaneous Plans. As a result, required contributions of employers, including the Electric System, toward unfunded accrued liabilities, and as a percentage of payroll for normal costs, are expected to increase.

On February 20, 2014, the CalPERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty-year amortization, beginning in the 2016-17 Fiscal Year. CalPERS has estimated that the adoption of the new assumptions will increase employer contribution rates (as a % of payroll) for most Miscellaneous Plans in the range of by 0.4% to 1.9% in the 2016-17 Fiscal Year and in the range of by 1.0% to 6.7% by 2020-21, depending on the benefit formula applicable to active members.

On September 12, 2012, the State of California passed Assembly Bill 340, the Public Employees' Pension Reform Act ("PEPRA"). PEPRA implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA. The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the City, have a five-year window to negotiate compliance with AB 340 through collective bargaining. The City is currently in compliance with the provisions of AB 340.

CalPERS predicts that the impact of AB 340 on employers, including the City, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, CalPERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

The City is unable to predict what the amount of CalPERS liabilities will be in the future or the amount of the CalPERS contributions which the City may be required to make, all as a result of the implementation of AB 340, and as a result of negotiations with its employee associations.

***Other Post-Employment Benefits.*** The City also provides post-employment medical benefits ("OPEB benefits") to substantially all retirees, including those assigned to the Electric System, under the City of Roseville Other Post Employment Benefit Plan, a sole employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the plan. The City manages the plan by investing assets in a Retiree Health Plan Trust (the "OPEB Trust"), established pursuant to a Trust Agreement, and managed by the OPEB's Trust Administrator, PFM Asset Management LLC. As of June 30, 2017, there were 707 participants receiving OPEB benefits under the plan.

The plan's annual required contribution ("ARC") is an amount determined in accordance with the parameters of GASB Statement 45. Plan members do not make contributions to the plan; the plan is funded entirely by the employer contributions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For the Fiscal Years 2016-17, 2015-16 and 2014-15, the City contributed 91% (\$13,717,275), 69% (\$11,471,000), and 64% (\$8,994,201), and respectively, of the Annual OPEB Cost based on an actuarially determined Annual OPEB Cost of \$15,055,239, \$16,643,000, and \$14,092,818, respectively. The City's Fiscal Year 2016-17 contribution included \$8,474,935 for pay-as-you-go premiums and a \$5,242,340 contribution to the OPEB Trust, to set aside monies for the long-term liability for OPEB Benefits. The City presently anticipates that its pay-as-you-go OPEB Plan benefit expense will be approximately \$8,429,000 for Fiscal Year 2017-18, and that it will also contribute \$5,708,000 to the OPEB Trust for such Fiscal Year. Of these contributions, the Electric System paid and contributed \$879,722 for pay-as-you-go OPEB Plan benefit expenses and \$831,050 (4.5% of payroll) to the OPEB Trust in Fiscal Year 2016-17. The Electric System presently anticipates that it will fund 100% of its ARC for Fiscal Years 2017-18 and 2018-19, including all pay-as-you-go OPEB Plan benefits and contributions to the OPEB Trust equal to 4.5% of payroll in each such Fiscal Year.

As of June 30, 2017 (the most recent actuarial information available), the Entry Age Actuarial Accrued Liability for the OPEB plan was \$215,404,000 and the Actuarial Value of Assets was \$71,154,000, with an Unfunded Actuarial Accrued Liability of \$144,250,000, resulting in a funded ratio of 33.0%. The Electric System makes annual contributions for the OPEB Plan expense. Estimates for the Actuarial Accrued Liability for the Electric System's OPEB obligation as of June 30, 2017 was \$19,341,000, the Present Value of Benefits was \$23,607,000 and the Actuarial Value of Assets was \$6,389,000. In the June 30, 2017 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used with a 30-year closed amortization period and level percentage of pay. The actuarial valuation assumptions used include (a) a 6.50% investment rate of return (net of administrative expense); (b) projected salary increases of 3.25% annually; (c) an inflation component of 3% per year; and (d) a healthcare trend of declining annual increases in costs of HMO and PPO plans, ranging from 9.00% to 9.40% in 2013 to 5.00% for years starting in 2021.

Additional information regarding the City of Roseville's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at [www.roseville.ca.us](http://www.roseville.ca.us).

## **Insurance**

The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the limit. General liability claims are covered up to \$40,000,000 with a self-insured retention of \$500,000 per claim. For the City's projected Fiscal Year 2017-18, the City's premium was \$828,064 with an additional \$1,625 charge to reflect the fees to access certain online risk management systems. Total premium cost to the City was \$829,689. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage is covered up to \$400,000,000 with a self-insured retention of \$25,000 per claim. For the City's projected Fiscal Year 2017-18, Boiler and Machinery damage is covered up to \$21,250,000 with a self-insured retention of \$5,000. For the City's projected Fiscal Year 2017-18, the annual premium for both paid was \$293,440.

Additionally, the City maintains insurance coverage for liabilities arising from the Roseville Energy Park Property. The policy has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. For the policy term of October 13, 2016 through October 13, 2017, the City's premium was \$369,667.60. The City has also purchased fiduciary insurance specifically to cover the OPEB Trust; see "Employees—*Other Post-Employment Health Benefits*" above. The self-insured retention was \$15,000 per claim up to a \$3,000,000 limit. For the policy term of January 15, 2018 through January 15, 2019, the City's premium was \$36,120.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limit. The City has a self-insured retention of up to \$500,000 per claim. During Fiscal Year 2017-18, the City paid \$678,275 for current year coverage.

### **Projected Capital Improvement Plan**

Roseville's currently anticipated capital improvement plan for the Electric System encompasses both improvements to Roseville's electricity distribution system and rehabilitation projects for assets that can no longer provide the necessary service. As shown in the Capital Improvement Plan Summary below, Roseville has planned Electric System capital spending of approximately \$102 million over the five Fiscal Years 2017-18 through 2021-22, of which \$25 million is included in the Fiscal Year 2017-18 budget. Funds for the additional \$77 million will be requested when necessary.

#### **CITY OF ROSEVILLE ELECTRIC SYSTEM CAPITAL IMPROVEMENT PLAN SUMMARY**

<b>Fiscal Year Ending June 30</b>	<b>Planned Capital Improvement Projects</b>
2017-18	\$ 25,000,000
2018-19	26,000,000
2019-20	22,000,000
2020-21	13,000,000
2021-22	16,000,000
Total:	<u>\$102,000,000</u>

*Source:* City of Roseville.

Roseville currently expects to fund the capital expenditures primarily with revenues collected from rates and development fees.

### **Electric Rates**

**Rate Setting Procedure.** Under the City Charter and State law, the City has the exclusive jurisdiction to set electric rates within its service area by ordinance, which requires a majority vote of the City Council. These rates are not currently subject to review by the California Public Utilities Commission or any State or federal agency. The City Council reviews Electric System rates periodically and makes adjustments as necessary.

The City Council is also authorized by the City Charter to set charges, pay for and supply all electric power to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the City Council. The City Charter provides that the City Council will have the power to charge equitable rates for the electric services furnished and for building up the electric properties so as to conserve their value and increase their capacity as needed by Roseville. In addition, the City Charter provides for the maintenance of the electric funds for the Electric System into which is deposited receipts from the operations of the Electric System and from which are payable the costs and expenses of the Electric System.

***Service Charges and Demand Charge.*** Roseville’s monthly residential electric rates currently include a \$26.00 basic service charge, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.0931 per kWh consumed up to 500 kWh, and \$0.1435 per kWh for consumption in excess of 500 kWh. Residential customers meeting certain criteria can apply for special residential rates such as an Electric Rate Assistance Program and Medical Support Rate Reduction.

For small and medium business customers, the monthly basic service charge ranges from \$38.00 to \$65.00, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.0974 to \$0.1235 per kWh consumed. Medium business customers are also subject to a demand charge of \$6.16 per kW per month.

For large business customers, the monthly basic service charge is \$521.00, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0682 to \$0.1408 per kWh. Large business customers are also subject to a seasonal demand charge of \$6.60 per kW per month in winter and \$11.57 per kW per month in summer.

For very large business customers, the monthly basic service charge is \$591.00, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0674 to \$0.1397 per kWh. Very large business customers are also subject to a seasonal demand charge of \$6.71 per kW per month in winter and \$11.51 per kW per month in summer.

A hydroelectric adjustment formula was adopted by the City Council in March 2009, to reflect deviations of precipitation from average conditions that significantly change hydroelectric production. This surcharge may change annually, based on annual hydroelectric conditions, up to a maximum of 5% of total electric charges. As a result of average precipitation levels from July 2016 through June 2017 there is no surcharge currently in effect.

***Recent History of Electric Rate Adjustments.*** From Fiscal Year 2010-11 through 2017-18, Roseville’s retail electric rates have increased an average of approximately 2.05% annually. The following table sets forth Roseville’s recent rate change history.

**CITY OF ROSEVILLE  
RATE ADJUSTMENTS  
Fiscal Years 2010-11 through 2017-18**

Date	Percent Change (Average)
January 1, 2018	0.00%
January 1, 2017	0.00
January 1, 2016	0.00
January 1, 2015	0.00
July 1, 2014	2.00
July 1, 2013	2.00
January 1, 2012	0.00
January 1, 2011	6.20
July 1, 2010	6.20

*Source:* City of Roseville.

## **Rate Stabilization Fund**

On May 8, 1996, the City Council adopted Resolution No. 96-148, which provides for, among other policies, the establishment of a rate stabilization fund (the “RSF” or “Rate Stabilization Fund”), in order to remain competitive under industry-wide restructuring of the electric industry. Such policies also provide for the recovery of capital costs of Roseville’s electric generating assets. On March 18, 2009 the City Council reviewed the financial policy that defines the range of the Rate Stabilization Fund balance, reducing the minimum balance from 60% to 40% of operating expenses. This action was taken in conjunction with the implementation of a hydroelectric rate adjustment mechanism that adjusts electric rates up to 5% without further City Council action when hydroelectric conditions increase or decrease electric operating expenses. The Rate Stabilization Fund has a balance of \$59 million as of June 30, 2017. The City estimates that under current revenue estimates, the Rate Stabilization Fund is expected to be sufficient to pay for currently anticipated contingencies related to power supply costs.

## **Indebtedness; Joint Powers Agency Obligations**

***Electric System Revenue Certificates and Bonds.*** As of January 31, 2018, Roseville had outstanding approximately \$207,725,000 principal amount of certificates of participation and refunding revenue bonds (the “Outstanding Electric System Certificates and Bonds”) that were executed and delivered to finance and refinance improvements to the Electric System. The Outstanding Electric System Certificates and Bonds are payable from certain payments to be made by Roseville under an installment purchase contract (the “Installment Purchase Contract”), the payments under which are payable from and secured by the Net Revenues of the Electric System (“Net Revenues” are defined generally as revenues of the Electric System less the maintenance and operation costs of the Electric System during any 12-month period). These obligations are subordinate to the payments required to be made with respect to Roseville’s obligations to NCPA and TANC described below.

***Joint Powers Agency Obligations.*** As previously discussed, Roseville participates in certain joint powers agencies, including NCPA and TANC. The obligations of Roseville under its agreements with NCPA and TANC constitute operating expenses of the Electric System payable on a senior basis to any of the payments required to be made on Roseville’s Outstanding Electric System Certificates and Bonds. The agreements with NCPA and TANC are on a “take-or-pay” basis, which requires payments to be made whether or not projects are operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain “step up” provisions obligating Roseville to pay a share of the obligations of a defaulting participant and granting Roseville a corresponding increased entitlement to electricity (generally, Roseville’s “step-up” obligation is limited to 25% of Roseville’s scheduled payments on such obligations). Roseville’s participation and share of debt service obligation (without giving effect to any “step-up” provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**CITY OF ROSEVILLE  
ELECTRIC SYSTEM  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES<sup>(1)</sup>  
(Dollar Amounts in Millions)  
(As of January 31, 2018)**

	<b>Outstanding Debt<sup>(2)</sup></b>	<b>Roseville Participation<sup>(3)</sup></b>	<b>Roseville Share of Outstanding Debt<sup>(2)</sup></b>
NCPA			
Geothermal Project	\$ 28.8	7.88%	\$ 2.3
Hydroelectric Project	322.4	12.00 <sup>(4)</sup>	31.9
Capital Facilities Project	33.8	36.50	12.4
TANC			
Bonds	208.4	2.32	4.8
<b>TOTAL *</b>	<b>\$593.4</b>		<b>\$51.4</b>

<sup>(1)</sup> Excludes Roseville Natural Gas Financing Authority. See "Natural Gas Prepayment" above.

<sup>(2)</sup> Principal only. Does not include obligation for payment of interest on such debt.

<sup>(3)</sup> Participation based on actual debt service obligation. Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

<sup>(4)</sup> Roseville's actual payments represent approximately 9.9% of outstanding debt service as a result of credit received by it as a non-participating member with respect to portion of debt obligation.

Note: Numbers may not total due to rounding.

Source: City of Roseville.

A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint powers agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Roseville). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Roseville).



## **Litigation**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Roseville in the execution or delivery or performance of, or in any way contesting or affecting the validity of any proceedings of Roseville taken with respect to the Third Phase Agreement.

There is no litigation pending, or to the knowledge of Roseville, threatened, questioning the existence of Roseville, or the title of the officers of Roseville to their respective offices. There is no litigation pending, or to the knowledge of Roseville, threatened, questioning or affecting in any material respect the financial condition of Roseville's Electric System.

Present lawsuits and other claims against Roseville's Electric System are incidental to the ordinary course of operations of the Electric System and are largely covered by Roseville's self-insurance program. In the opinion of Roseville's management and the Roseville City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position of Roseville.

## **Financial Information**

***Significant Accounting Policies.*** Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Electric System is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Electric Fund uses the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Investments are stated at cost. Inventories are valued at weighted average method. Capital assets are recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

***Audited Financial Statements.*** Roseville's most recent Annual Financial Report for Fiscal Year 2016-17 was audited by Vavrinek, Trine, Day & Co., LLP, Sacramento, California, in accordance with generally accepted auditing standards. The audited financial statements contain opinions that the financial statements present fairly the financial position of the various funds maintained by Roseville. The reports include certain notes to the financial statements which are not fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on the City's website, [www.roseville.ca.us](http://www.roseville.ca.us).

## **Historical Revenues, Expenses and Debt Service Coverage**

The following table presents a summary of the revenues, expenses, and debt service coverage for the City's Electric Fund for Fiscal Years 2012-13 through 2016-17 on a historical basis. This table is based

on historic operating results of the Electric System, but is presented on a cash basis consistent with the definitions of revenues and maintenance and operation costs as defined in the Installment Purchase Contract relating to Roseville's Outstanding Electric System Certificates and Bonds, and as such, does not match the audited financial statements of the Electric System. The table also includes a five-year history of balances in the Rate Stabilization Fund, and calculates debt service coverage both with and without taking into account the Rate Stabilization Fund balance.

The table below as it is presented is not available in the City's audited financial statements for the Electric System; it has been designed to reflect revenues and coverage in a manner which meets GAAP standards and is reflective of the definitions of revenues and maintenance and operation costs as defined in the Installment Purchase Contract relating to Roseville's Outstanding Electric System Certificates and Bonds. The figures shown in the table are accounted for in the City's audited financial statements (for Fiscal Years 2012-13 through 2016-17) but the presentation in the audited financial statements may not necessarily correlate to the line item designations in the table.

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**CITY OF ROSEVILLE  
ELECTRIC FUND  
STATEMENT OF REVENUES AND EXPENSES  
Fiscal Years 2012-13 through 2016-17  
(Dollars in Thousands)**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
<b><u>Revenues</u></b>					
Charges for Services	\$156,986	\$159,677	\$164,822	\$163,762	\$161,329
Other <sup>(1)</sup>	2,016	2,325	3,508	2,959	4,678
Total Revenues	<u>\$159,002</u>	<u>162,002</u>	<u>168,330</u>	<u>166,721</u>	<u>166,007</u>
<b><u>Operating Expenses</u></b>					
Power Supply	\$ 96,314	91,793	90,285	84,068	81,204
Non-Power Costs <sup>(2)</sup>	18,744	19,434	20,933	27,345	36,771
Indirect Costs and Transfers <sup>(3)</sup>	8,393	7,718	8,869	6,975	8,297
Total Operating Expenses	<u>\$123,451</u>	<u>118,944</u>	<u>120,087</u>	<u>118,387</u>	<u>126,272</u>
<b>Net Revenue</b>	\$ 35,551	43,058	48,243	48,334	39,735
<b>Debt Service</b>	\$ 16,942	15,415	16,176	16,185	15,950
<b><u>Adjusted Net Revenue</u></b>					
Net Revenue	\$ 35,551	43,058	48,243	48,334	39,735
Interest Revenue (excluding unrealized gain/loss)	381	603	795	1,212	1,887
Adjusted Net Revenue	<u>\$ 35,932</u>	<u>43,661</u>	<u>49,038</u>	<u>49,546</u>	<u>41,623</u>
Debt Service Coverage Ratio	2.12	2.83	3.03	3.06	2.61
Rate Stabilization Fund Balance <sup>(4)</sup>	\$41,386	\$47,209	\$50,768	\$58,381	\$58,943
Transfers (to) Rate Stabilization Fund	(3,305)	(5,387)	(3,400)	(7,000)	-
Debt Service Coverage ratio including Rate Stabilization Fund <sup>(5)</sup>	4.37	5.53	5.96	6.24	6.31

<sup>(1)</sup> Remediation Revenue stopped being reported in Other Revenue in Fiscal Year 2012-13, and is now reflected as a net in the Power Supply Operating Expenses item.

<sup>(2)</sup> Includes distribution operations and administration expenses, including the Electric System's share of CalPERS costs.

<sup>(3)</sup> Represents operating payments to the City as reimbursement for the Electric System's share of certain overhead expenses such as information technology, meter reading, traffic signal transfer, enterprise asset management contribution, facility lease payments, utility exploration center operations, retired employees' health costs, the Electric System's share of GIS system costs, payroll, human resources, OPEB costs, etc.

<sup>(4)</sup> Represents available resources as of June 30, which includes cash as well as moneys due the fund from internal borrowing.

<sup>(5)</sup> Funds on deposit in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "Rate Setting – Rate Stabilization Fund" and "Security for the 2017 Bonds – Rate Stabilization Fund."

Source: City of Roseville.

## **CITY OF SANTA CLARA**

### **Introduction**

The City of Santa Clara (“Santa Clara” or the “City” herein) is a charter city located in the State of California. Pursuant to its charter, Santa Clara has the power to furnish electric utility service within its service area. In connection therewith, Santa Clara has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities or services it provides and to incur indebtedness.

Santa Clara provides electric utility service through its electric utility department. Santa Clara offers its electricity and energy services through the trademarked name of “Silicon Valley Power.” In addition, Santa Clara provides other city services to its inhabitants, including police and fire protection, and water and sewer service.

The legal responsibilities and powers of Santa Clara, including the establishment of rates and charges for electric service, are exercised by the seven-member Santa Clara City Council. The members of Santa Clara City Council are elected city-wide for staggered four year terms. The Santa Clara electric utility department is under the direction of the Chief Electric Utility Officer who, together with certain other senior managers of the electric utility department, is appointed by and reports to the Santa Clara City Manager.

Since 1896, Santa Clara has provided all electric service within an area coterminous with the City of Santa Clara’s boundaries. As of January 1, 2017, Santa Clara had an estimated population of 123,983. For the Fiscal Year ended June 30, 2017, Santa Clara served an average of 54,737 customers per month, had total sales of 3,476 GWh and a peak demand of 568.1 MW. In Fiscal Year 2016-17, approximately 93% of Santa Clara’s energy sales were made to commercial and industrial customers.

To provide electric service within its service area, Santa Clara owns and operates an electric system which includes generation, transmission and distribution facilities. Santa Clara also purchases power and transmission services from other providers and participates in other utility type arrangements.

Only the revenues of the Santa Clara electric utility department will be available to pay amounts owed by Santa Clara under the Third Phase Agreement.

The Santa Clara electric utility department’s main office is located at Santa Clara City Hall, 1500 Warburton Avenue, Santa Clara, California 95050, (408) 615-6600. A copy of the most recent audited financial statements of the Santa Clara electric utility enterprise fund (the “Annual Report”) may be obtained from John C. Roukema, Chief Electric Utility Officer, at the above address and telephone number, and is also available on Santa Clara’s website at [www.siliconvalleypower.com](http://www.siliconvalleypower.com). The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the 2018 Bonds.

### **Power Supply Resources**

The following table sets forth information concerning Santa Clara’s power supply resources and the energy supplied by each during the Fiscal Year ended June 30, 2017.

**CITY OF SANTA CLARA**  
**ELECTRIC UTILITY DEPARTMENT**  
**POWER SUPPLY RESOURCES**  
**(For the Fiscal Year Ended June 30, 2017)**

<b>Source</b>	<b>Capacity Available (MW)</b>	<b>Recorded Energy (GWh)</b>	<b>Percent of Total Energy</b>
City-Owned Generating Facilities <sup>(1)</sup>			
Cogeneration	7.0	47.93	1.3%
Stony Creek Hydro System	11.6	32.88	0.9
Gianera Generating Station	49.5	1.43	0.0
Grizzly Project	17.7	88.33	2.4
Don Von Raesfeld Power Plant	147.8	725.69	20.0
Jenny Strand Solar Park	0.1	0.19	0.0
Santa Clara Tioga Canopy	0.4	0.60	0.0
Purchased Power: <sup>(2)</sup>			
Western <sup>(3)</sup>	136.0	395.24	10.9
Altamont Wind <sup>(4)</sup>	17.1	7.91	0.2
Manzana Wind	50.0	138.36	3.8
G2 (Landfill)	1.5	10.95	0.3
Ameresco (Landfill)	0.8	1.82	0.1
Ameresco FWD (Landfill)	4.2	32.78	0.9
Ameresco VASCO (Landfill)	4.3	34.38	0.9
TriDam-Beardsley	11.5	76.62	2.1
TriDam-Donnells	72.0	377.02	10.4
TriDam-Tulloch	25.9	106.89	2.9
TriDam-Sandbar	16.2	65.57	1.8
Rosamond (Recurrent Solar)	20.0	57.67	1.6
Graphics Packaging	27.7	135.32	3.7
Friant 1	25.0	83.64	2.3
Quinten Luallen (Friant 2)	7.3	6.16	0.2
Market Purchases	50.0	0.08	0.0
Joint Power Agencies:			
NCPA			
Geothermal Project	55.7	360.89	9.9
Combustion Turbine Project	31.0	5.35	0.1
Lodi Energy Center Project	77.9	77.40	2.1
Hydroelectric Project	93.6	360.97	9.9
M-S-R PPA			
San Juan <sup>(5)</sup>	51.0	351.60 <sup>(4)</sup>	9.7
Big Horn I Wind Energy	105.0	256.17	7.1
Big Horn II Wind Energy	17.0	43.32	1.2
Market Sales	--	(216.76)	(6.0)
Additional Generation Absorbed in Transmission and Distribution Losses and Unmetered Accounts <sup>(6)</sup>	--	(38.16)	(1.1)
Total*	1,134.9	3,628.24	100.0%

\* Columns may not add to totals due to rounding.

(1) Rated or name-plate capacities.

(2) Capacity available represents entitlements, firm allocations and contract amounts.

(3) Santa Clara purchased varying amounts of capacity from Western during the year.

(4) Contract terminated July 31, 2016.

(5) Santa Clara divested active participation in San Juan as of December 31, 2017.

(6) Does not include total transmission and distribution losses which totaled 4.95 percent of total recorded energy consumption.

Source: City of Santa Clara.

## Generating Facilities

***Cogeneration.*** Santa Clara owns and operates a cogeneration plant which began operation in 1981. The cogeneration plant provides steam for sale to a paperboard plant in Santa Clara and delivers power to Santa Clara's electric distribution system. Santa Clara upgraded this plant to obtain a new name-plate rating of 7.0 MW, effective July 1995. Fuel for the cogeneration plant (natural gas) is generally acquired under term contracts at prices fixed for the contract term.

***Stony Creek Hydroelectric System.*** Santa Clara owns and operates three hydroelectric plants consisting of (i) a 4.9 MW hydroelectric generating plant located at the United States Bureau of Reclamation Stony Gorge Dam near Willows, California, which was completed in 1985, (ii) a 6.2 MW hydroelectric generating plant located at the United States Army Corps of Engineers' Black Butte Dam near Orland, California, which was completed in late 1988, and (iii) a 0.53 MW hydroelectric generating plant located at the Orland Unit Water Users' Association High Line Canal/South Side Canal drop near the Black Butte dam, which was completed in late 1988.

***Gianera Generating Station.*** Santa Clara owns and operates a nominal 49.5 MW dual fuel (natural gas and fuel-oil) combustion turbine generating plant consisting of two 25 MW units, which were completed in 1986 and 1987, respectively. This generation station is used to help meet Santa Clara's peak load and resource adequacy requirements.

***PG&E Grizzly Project.*** Pursuant to a 1990 settlement agreement with Pacific Gas and Electric Company ("PG&E"), Santa Clara agreed to finance and own 100% of a 20 MW hydroelectric facility (the "Grizzly Project") located on Grizzly Creek above the North Fork of the Feather River in Plumas County, California. The Grizzly Project operates in combination with the hydroelectric facilities of PG&E's Bucks Creek project. Pursuant to the settlement agreement, Santa Clara became a joint licensee in PG&E's Bucks Creek project. The construction of the Grizzly Project was financed (and refinanced) through the issuance by Santa Clara of electric system revenue bonds. Pursuant to the settlement agreement, PG&E constructed and operates the Grizzly Project, which was placed into operation in November 1993.

Until the date Santa Clara's ownership of the Grizzly Project is terminated (as described below), Santa Clara will own and receive all energy generated by the Grizzly Project, less transmission losses, as described in the settlement agreement (which reflects a contract capacity amount of 17.66 MW).

The Grizzly Project facilities include a tunnel intake structure, surge tank, steel penstock, powerhouse, turbine, transmission line (nominally rated at 115 kV) for interconnection with PG&E's transmission system and certain additional switchyard equipment and related facilities. Annual energy generation of the Grizzly Project is estimated at 43.4 GWh in an average water year and 26.1 GWh in dry years. For the Fiscal Year that ended June 30, 2017, the Grizzly Project generated 88.33 GWh of energy.

Pursuant to the settlement agreement, Santa Clara's interest in the Grizzly Project may revert to PG&E under certain limited circumstances. In the event of such reversion, Santa Clara will be reimbursed by PG&E for the fair market value of the project or be reimbursed for costs advanced by Santa Clara as provided in the settlement agreement. The earliest possible reverter date under the settlement agreement is November 18, 2027.

***Don Von Raesfeld Power Plant.*** Santa Clara constructed and placed into commercial operation on March 22, 2005, a 122 MW nominal/147 MW peak, natural gas-fired, combined cycle power plant known as the "Don Von Raesfeld Power Plant" (initially designated by the Santa Clara City Council as the Pico Power Plant). The Don Von Raesfeld Power Plant is located in an industrial area of Santa Clara, on the site of Santa Clara's Kifer Receiving Station. The Don Von Raesfeld Power Plant includes its own

switchyard, and connects to an existing 115 kV transmission line that currently crosses the plant site. Natural gas for the Don Von Raesfeld Power Plant is delivered through an approximately two mile gas pipeline from the local transmission main of PG&E. For the Fiscal Year ended June 30, 2017, the Don Von Raesfeld Power Plant generated 725.69 GWh of energy. Santa Clara has long-term agreements with Shell Energy North America and M-S-R Energy Authority in place for a significant portion of the plant's fuel requirements, and actively manages the quantity and price risks associated with fuel supply quantities not under long-term agreement. See "– Fuel Supply" below. Fully baseloaded, the Don Von Raesfeld Power Plant could generate approximately 1,000 GWh of energy per year. However, Santa Clara substitutes market purchases when it is economical to do so.

***Jenny Strand Solar Park.*** Santa Clara originally entered into an agreement with MiaSole, a California corporation, on December 6, 2011 for the purpose of having MiaSole donate one thousand (1,000) solar modules to the City at no cost to the City to further City's ability to provide renewable power. On February 1, 2015, the original party "MiaSole" transferred ownership to MiaSole Hi-Tech Corp. MiaSole Hi-Tech Corp transferred 1,121 solar modules to the City, at no cost to the City, to further City's ability to provide renewable power.

***Santa Clara Tioga Canopy.*** On February 2, 2012, Santa Clara entered into a 20-year Power Purchase Agreement with Tioga Solar Santa Clara, LLC. The project is located on the City of Santa Clara's multi-level parking structure on Tasman Drive in the city of Santa Clara. Nameplate capacity is 389.76 kW.

### **Joint Powers Agency Resources**

***NCPA Geothermal Project.*** Santa Clara has purchased from NCPA, pursuant to power sales contracts, 54.65% and 34.13% entitlement shares, respectively, in the capacity of NCPA's Geothermal Project Plant 1 and Plant 2, and is obligated to pay 44.39% of the debt service and operating costs associated with such plants and steam field. The Geothermal Project power sales contracts are "take-or-pay" power sales contracts which requires payments to be made whether or not the project is operable. Santa Clara's payments to NCPA under such power sales contracts, including debt service on NCPA's Geothermal Project revenue bonds, constitute an operating expense of Santa Clara's electric system. Each participant in NCPA's Geothermal Project is responsible under its power sales contracts for paying its capacity share of all of NCPA's costs of the Geothermal Project, including debt service on the NCPA Geothermal Project revenue bonds, and subject to a "step-up" obligation of up to 25% upon the unremedied default of another NCPA Geothermal Project participant. Santa Clara is currently taking delivery of its share of the capacity and associated energy from the Geothermal Project. For the fiscal year ended June 30, 2017, Santa Clara received 360.89 GWh of electric energy from the Geothermal Project. Santa Clara's share of the current California Independent System Operator ("ISO") maximum rated capacity of the project is 71.7 MW.

Santa Clara has a 55 MW share in NCPA's Geysers Transmission Project, which provides a link from the Geysers to PG&E's bulk transmission system. Through a long-term contract with the California Department of Water Resources ("CDWR"), sufficient additional transmission capability on the same line is available for the balance of Santa Clara's share of the capacity and energy produced by the NCPA Geothermal Project. Santa Clara obtains additional transmission services to Santa Clara for its share of the output of NCPA Geothermal Project from arrangements with PG&E and the ISO.

***NCPA Combustion Turbine Project No. 1.*** Santa Clara has purchased a 25% entitlement share in NCPA's Combustion Turbine Project pursuant to a power sales contract with NCPA, which was amended to reflect that Santa Clara's 25% share comes specifically from the two Alameda plants and the one Lodi plant. Santa Clara uses this entitlement for resource adequacy purposes and to meet peak load requirements. Santa Clara delivers this entitlement to its electric system in accordance with ISO tariffs. For the Fiscal

Year ended June 30, 2017, Santa Clara received 5.35 GWh of electric energy from the Combustion Turbine Project.

***NCPA Hydroelectric Project.*** Pursuant to a power sales contract, Santa Clara has purchased from NCPA a 37.02% entitlement share in NCPA's Hydroelectric Project (including a 1.16% entitlement share laid off to Santa Clara from the cities of Biggs and Gridley). The Hydroelectric Project power sales contract is a "take-or-pay" power sales contract which requires payments to be made whether or not the project is operable. Santa Clara's payment to NCPA under such power sales contract, including debt service on NCPA's Hydroelectric Project revenue bonds, constitute an operating expense of Santa Clara's electric system. Each participant in NCPA's Hydroelectric Project is responsible under its power sales contract for paying its entitlement share in the Hydroelectric Project of all of NCPA's costs of the Hydroelectric Project, including debt service on the NCPA Hydroelectric Project revenue bonds as well as a "step-up" of up to 25% in the event of the unremedied default of another project participant. Santa Clara is using its Hydroelectric Project entitlement to serve peak load and to provide capacity to support non-firm purchases of energy at market prices. For the Fiscal Year ended June 30, 2017, Santa Clara received 360.97 GWh of electric energy from the NCPA Hydroelectric Project. Santa Clara receives this entitlement to its system by using transmission service available under its Metered Subsystem Agreement ("MSS Agreement") with the ISO.

***NCPA Lodi Energy Center.*** Pursuant to a power sales agreement (the "LEC Power Sales Agreement"), Santa Clara has purchased from NCPA a 25.75% generation entitlement share of the capacity and energy of the Lodi Energy Center on an unconditional take-or-pay basis, and is obligated to pay 25.75% of NCPA's Lodi Energy Center operating and maintenance expenses and 46.16% of the debt service for the Lodi Energy Center Revenue Bonds, Issue One. Santa Clara's obligations to make payments to NCPA under the LEC Power Sales Agreement are not dependent upon the operation of the Lodi Energy Center and are not subject to reduction. Upon an unremedied default by one Indenture Group A Participant (being all of the below-named LEC Project Participants other than Modesto and CDWR) in making a payment required under the LEC Power Sales Agreement, the nondefaulting Indenture Group A Participants are required (except as lay-offs are made pursuant to the LEC Power Sales Agreement) to increase pro-rata their participation percentage by the amount of the defaulting Indenture Group A Participant's entitlement share, provided that no such increase can result in a greater than 35% increase in the participation percentage of the nondefaulting Indenture Group A Participants.

For Fiscal Year ended June 30, 2017, Santa Clara received 77.40 GWh of electric energy from the Lodi Energy Center. Santa Clara received this entitlement to its system by using transmission service available under its MSS Agreement with the ISO.

For a description of such NCPA resources, see "THE HYDROELECTRIC PROJECT" and "OTHER NCPA PROJECTS" in the front part of this Official Statement. See also "Indebtedness" below.

***TANC California-Oregon Transmission Project.*** Santa Clara is a member of TANC and has executed the TANC Agreement for a participation percentage of TANC's entitlement of COTP transfer capability. Pursuant to the TANC Agreement, Santa Clara's participation percentage was 20.4745% of TANC's share of COTP transfer capability (approximately 278 MW net of third party layoffs of TANC). Effective July 1, 2014, Santa Clara laid-off 147 MWs of this entitlement to MID, TID and SMUD under 25-year agreement. During the term of this agreement, the parties taking on the entitlement will assume responsibility for all associated debt service, operations and maintenance costs and all administrative and general costs. As a result of the layoff agreement, Santa Clara's is currently responsible for paying approximately 10.01% of the operating and maintenance expenses of the COTP and approximately 9.81% of TANC's COTP debt service. Santa Clara remains contractually obligated for its full participation share. Santa Clara's payments to TANC under the TANC Agreement, including debt service on TANC's revenue



bonds, constitute an operating expense of Santa Clara's electric system. Santa Clara is using a portion of its share of the project transfer capability of the COTP to provide transmission of energy generated from the Big Horn Projects and Santa Clara's share of the SCL-NCPA Exchange Agreement (described below under "Purchased Power"). See "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

***TANC Tesla—Midway Transmission Service.*** The southern physical terminus of the COTP is near PG&E's Tesla Substation near Tracy, California. The COTP is connected to Western's Tracy and Olinda Substations. TANC and certain TANC Members have arranged for PG&E to provide TANC and such TANC Members with 300 MW of firm, bi-directional transmission capacity on its transmission system between PG&E's Midway Substation and the electric systems of the TANC Members or the COTP (the "Tesla-Midway Service") under a long-term agreement known as the South of Tesla Principles. See "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

Santa Clara's share of Tesla—Midway Transmission Service is 81 MW. Santa Clara utilizes its share of the TANC Tesla—Midway Transmission Service to provide access to power supplies located in the southwest, including delivery of power and energy from the San Juan Unit No. 4. See "*M-S-R PPA Purchased Power—San Juan*" below.

***M-S-R PPA Purchased Power—San Juan.*** Santa Clara, along with the Modesto and the City of Redding (hereinafter, "Redding"), is a member of a California joint powers agency known as the M-S-R Public Power Agency ("M-S-R PPA").

M-S-R PPA purchased a 28.8% (approximately 146 MW) ownership interest in San Juan Unit No. 4 (the "M-S-R PPA San Juan Unit No. 4 Interest") on December 31, 1983, and began taking direct deliveries of energy and capacity from San Juan Unit No. 4 on May 1, 1995. M-S-R PPA divested its M-S-R PPA San Juan Unit No. 4 Interest on December 31, 2017, although it retains certain liabilities for a share of the costs of plant decommissioning and mine reclamation, all as described below. Santa Clara has planned to replace the energy once provided by the San Juan resource with energy from the Lodi Energy Center, and a number of power purchase agreements that Santa Clara has entered into over the last several years, including, Friant Power Facility 1 and Friant Power Facility 2, the Manzana Wind Power Project, and multiple power purchase agreements. Future projects include the Central 40, LLC solar PV project with 40 MW of capacity, and the Altamont Wind Re-power project with 49.5 MW of capacity, both of which have an effective commercial operation date in 2021. See "*Future Power Supply Resources*" below for additional contract details.

San Juan Unit No. 4 is a coal-fired steam electric generating unit with a net generating capability of 507 MW, located in San Juan County, New Mexico, which was constructed and is operated by the Public Service Company of New Mexico ("PNM"). San Juan Unit No. 4 is one of four generating units that together make up the San Juan Generation Station. M-S-R PPA financed the acquisition of its M-S-R PPA San Juan Unit No. 4 Interest through the issuance of San Juan Project revenue bonds, of which \$136,055,000 principal amount was outstanding as of February 1, 2018.

Santa Clara purchased from M-S-R PPA, on a take-or-pay basis, a 35% entitlement share (approximately 51.1 MW of capacity and associated energy) in the M-S-R PPA San Juan Unit No. 4 Interest pursuant to a power sales agreement (the "M-S-R PPA Agreement"), between M-S-R PPA and Santa Clara. Santa Clara's payments to M-S-R PPA under the M-S-R PPA Agreement, including debt service on M-S-R PPA revenue bonds, constitute an operation and maintenance cost of Santa Clara's electric system. Santa Clara's obligations to make payments to M-S-R PPA under the M-S-R PPA Agreement, including to provide for the payment by M-S-R PPA of debt service on its San Juan Project revenue bonds, are not

dependent upon the operation of the San Juan Unit No. 4 and are not subject to reduction. Pursuant to the M-S-R PPA Agreement, upon failure of any M-S-R PPA Participant to make any payment thereunder which failure constitutes a default under the M-S-R PPA Agreement, the participation percentage of each non-defaulting participant automatically shall be increased for the remaining term of the M-S-R PPA Agreement in proportion to its participation percentage; provided, however, that the sum of such increase for any non-defaulting participant shall not exceed 25% of its original participation percentage.

The M-S-R PPA San Juan Unit No. 4 Interest was initially purchased to provide baseload power to the M-S-R PPA members and to act as a hedge against the rising costs of whole sale power purchases. Following the implementation by the California Air Resources Board (“CARB”) of the cap-and-trade program adopted in 2011 pursuant to Assembly Bill 32 to reduce greenhouse gas emissions, M-S-R PPA members were required to account for carbon emissions of the M-S-R PPA San Juan Unit No. 4 Interest and provide off-setting allowances thereto for any electricity delivered to California.

In addition, the San Juan Generation Station is a resource that is subject to the statutory obligations of the federal Clean Air Act to reduce visibility impacts. Regulatory proceedings and other related litigation concerning the application of federal Clean Air Act requirements at the San Juan Generation Station were ongoing for a number of years. Following the release of a State Implementation Plan (“SIP”) by the State of New Mexico and a Federal Implementation Plan (“FIP”) by the United States Environmental Protection Agency (the “EPA”) to address visibility impacts of the project, during 2012 and early 2013, PNM, as the operating agent for the San Juan Generation Station, engaged in discussions with the New Mexico Environment Department (“NMED”) and the EPA regarding an alternative plan to the FIP and SIP. Following approval by a majority of the other San Juan Generation Station owners, on February 15, 2013, PNM, the NMED and the EPA agreed to pursue a plan that could provide a Best Available Retrofit Technology path to comply with federal visibility rules at the San Juan Generation Station. The terms of the plan would result in the retirement of the San Juan Generation Station Unit Nos. 2 and 3 by the end of 2017 and the installation of selective non-catalytic reduction technology on Unit Nos. 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP (which installation was completed in January 2016). In 2013, the State of New Mexico submitted a revised SIP pursuant to this agreement and on September 26, 2014, the EPA finally approved the revised SIP and withdrew its FIP.

In connection with the implementation of the revised plan and the planned retirement of the San Juan Generation Station Unit Nos. 2 and 3, certain San Juan Generation Station participants, including M-S-R PPA, expressed a desire to exit their ownership in the plant. On June 20, 2014, representatives of the nine San Juan Generation Station owners reached an initial non-binding agreement in principle on the ownership restructuring of the San Juan Generation Station. At its July 22, 2015 meeting, the M-S-R PPA Commission approved a number of agreements (the “San Juan Restructuring Agreements”) to provide for the interests of M-S-R PPA and certain other owners (the “exiting participants”) in the San Juan Generation Station to be transferred to the remaining owners effective December 31, 2017. The San Juan Restructuring Agreements additionally provide for, among other things, the allocation of ongoing responsibility for decommissioning costs, mine reclamation and any environmental liabilities among the exiting participants and the remaining participants, and the establishment and funding of mine reclamation and plant decommissioning trust funds. The San Juan Restructuring Agreements were subsequently executed by all nine San Juan Generation Station owners and PNM Resources Development Company (a non-utility affiliate of PNM) and, following receipt of regulatory approvals, became effective on January 31, 2016. Various other implementing agreements and amendments to existing San Juan project agreements to effect the restructuring have also been executed. Closing of the ownership restructuring of the San Juan Generation Station and the divestiture of M-S-R PPA’s interests in San Juan Unit No. 4 was completed on schedule on December 31, 2017.

With the then expected ownership restructuring of the San Juan Generation Station and divestiture of the M-S-R PPA San Juan Unit No. 4 Interest (described above), M-S-R PPA sold its interest in the Mead-Adelanto and Mead-Phoenix segments of the Southwest Transmission Project, which provided for transmission of power and energy from the M-S-R PPA San Juan Unit No. 4 Interest to the M-S-R PPA members, to the Southern California Public Power Authority (“SCPPA”), at a sales price of approximately \$60 million. The close of the sale of the Mead-Adelanto and Mead-Phoenix segments of the Southwest Transmission Project occurred on May 25, 2016. Proceeds of the sale of the Southwest Transmission Project assets were applied primarily to: (i) the defeasance of a portion of M-S-R PPA’s outstanding revenue bonds, including bonds issued to finance or refinance the Southwest Transmission Project, resulting in an average reduction in annual debt service on the remaining M-S-R PPA revenue bonds (of which Santa Clara’s share is 35%) of approximately \$9.1 million per year through 2022, the final maturity of the M-S-R PPA revenue bonds, and (ii) fund certain deposits to the M-S-R PPA Member Cash Call Reserve Account (“MCCRA”) for future payments to the plant decommissioning trust fund and to the mine reclamation trust fund established under the San Juan Restructuring Agreements.

As noted above, M-S-R PPA and the other exiting participants retain certain liabilities for a share of the costs of San Juan Generation Station decommissioning and pre-exit date mine reclamation costs. Pursuant to the San Juan Restructuring Agreements, M-S-R PPA was required to deposit approximately \$17.7 million in the mine reclamation trust funds as of December 31, 2017 to fund its currently expected share of ongoing and final reclamation costs, which deposit was made. In addition, under the restructuring agreements, M-S-R PPA will be required to deposit approximately \$2.3 million in the decommission trust fund by December 31, 2022 to fund its currently expected share of the initial work for known asset removal and remediation activities in connection with decommissioning of the San Juan Generation Station. Funds currently on deposit in the MCCRA at M-S-R PPA are expected to be sufficient to provide for such deposit. However, M-S-R PPA’s actual total proportionate share of San Juan Generation Station decommissioning and mine reclamation costs cannot yet be determined and will depend on a number of factors, including, among other things, the date the San Juan Generation Station is ultimately retired from service. Additional deposits to the trust funds may be required in the future if trust earnings are below expectations or if determined necessary by future decommissioning and reclamation costs study updates or applicable requirements (including, for example, if greenfield or brownfield restoration is determined to be required after final cessation of plant operations, which would significantly increase costs of remediation and restoration). As part of the settlement among the SJGS Participants to achieve approval of the Restructuring Agreements, all parties retained or assumed proportionate liability for any such costs whenever occurring in the future. Until the actual total overall costs of plant decommissioning and mine reclamation are finally determined, no assurance can be given that additional contributions will not be required from the M-S-R PPA members, including Santa Clara, to fund such amounts due. Santa Clara will be responsible for its proportionate share of any future M-S-R PPA liabilities for San Juan Generation Station decommissioning and reclamation in accordance with its 35% entitlement share of the M-S-R PPA San Juan Unit No. 4 Interest under its M-S-R PPA Power Sales Agreement.

***M-S-R PPA Purchased Power – Big Horn Project.*** In 2005, M-S-R PPA entered into a series of power purchase agreements with Iberdrola Renewables, Inc. (formerly PPM Energy, Inc.) (“Iberdrola”), certain of which agreements have been assigned to Iberdrola’s subsidiary, Big Horn I, LLC., for the purchase of energy from the Big Horn wind energy project (the “Big Horn I Project”) located near the town of Bickleton, in Klickitat County, Washington. The 199.5 MW project consists of 133 1.5 MW GE wind turbines. Santa Clara receives 52.5% of the power purchased by M-S-R PPA from the Big Horn I Project. Santa Clara’s share equates to approximately a 105 MW share of the output at a cost comparable to combined cycle gas-fuel generation. Power deliveries commenced on October 1, 2006 and will continue through September 30, 2026. Through an amendment of the original agreements M-S-R PPA has the right to continue to take the same output through September 30, 2031, or if the Big Horn Project is repowered M-S-R PPA will have a right of first offer to negotiate a long-term power purchase for such repowered

project. The project interconnects with the high voltage transmission grid through an 11-mile transmission line at Bonneville Power Administration's ("BPA") Spring Creek Substation. Through the shaping and firming agreement between M-S-R and PPM, PPM receives Big Horn energy, as generated, and delivers such energy to M-S-R at the California-Oregon border pursuant to firm pre-established delivery schedules. Santa Clara uses a portion of its transfer capability of the COTP to provide for transmission of the output from the Big Horn I Project from the California-Oregon border. For the Fiscal Year ended June 30, 2017, Santa Clara received 256.17 GWh of energy from the Big Horn I Project.

M-S-R PPA subsequently negotiated a 25-year agreement with Iberdrola for the purchase of the output from a 50 MW expansion of the Big Horn I Project, the Big Horn II Project. Santa Clara began receiving deliveries from the Big Horn II Project in November 2010. Santa Clara receives 35% of the output from this project, or approximately 17.5 MW of project capacity. For the Fiscal Year ended June 30, 2017, Santa Clara received 43.32 GWh of energy from the Big Horn II Project.

The majority of M-S-R PPA activities after April 2018 will be related to renewables (including the Big Horn Wind energy project described above). Coordinating, regulatory, and compliance services costs will be shared as follows: Modesto Irrigation District – 40%; City of Santa Clara – 40%; and City of Redding – 20%. Renewable administrative services, electric product, delivery and environmental attribute rights benefits and costs will be shared in accordance with contracted participation ratios.

## **Purchased Power**

***Western Purchased Power.*** On December 14, 2000, Santa Clara signed a 20-year agreement with Western for the continued purchase of low-cost hydroelectricity from the Central Valley Project ("CVP"), replacing a prior agreement which expired December 31, 2004. The CVP, for which Western serves as marketing agency, is a series of federal hydroelectric facilities in Northern California operated by the United States Bureau of Reclamation. Service under the successor agreement began on January 1, 2005 and continues through December 31, 2025, with Santa Clara receiving a 9.06592% "slice of the system" allocation from Western. Effective April 1, 2015, Western reallocated shares and Santa Clara's base resource allocation increased to 9.60341% and shall remain in effect until either superseded by another Exhibit A revision or termination of the agreement. The power marketed by Western to Santa Clara is provided on a take-or-pay basis where Western's annual costs are allocated to preference customers based on their CVP participation percentage. Western then allocates the annual take-or-pay charges to the preference customers based on a monthly percentage that is designed to reflect the anticipated seasonal energy deliveries. Santa Clara is obligated to its preference customer share of the costs associated with operating the CVP facilities. Under the successor agreement, Santa Clara's energy allocation dropped from pre-2005 levels of approximately 1,257 GWh to about 359 GWh per year delivered to Santa Clara based upon the hydrology of the CVP. For the Fiscal Year ended June 30, 2017, Santa Clara received 395.24 GWh of energy from Western. Santa Clara's Don Von Raesfeld power project, which commenced operation on March 22, 2005, was designed, in part, to offset the expected decrease in energy to be received from Western under the successor agreement beginning in 2005. See "Generating Facilities – *Don Von Raesfeld Power Plant*" above.

***Friant Power Authority, Facility 1.*** Santa Clara will purchase up to 68,000 MWh per year of electricity over the term of the agreement, from January 1, 2016 to August 31, 2032. Facility 1 consists of three existing run-of-river hydroelectric generating plants: the River Outlet (2 MW), the Friant-Kern (15 MW), and the Madera (8 MW).

***Friant Power Authority, Facility 2.*** Santa Clara will purchase the Net Electrical Output from Facility 2, a new run-of-the river hydroelectric generating plant, Quinten Luallen Power Plant (7MW), from July 10, 2012 to December 31, 2032.

***Seattle City Light (“SCL”)– NCPA Exchange Agreement.*** In 2008, Santa Clara took over a share of the SCL-NCPA Exchange Agreement from certain other NCPA members. As a result, Santa Clara receives 32.6 MW from SCL during the months of June through October each year, and is obligated to provide 25 MW to SCL from December through mid-April each year. The SCL-NCPA exchange agreement is scheduled to terminate May 31, 2018. See “OTHER NCPA PROJECTS – Power Purchase and Other Contracts” in the front part of this Official Statement.

***Manzana Wind.*** On February 14, 2012, Santa Clara entered into a 20-year power purchase agreement for 50 MW of the output from Iberdrola’s Manzana Wind Power Project in Kern County, California, which began power deliveries in December 2012. For the Fiscal Year ended June 30, 2017, Santa Clara received approximately 138.36 GWh of energy from the Manzana Wind Power Project.

***G-2 Energy LLC – Wheatland Landfill.*** Santa Clara entered into a power purchase agreement for, and began taking delivery of energy in January 2009 from, a 1.6 MW landfill gas facility, G2, near Wheatland, California. For the Fiscal Year ended June 30, 2017, Santa Clara received 10.95 GWh of energy from the G2 project.

***Ameresco.*** On February 12, 2008, Santa Clara entered into a 20-year purchase power agreement with Ameresco for landfill gas generated electricity from the closed municipal landfill located in the city limits of Santa Clara, which includes three microturbines, and is estimated to generate approximately 4,700 MWh per year during the first ten years of the contract and approximately 3,100 MWh per year during the final ten years of the contract. For the Fiscal Year ended June 30, 2017, Santa Clara received approximately 1,820 MWh of energy from the Ameresco Santa Clara landfill project. On May 25, 2010, Santa Clara entered into a second 20-year power purchase agreement with Ameresco for landfill gas generated electricity for 4.6 MW (and potentially up to 9.2 MW) from the Forward landfill in Manteca, California. This project became operational in February 2014. On August 17, 2010, Santa Clara entered into a third 20-year power purchase agreement with Ameresco for landfill gas generated electricity for up to 5 MW from the Vasco Road landfill near Livermore, CA. The Vasco Road landfill project became operational in February 2014. For the Fiscal Year ended June 30, 2017, Santa Clara received 32.78 GWh and 34.38 GWh for the Ameresco FWD and Ameresco VASCO landfill projects, respectively.

***Tri-Dam.*** In October 2013, Santa Clara entered into a power purchase agreement with the Tri-Dam Project and the Tri-Dam Power Authority to purchase the output from four hydroelectric power plants located on the Middle Fork of the Stanislaus River in Tuolumne County: 72 MW Donnell’s Powerhouse, 25.7 MW Tulloch Powerhouse, 11.0 MW Beardsley Powerhouse, and 16.2 MW Southern Powerhouse. Power deliveries from Donnell’s, Tulloch, and Beardsley commenced on January 1, 2014. Power deliveries from Southern/Sandbar commenced on January 1, 2017. The agreement is scheduled to terminate on December 31, 2023. For the Fiscal Year ended June 30, 2017, Santa Clara received 76.62 GWh from Beardsley, 377.02 GWh from Donnell’s, 106.89 GWh from Tulloch, and 65.57 GWh from Southern/Sandbar under this agreement.

***Recurrent.*** On July 14, 2011, Santa Clara entered into a 25-year power purchase agreement for the entire output from the RE Rosamond One LLC project, a 20 net MW solar photovoltaic-powered project in Kern County, California, which became operational in December 2013. For the Fiscal Year ended June 30, 2017, Santa Clara received 57.67 GWh of energy from Recurrent.

***Graphics Packaging.*** Graphics Packaging is a manufacturer of recycled paper products that also operated a cogeneration facility within the City of Santa Clara. This manufacturing facility and the cogeneration plant was permanently closed in December of 2017, and the Power Purchase Agreement was terminated.

## **Wholesale Power Trading**

For a number of years, Santa Clara has used its energy and transmission resources together with its power scheduling capabilities to buy and sell energy in the western North American market. As deregulation unfolded, a greater need to manage resources on a day-to-day basis evolved, resulting in a more comprehensive approach to trading operations at Santa Clara. The principal reason for wholesale power trading is to optimize the value of the utility's assets and cost-effectively serve its retail load. For Fiscal Years ended June 30, 2013, 2014, 2015, 2016 and 2017 net trading revenues (wholesale power sales revenues less wholesale power purchase costs) were approximately \$(2.4) million, \$(0.3) million, \$(5.3) million, \$(4.4) million, and \$1.0 million, respectively. The results in Fiscal Years 2013-14, 2014-15, and 2015-16 are primarily related to increased wholesale power purchases due to the continuing drought in California, requiring additional market purchases to replace the reduced hydroelectric generation. However, as prices for natural gas have declined, the impact of these increased market purchases has been tempered. Santa Clara also enters into additional long-term gas supply contracts to hedge its market exposure.

The Santa Clara City Council has approved a Risk Management Policy to provide policy guidance with respect to its wholesale power activities. Pursuant to the Policy, Santa Clara has established a Risk Oversight Committee (composed of the Santa Clara City Manager, the Director of Finance, the Chief Electric Utility Officer and the Santa Clara City Attorney) and a Risk Management Committee, to oversee all proposed power purchase agreements, whether for retail or wholesale purposes. Pursuant to the Policy, Santa Clara has also established regulations approved by the Risk Oversight Committee to govern the various functions of its trading operations. The Policy and Regulations are intended to: (a) provide a common risk management infrastructure to facilitate management control and reporting; (b) create a procedure to evaluate the creditworthiness of the counterparties, and to monitor and manage the aggregate credit exposure; (c) establish a corporate culture exemplifying best practices in risk management; (d) create a mechanism to identify market-related opportunities within Santa Clara's overall exposure balance or "book" and opportunities to internalize related transactions; and (e) develop an effective, streamlined ability to timely commit to transactions. The Regulations establish guidelines for, among other things, acceptable counterparty creditworthiness standards and requirements for limits on credit exposure to any individual counterparty. Most of the purchase and sale transactions entered into by the power trading operation are for 92 days or less.

## **Renewable Energy and Energy Efficiency**

A significant portion of the energy received by Santa Clara customers is generated from renewable energy resources. Santa Clara's power mix in fiscal year 2016-2017 consisted of 38.7% eligible renewable resources. When large hydroelectric resources are included, Santa Clara's power mix consisted of 70.0% renewable and large hydroelectric power. On December 6, 2011, the Santa Clara City Council adopted revisions to Santa Clara's Environmental Stewardship and Renewable Portfolio Standard (RPS) Policy Statement, and adopted a new RPS Enforcement Program, to conform with the standards and timetable set forth in SBX 1-2, signed by the Governor on April 12, 2011. Santa Clara satisfied the RPS target for Compliance Period 1 (from 2011 through 2013), which has been verified and approved by the State of California. Santa Clara has also satisfied the RPS target for Compliance Period 2 (from 2014 through 2016), and expects to fulfill the requirement under Compliance Period 3 (2017 through 2020) to meet the RPS target of procuring eligible renewable energy resources (not including "large hydro") amounting to 33% of total retail sales by 2020. SB 350 will require that the amount of electricity generated each year from eligible renewable energy resources be increased to at least 50% of total retail sales by December 31, 2030. See "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – *California Renewable Portfolio Standards*" and "– *Renewable Energy Policy Development*" in the front part of this Official Statement.

Santa Clara's energy efficiency programs are separated into residential and business programs, with the majority of funding toward its largest customer segment - the business sector. Total Public Benefits Charge funds are about \$8 million per year. Residential programs include rate assistance for low-income customers, energy efficiency rebates (ceiling fans, clothes dryers, heat pumps, water heaters, LED light bulbs, and variable speed pool pumps), solar electric installations, energy audits, and programs for schools and libraries. Business programs include energy audits, installation management for small companies, rebates for a wide variety of equipment (lighting, air conditioning systems, chillers, programmable thermostats, washing machines, motors, new construction, photovoltaic systems and customized installations), and design and construction assistance.

### **Future Power Supply Resources**

Santa Clara has entered a 20-year power purchase and sale agreement with Samsung contracted as Central 40, LLC to develop, own and operate a 40 MW capacity solar project located in Stanislaus County. The project is scheduled to be commercially operating as of December 31, 2020. Additionally, Santa Clara commenced a re-power project with S-Power in 2016 at its existing Altamont Wind Project site. S-Power will own and operate 19 MW capacity of wind generation. Two additional power purchase agreements were entered with S-Power under the Rooney Ranch, LLC, including Sand Hill A (13 MW) and Sand Hill B (17.5 MW). In total, the re-power project will be upgraded to meet a 49.5 MW capacity and is scheduled to be commercially operating by December 31, 2020 under a 25-year agreement.

Due to Santa Clara's projected retail demand growth driven primarily from the industrial sector and secondarily from the commercial sector, and to replace existing renewable energy contracts that will expire in the future, Santa Clara is actively exploring new renewable energy projects for procurement. Santa Clara is scoping renewable energy projects in the near term to also make use of the investment tax credit and production tax credit eligibility. Both federal incentives have begun to phase down and financing is no longer eligible for renewable energy projects starting construction in 2020 and later. Santa Clara is beginning to explore options for the procurement of energy storage and is undergoing economic analysis to understand how to cost-effectively invest in energy storage.

### **Fuel Supply**

Natural gas is the primary fuel and the primary variable operating cost of Santa Clara's cogeneration plant, Gianera Generating Station and Don Von Raesfeld Power Plant. See "– Power Supply Resources – Generating Facilities" above. These plants can require delivery of up to 49,000 million British Thermal Units ("MMBtu") of natural gas per day, with current average daily requirements of 24,400 MMBtu per day. Santa Clara has developed a comprehensive natural gas program to both manage supply and price volatility. This includes the procurement of a supply of natural gas at a discount from the monthly index price pursuant to a gas prepayment arrangement (described below) and several fixed price contracts for 15,000 MMBtu per day from 2016 to 2019 and 10,000 MMBtu in 2020.

***M-S-R Energy Authority–Gas Prepay.*** Santa Clara, along with Modesto and Redding, have also formed a California joint powers agency known as the M-S-R Energy Authority ("M-S-R EA"). In 2009, Santa Clara participated in the M-S-R EA Gas Prepay Project. The Gas Prepay Project provides, through a Gas Supply Agreement between M-S-R EA and Santa Clara, for a secure and long-term supply of natural gas of 7,500 MMBtu daily (or 2,730,500 MMBtu annually) through December 31, 2012, and 12,500 MMBtu daily (or 4,562,500 MMBtu annually) thereafter until September 30, 2039. The Gas Supply Agreement provides this supply at a discounted price below the monthly market index price (the PG&E Citygate index) over the 30 year term. M-S-R EA entered into a prepaid gas purchase agreement with Citigroup Energy, Inc. ("CEI") to provide this gas supply, and issued \$500.2 million of its Gas Project Revenue Bonds to finance the prepayment for Santa Clara. Under the terms of the Gas Supply Agreement,

M-S-R EA will bill Santa Clara for actual quantities of natural gas delivered each month on a “take-and-pay” basis. Moreover, any default by CEI or the other participants in M-S-R EA’s Gas Prepay Project, Modesto and Redding, is non-recourse to Santa Clara.

### **Interconnections, Transmission and Distribution Facilities**

Santa Clara’s service area is surrounded by a portion of PG&E’s service area and the two systems are interconnected at two Santa Clara-owned 115 kV receiving stations – Northern Receiving Station (“NRS”) and Kifer Receiving Station (“KRS”), each located within Santa Clara’s city limits. In addition, Santa Clara has a 230 kV interconnection with PG&E at PG&E’s Los Esteros Substation (“LES”) in the City of San Jose. Power received at LES is transmitted by Santa Clara approximately six miles to NRS. Santa Clara owns facilities for the distribution of electric power within its city limits (approximately 19.3 square miles), which includes approximately 27 miles of 60 kV power lines, approximately 500 miles of 12 kV distribution lines (approximately 64% of which are underground), and 27 stations. Santa Clara’s electric system experiences approximately 0.5 to 1.5 hours of outage time per customer per year. This compares favorably with other utilities in California with reliability factors ranging from 1.0 to 2.5 hours outage per customer per year.

Historically, PG&E provided interconnection, partial power and other support services to Santa Clara under an interconnection agreement. Beginning March 31, 1998, the operation of the transmission facilities owned by California’s investor-owned utilities, including PG&E, was undertaken by the CAISO. In July 2002, FERC approved a series of agreements between Santa Clara, PG&E, the CAISO and NCPA (which acts as scheduling coordinator for Santa Clara), including Santa Clara’s MSS Agreement with the CAISO, to replace Santa Clara’s interconnection agreement with PG&E and to allow Santa Clara to operate within the CAISO control area.

To the extent Santa Clara requires transmission/ancillary/power services beyond those contained in other remaining existing contracts or from Santa Clara’s own generating resources, Santa Clara will procure such transmission/ancillary/power services from the CAISO or via the CAISO’s markets.

Santa Clara is unable to predict how future industry changes, especially those concerning resource adequacy requirements, renewable fuels, greenhouse gas limitations and new transmission facilities to serve potential renewable energy projects, will affect future costs for the purchase of services under its interconnection, scheduling and CAISO agreements.

### **Employees**

**Labor Relations.** As of June 30, 2017, Santa Clara had approximately 179 budgeted employees for its electric utility department. All of these electric utility department employees are represented either by the International Brotherhood of Electrical Workers (“IBEW”) or one of the other Santa Clara employees’ associations, in matters pertaining to wages, benefits and working conditions. The current labor agreements with IBEW and the City of Santa Clara Employees Association (the primary bargaining units for employees of the electric utility department) extend to December 2018 and December 2019, respectively. Certain labor agreements (including for miscellaneous unclassified management employees) expired in December 2017. With respect to the expired labor agreements, Santa Clara and its employee organizations are continuing to negotiate successor contracts. Until successor contracts are executed, the terms of the expired contracts will continue to govern. There have been no strikes or other union work stoppages at Santa Clara, including its electric utility department.

**Pension Plans.** The City’s permanent employees, including those in Santa Clara’s electric utility department, are covered by the California Public Employees Retirement System (“CalPERS”), an agent



multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

The City's defined benefit pension plans, the Miscellaneous Plan and Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries for all City employees. All permanent (full-time and part-time) and eligible "as-needed" hourly Santa Clara employees are required to participate in CalPERS. No employees assigned to the electric utility department participate in the Safety Plan.

The cost of the Miscellaneous Plan is funded through bi-weekly contributions from employees and from employer contributions by the City. The member employees' contribution rates are set by State statute and only change with significant contract amendments. The member contribution can be paid by the employee or by Santa Clara on the employee's behalf in accordance with applicable labor agreements. In accordance with applicable state law, the contribution rate for all public employers is determined annually by the actuary and is effective on the July 1 following notice of a change in rate. Funding contribution amounts are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Santa Clara is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. The employer contribution rates are established, and may be amended, by CalPERS.

The electric utility department is allocated its portion of Santa Clara's required contributions for the Miscellaneous Plan. This allocation is based on eligible employee wages.

For the Fiscal Year ended June 30, 2017, the electric utility department's allocated share of the City's required contribution to the Miscellaneous Plan was \$7,558,410 (of the City's \$21,613,984 total annual pension cost for the Miscellaneous Plan). The required contribution for the Fiscal Year ended June 30, 2017 as a percentage of covered-employee payroll was 30.32%. For the Fiscal Year ended June 30, 2016, the electric utility department's allocated share of the City's required contribution to the Miscellaneous Plan was \$6,484,674 (of the City's \$18,543,534 total annual pension cost for the Miscellaneous Plan). The required contribution for the Fiscal Year ended June 30, 2016 as a percentage of covered-employee payroll was 29.94%. For the Fiscal Year ended June 30, 2018, the amount budgeted for the electric utility department's share of the City's estimated required contribution to the Miscellaneous Plan is \$8,517,582 (of the City's \$29,650,199 budgeted total annual pension cost for the Miscellaneous Plan).

The market value of assets for the Miscellaneous Plan as of a June 30, 2016 valuation date (the most recent actuarial information available) was \$396,879,279 and the entry age normal accrued liability was \$657,530,879, resulting in a total unfunded accrued liability for the City's Miscellaneous Plan of \$260,651,600 and a funded ratio of 60.4% as of such date. The market value of assets for the Miscellaneous Plan as of June 30, 2015 was \$405,084,693 and the entry age normal accrued liability was \$627,029,801, resulting in a total unfunded accrued liability for the City's Miscellaneous Plan of \$221,945,108 and a funded ratio of 64.6% as of such date.

The City's required contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet

those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase Santa Clara's required contributions to CalPERS in future years. Accordingly, Santa Clara cannot provide any assurances that Santa Clara's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Effective for the Fiscal Year ended June 30, 2015, Santa Clara adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, affecting the reporting of pension liabilities for accounting purposes. Under GASB Statement No. 68, Santa Clara is required to report the Net Pension Liability (i.e., the difference between the Total Pension Liability and the Pension Plan's Net Position or market value of assets) in its financial statements. In its financial statements for the Fiscal Year ended June 30, 2017, Santa Clara reported net pension liabilities of \$84,615,916 for the electric utility department's proportionate share of the Net Pension Liability for the City's Miscellaneous Plan (measured as of June 30, 2016 and based upon a June 30, 2015 actuarial valuation rolled forward to June 30, 2016 using standard update procedures). The electric utility department's proportion of the net pension liability was based on a projection of the electric utility's long-term share of contributions to the pension plan relative to the projected contributions of all funds of the City, and represented 34.97% proportionate share as of the June 30, 2016 measurement date.

***Retiree Health Benefits.*** The City also provides certain post-employment benefits other than pensions to city employees, including those assigned to the electric utility department, who retire from the City, through a single-employer defined benefit program established by the Santa Clara City Council in Fiscal Year 2007-08 which provides reimbursements to retirees for certain qualified expenses, subject to certain annual maximum reimbursement amounts (the "OPEB Plan"). The OPEB Plan is administered by Public Agency Retirement Services. Amendments to benefit provisions are negotiated by the various bargaining units at the City and must be approved by the Santa Clara City Council.

The annual required contributions ("ARC") to the OPEB Plan are based on actuarial valuations. The contribution requirements are established and may be amended by the Santa Clara City Council. The City's annual OPEB cost (expense) is calculated based upon the ARC, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over 30 years. Santa Clara has funded 100% of its annual OPEB cost (equal to the ARC) for each of the Fiscal Years ended June 30, 2015 through 2017. The actuarially determined contribution requirement for the OPEB Plan totaled \$2,769,000 for Fiscal Year 2014-15, \$2,887,000 for Fiscal Year 2015-16, and \$2,981,000 for Fiscal Year 2016-17. Of such amounts, approximately \$458,640 was funded by the electric utility department for Fiscal Year 2014-15, approximately \$499,992 was funded by the electric utility department for Fiscal Year 2015-16, and approximately \$545,871 was funded by the electric utility department for Fiscal Year 2016-17. The amount budgeted for the Electric Utility Fund's share of OPEB Plan contributions for Fiscal Year 2017-18 is \$886,476. As of June 30, 2016 (the latest date for which actuarial information is available), the total actuarial accrued liability for the Santa Clara OPEB Plan was \$59,717,000, the actuarial value of plan assets was \$14,564,000, and the unfunded actuarial accrued liability was \$45,153,000, representing a funded ratio of 24.4%.

Additional information regarding the City of Santa Clara's retirement plans and other post-employment benefits can be found in the City of Santa Clara comprehensive annual financial report for the Fiscal Year ended June 30, 2017, which may be obtained at <http://santaclaraca.gov>.

## Service Area

**General.** The service area of the Santa Clara electric utility is coterminous with the City's boundaries. The City is located at the southern end of the San Francisco Bay. Encompassing a total area of approximately 19 square miles within northern Santa Clara County, the City is situated in the heart of "Silicon Valley." The main businesses in Santa Clara are manufacturing and industrial. There are numerous companies that manufacture electronic components, communications equipment, computer systems, electronic games and similar products, and general items such as fiberglass, paper and chemicals. As shown in the following table, these firms are among the largest employers in Santa Clara as of June 30, 2017.

### CITY OF SANTA CLARA TEN LARGEST EMPLOYERS

Employer	Business	Number of Employees
Applied Materials, Inc.	Nano Technology Mfg Services	8,500
Intel Corporation	Semiconductor Devices (Mfg.)	7,801
California's Great America	Amusement Park	2,500
Avaya Inc.	Software	2,000
City of Santa Clara	Local Government	1,878
EMC Corporation	Semiconductors	1,338
Macy's	Retail	1,200
Santa Clara University	Higher Education	1,200
Catalyst Semiconductor Inc.	Semiconductor Devices (Mfg.)	1,100
Lsa Global	Consulting	1,001

Source: City of Santa Clara Comprehensive Annual Financial Report for Fiscal Year 2017.

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**Population.** Shown below is certain population data for Santa Clara, the County of Santa Clara and the State of California:

**CITY OF SANTA CLARA, COUNTY OF SANTA CLARA,  
STATE OF CALIFORNIA POPULATION  
(1970, 1980, 1990, 2000 as of April 1;  
2006-2017 as of January 1)**

	<u>City of Santa Clara</u>	<u>County of Santa Clara</u>	<u>State of California</u>
1970.....	86,118	1,065,313	19,971,069
1980.....	87,700	1,295,071	23,668,562
1990.....	93,613	1,497,577	29,760,021
2000.....	102,800	1,698,800	33,873,086
2006.....	108,749	1,706,676	36,116,202
2007.....	111,507	1,725,066	36,399,676
2008.....	112,760	1,747,912	36,704,375
2009.....	114,795	1,767,204	37,966,713
2010.....	116,184	1,781,427	37,223,900
2011.....	118,552	1,803,362	37,536,835
2012.....	119,399	1,828,496	37,881,357
2013.....	120,822	1,856,416	38,238,492
2014.....	121,482	1,879,196	38,572,211
2015.....	121,716	1,903,209	38,915,880
2016.....	123,640	1,922,619	39,189,035
2017.....	123,983	1,938,180	39,523,613

*Sources:* 1970, 1980, 1990 and 2000 figures from U.S. Bureau of Census; other figures from California State Department of Finance.

**Transportation.** Santa Clara is served by the Bayshore Freeway (U.S. Highway 101), which runs southeast from San Francisco to Los Angeles and is the major freeway connecting San Francisco and San Jose; Interstate 880, which runs north/south connecting San Jose and Oakland and becomes State Highway 17 (south of Interstate 280) and continues into Santa Cruz with access to Monterey; and Interstate 280, which runs north/south to San Francisco and State Highway 82. These freeways link Santa Clara to all parts of northern California.

Air transportation is available at both the San Francisco International Airport, approximately 40 miles to the north, and the San Jose International Airport, two miles from downtown Santa Clara. Rail service is provided by Union Pacific Railroad, on a north/south track linking San Jose and San Francisco, and CalTrain commuter service to Gilroy and San Francisco. The Guadalupe Corridor Light Rail has 20 completed miles of track from the Santa Clara Convention Center to the San Jose Convention Center, stretching to South San Jose, Mountain View and Milpitas.

The Santa Clara Valley Transportation Authority operates several lines within the City of Santa Clara with connections to major cities in the San Francisco Bay area. Interstate bus service is available via Greyhound Bus and Peerless. Most major trucking firms serve Santa Clara in addition to numerous local carriers.

***Educational Facilities.*** The Santa Clara Unified School District provides public schooling from kindergarten through high school in most of the City of Santa Clara. Small geographical areas in the southern city limits are served by the Campbell Union Elementary School District and the Cupertino Union Elementary School District.

Santa Clara is also the home of the oldest institution of higher education in the West, Santa Clara University. Santa Clara residents are also in close proximity to San Jose State University, Stanford University and Mission College, as well as other units of the Community College System.

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## Rates and Charges

The Santa Clara City Council is authorized by the City Code of the City of Santa Clara to set charges, pay for and supply all electric energy and power to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the Santa Clara City Council. The authority of Santa Clara to impose and collect rates and charges for electric power and energy is not subject to the regulatory jurisdiction of the California Public Utilities Commission (the “CPUC”) or any other regulatory authority.

The following table summarizes a history of Santa Clara’s electric rate increases over the last five years.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
HISTORY OF ELECTRIC RATE CHANGES**

<b>Date</b>	<b>Percent Change</b>
January 1, 2018	0.00%
January 1, 2017	3.00
January 1, 2016	2.00
January 1, 2015	5.00
January 1, 2014	5.00

*Source:* City of Santa Clara.

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## Major Customers

The ten largest customers of Santa Clara's electric utility department, in terms of kWh sales for the Fiscal Year ended June 30, 2017, which are listed below, accounted for 48.9% of total kWh sales and 43.6% of revenues. The largest customer accounted for 7.7% of total kWh sales and 6.6% of total revenues, while the smallest customer of the largest ten customers accounted for 2.5% of total kWh sales and 2.4% of total revenues. Santa Clara is heavily dependent upon its industrial customers, which comprise approximately 90.2% of its load and 88.5% of its revenues (in Fiscal Year 2016-17). For reference, Santa Clara's industrial category includes all customers using more than 8,000 kWh per month. For many years, Santa Clara has been home to a number of the world's best known "high tech" firms involved in the design and production of computers and software. In the past few years, some of these firms have shifted production away from Santa Clara; however, this shift has been more than offset by the development of numerous data centers established to serve the data needs of corporate offices and of internet-related businesses.

To help retain its industrial customers, and thus assure the stability of Santa Clara's electric sales and revenue, Santa Clara has entered into multi-year electric service agreements with 14 of its larger customers, accounted for 90.2% of total kWh sales from industrial customers. All electric service agreements have a standard three year term, with expirations ranging from 2018 through 2020.

### MAJOR CUSTOMERS

Customer	Business
Air Products	Industrial Gas and Chemicals
Coresite Coronado Stender	Data Centers
Digital Realty Trust	Data Centers
Intel Corp	Semiconductors
Microsoft Corporation	Data Centers
NVIDA Corp	Semiconductor Products
Oracle America Inc	Database Software Products
Savvis Communications Inc	Data Centers
Vantage Corp	Data Centers
Xeres Ventures	Data Centers

Source: City of Santa Clara.

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## Customers, Energy Sales, Revenues and Demand

The average number of customers, kWh sales and revenues derived from sales, by classification of service, and peak demand during the past five Fiscal Years, are listed below.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
CUSTOMERS, SALES, REVENUES AND DEMAND  
(Fiscal Year Ended June 30)  
(Unaudited)**

	2013	2014	2015	2016	2017
Average Monthly Number of Customers:					
Residential	44,415	44,629	44,979	45,323	46,305
Commercial	6,175	6,191	6,253	6,277	6,231
Industrial	1,754	1,758	1,700	1,675	1,652
Other	560	561	563	566	549
Total	52,904	53,139	53,495	53,841	54,737
Kilowatt-hour Sales (000):					
Residential	237,387	233,847	224,647	232,581	228,505
Commercial	92,284	91,833	92,852	94,470	95,050
Industrial	2,594,428	2,651,757	2,754,035	3,000,038	3,133,903
Other	20,966	20,561	20,332	18,540	18,042
Total	2,945,065	2,997,998	3,091,866	3,345,629	3,475,500
Charges from Sale of Energy (000) <sup>(1)</sup> :					
Residential	\$ 24,795	\$ 25,078	\$ 25,359	\$27,336	\$27,635
Commercial	13,583	13,771	14,609	15,407	15,868
Industrial	264,806	274,402	297,825	331,979	352,973
Other	2,416	2,435	2,520	2,449	2,448
Total <sup>(2)</sup>	\$305,600	\$315,686	\$340,313	\$377,171	\$398,924
Peak Demand (MW)	471.1	482.4	491.1	526.4	568.1

<sup>(1)</sup> Differs from Operating Revenues in Financial Operating Results and Balance Sheet information due to: (i) timing differences in accruals and billings; and (ii) exclusion of non-consumption based revenues.

<sup>(2)</sup> Includes public benefits charge and grid management charge revenues.

Source: Santa Clara.



## Capital Requirements

Santa Clara expects net capital requirements for the current and next five Fiscal Years (2017-18 through 2022-2023) to aggregate up to \$218.2 million. Such improvements include distribution system improvements and replacements of approximately \$205.7 million, including several new distribution substations and significant upgrades to its internal bulk distribution loops and distribution feeders. These distribution facilities are needed to meet increased capacity requirements of new and existing customers. They are expected to be financed through a combination of load development fees, direct customer contributions, funds from Santa Clara's available cash reserves (described under "– Indebtedness" below) and electric revenues.

## Indebtedness

**Electric Revenue Bonds.** As of January 31, 2018, Santa Clara had outstanding senior lien electric revenue bonds in the aggregate principal amount of \$165.43 million, payable from net revenues of the electric system. Such outstanding electric revenue bonds are comprised of \$59.265 million aggregate principal amount of outstanding Electric Revenue Refunding Bonds, Series 2008 B (the "Series 2008 B Bonds"), \$54.83 million aggregate principal amount of Electric Revenue Refunding Bonds, Series 2011 A and \$51.335 million aggregate principal amount of Electric Revenue Refunding Bonds, Series 2013 A.

In addition to the outstanding senior lien electric revenue bonds, Santa Clara has entered into a Loan Agreement, dated as of June 16, 2014 (the "Loan Agreement"), with Banc of America Preferred Funding Corporation ("BofA") providing for a direct loan (the "Loan") from BofA to Santa Clara by BofA in an aggregate amount of approximately \$31.2 million. Santa Clara's obligation to make repayment of the Loan to BofA is evidenced by a subordinated electric system revenue bond of Santa Clara (the "Subordinate Electric Revenue Bond"), payable from net revenues of the electric system on a basis junior and subordinate to the payment of Santa Clara's outstanding electric revenue bonds. Principal of the Loan is payable in annual installments, commencing on July 1, 2016 and ending on July 1, 2024. As of January 31, 2018, the remaining balance on the Loan Agreement is \$26.49 million. The occurrence of an event of default by Santa Clara under the Loan Agreement may result in an increase in the interest rate payable by Santa Clara with respect to the Subordinated Electric Revenue Bond and the Loan evidenced thereby and/or an acceleration in the payment of the principal amount of such Subordinated Electric Revenue Bond and the Loan evidenced thereby in accordance with the terms of the Loan Agreement.

Santa Clara's Series 2008 B Bonds are variable rate obligations secured by a letter of credit. The letter of credit for the Series 2008 B Bonds has been provided by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch ("The Bank of Tokyo"), and has a scheduled expiration date of October 30, 2018. Santa Clara has entered into a reimbursement agreement with The Bank of Tokyo, pursuant to which it is obligated to repay the bank for amounts drawn under the letter of credit. The repayment obligations of Santa Clara under the reimbursement agreement are payable on a parity with Santa Clara's electric revenue bonds. The interest rate payable by Santa Clara for unreimbursed draws under the letters of credit may be considerably higher than the interest rate on the bonds. In the event of a significant unreimbursed draw on the letter of credit due to the unsuccessful remarketing of the Series 2008 B Bonds, Santa Clara may attempt in such event to refinance the bonds to avoid this additional debt burden, however, in such event, there can be no assurance that Santa Clara will have access to the debt markets.

Prior to the issuance of the Series 2008 B Bonds, Santa Clara entered into an interest rate swap agreement (the "Swap Agreement") with Bear Stearns Capital Markets Inc., which agreement has been novated to JPMorgan Chase Bank, N.A. (the "Swap Provider"). Under the Swap Agreement, Santa Clara is obligated to make payments to the Swap Provider calculated on the basis of a fixed rate of 3.470% while it is to receive from the Swap Provider payments based upon 65% of the one month London InterBank

Offering Rate. Santa Clara's obligation to make any net regularly scheduled payments due to the Swap Provider under the Swap Agreement is payable from net revenues of the electric system on a parity with its outstanding electric revenue bonds. There is no guarantee that the floating rate payable to Santa Clara pursuant to the Swap Agreement will match the variable interest rate on the associated Series 2008 B Bonds at all times or at any time. Under certain circumstances, the Swap Provider may be obligated to make a payment to Santa Clara under the Swap Agreement that is less than the interest due on the associated Series 2008 B Bonds. In such event, Santa Clara would be obligated to pay such insufficiency from net revenues on a parity with Santa Clara's outstanding electric revenue bonds. Under certain circumstances, the Swap Agreement may be terminated and Santa Clara may be required to make a termination payment to the Swap Provider. Any such termination payment owed by Santa Clara would be payable from net revenues of the electric system subordinate to Santa Clara's outstanding electric revenue bonds.

Pursuant to the terms of the Swap Agreement, Santa Clara is required to post collateral in favor of the Swap Provider to the extent that Santa Clara's total exposure for termination payments to the Swap Provider exceeds the threshold amount specified in the Swap Agreement. The applicable collateral posting threshold amounts specified in the Swap Agreement would be lower in the event certain ratings assigned to Santa Clara's electric revenue bonds were to be revised downward or withdrawn. In the case of a ratings withdrawal or significant downward rating revision, such decline in the applicable threshold amount could significantly increase Santa Clara's collateral posting obligation thereunder. If the ratings assigned to Santa Clara's electric revenue bonds are revised upward, the amount of collateral required to be posted by Santa Clara under the Swap Agreement could be reduced. Under the terms of the Swap Agreement, the Swap Provider is required to release collateral to Santa Clara as market conditions become favorable to Santa Clara and may be required to post collateral for the benefit of Santa Clara to the extent that such Swap Provider's total exposure for termination payments to Santa Clara exceeds the threshold amount specified in the Swap Agreement. As of January 31, 2018, Santa Clara had \$212,000 in collateral posted in favor of the Swap Provider. The highest amount of collateral Santa Clara has been required to post to the Swap Provider on any date has been approximately \$11.0 million. The amount of collateral varies from time to time due primarily to interest rate movements and can change significantly over a short period of time. In the future, Santa Clara may be required to post additional collateral, or may be entitled to a reduction or return of the required collateral amount. Collateral deposited by Santa Clara is held by the Swap Provider or an agent therefor. A bankruptcy of the Swap Provider holding collateral posted by Santa Clara could adversely affect the return of the collateral to Santa Clara. Moreover, posting collateral limits the electric utility's liquidity. If collateral requirements increase significantly, the electric utility's liquidity may be adversely affected.

***Joint Powers Agency Obligations.*** As previously discussed, Santa Clara participates in several joint powers agencies, including TANC, NCPA M-S-R PPA and M-S-R EA, which have issued indebtedness to finance the costs of certain projects on behalf of their respective project participants. Obligations of Santa Clara under its agreements with respect to TANC, NCPA and M-S-R PPA constitute operating expenses of Santa Clara's electric system payable prior to any of the payments required to be made on Santa Clara's electric revenue bonds described above. Agreements with TANC, NCPA and M-S-R PPA are on a "take-or-pay" basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain "step-up" provisions obligating Santa Clara to pay a share of the obligations of a defaulting participant. As described herein, Santa Clara also participates in M-S-R EA and has certain payment obligation in connection therewith which constitute operating expenses of Santa Clara's electric system. However, Santa Clara's payment obligation to M-S-R EA is with respect to actual quantity of natural gas delivered each month on a take-and-pay (rather than take-or-pay) basis. Responsibility for bond repayment is non-recourse to Santa Clara. See "Joint Powers Agency Resources—*M-S-R Energy Authority—Gas Prepay*" above.

Santa Clara's participation and share of debt service obligation (without giving effect to any "step-up" provisions) for the TANC, NCPA and M-S-R PPA projects in which it participates are shown in the following table.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES  
(as of January 31, 2018)  
(Dollar Amounts in Millions)**

	<b>Outstanding Debt<sup>(1)</sup></b>	<b>Santa Clara Participation<sup>(2)</sup></b>	<b>Santa Clara Share of Outstanding Debt<sup>(1)</sup></b>
M-S-R PPA			
San Juan Unit No. 4	\$ 136.1	35.00%	\$ 47.6
NCPA			
Geothermal Project	28.8	44.39	12.8
Calaveras Hydroelectric Project	322.4	37.02 <sup>(3)</sup>	119.4
Lodi Energy Center, Issue One	233.4	46.16	107.7
TANC			
Bonds	208.4	10.00 <sup>(4)</sup>	20.8
<b>TOTAL *</b>	<b>\$929.1</b>		<b>\$308.3</b>

\* Columns may not add to totals due to independent rounding.

(1) Principal only. Does not include obligation for payment of interest on such debt. Excludes M-S-R EA as described above.

(2) Participation based on actual debt service obligation. Participation obligation is subject to increase (in an amount up to a specified accumulated maximum above the original participation) upon default of another Participant.

(3) Includes 1.16% additional share purchased from other NCPA participants. In addition, Santa Clara's actual payments represent approximately 37.90% of outstanding debt service as a result of credit to non-participating members with respect to a portion of the debt obligation.

(4) Excludes 10.4705% of Santa Clara's original 20.4745% participation share for which, as described herein, Santa Clara has entered into an agreement to layoff to other TANC Member-Participants for a term of 25 years. Santa Clara remains contractually obligated for its full participation share. Santa Clara's actual debt service obligation differs slightly from this percentage due to varying shares of certain series of TANC bonds relating to each TANC member-participant's taxable portion and each TANC member-participant's participation or non-participation in acquisition of assets from Vernon.

Source: City of Santa Clara Electric Utility Department.

For the Fiscal Year ended June 30, 2017, Santa Clara's obligation for debt service on its joint powers agency is estimated to aggregate approximately \$37.5 million. Debt service on joint powers agency obligations is expected to range in each Fiscal Year through 2039-40 from a high of approximately \$37.5 million to a low of approximately \$7.7 million. This projection assumes that layoff agreements affecting expected obligations to be paid by Santa Clara remain effective for their full term and are performed by the parties thereto, that there are no future debt issuances, and that swap counterparties on interest rate hedges continue to perform (all of Santa Clara's variable rate joint powers agency debt obligations are hedged). Santa Clara manages the total amount of variable rate debt exposure for its electric utility (including both direct and joint powers agency debt), and, by policy, has targeted up to approximately 25% as the

appropriate variable rate exposure. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such variable rate debt obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable from the obligated joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Santa Clara). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Santa Clara).

### **Transfers to the General Fund**

The Santa Clara City Charter provides that up to 5% of gross revenues (not including revenues from wholesale transactions) from the electric utility is paid to the Santa Clara General Fund each year as a contribution in lieu of taxes.

The following table sets out the transfers from the electric utility to the Santa Clara General Fund for the last five Fiscal Years.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
TRANSFERS TO THE GENERAL FUND  
(Dollar Amounts in Thousands)**

<b>Fiscal Year</b>	<b>Transfer Amount</b>
2012-13	\$15,219
2013-14	16,591
2014-15	17,493
2015-16	19,057
2016-17	21,117

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*Source:* City of Santa Clara.

### **Cash Reserves**

Santa Clara maintains cash reserves for a number of reasons, including operating cash requirements, construction cash requirements, dealing with the cost impacts of dry hydroelectric conditions, gas and electric market volatility, and allowing Santa Clara the flexibility to increase rates on a scheduled basis. The Cost Reduction Fund is used to manage the cost impacts of dry year hydroelectric conditions

and gas and electric market volatility, as well as the scheduling of rate increases. As of December 31, 2010, the balance of the Cost Reduction Fund was transferred to the Rate Stabilization Fund (as a subaccount therein) as described below.

In addition to the Cost Reduction Fund, Santa Clara has maintained a Rate Stabilization Fund (the “Rate Stabilization Fund”). Amounts in the Rate Stabilization Fund are available to pay costs of the electric utility subject to certain terms and conditions. As of June 30, 2017, approximately \$121.0 million was on deposit in the Rate Stabilization Fund (including approximately \$96.0 million on deposit in the Cost Reduction Account therein). In addition, as of June 30, 2017, Santa Clara had unrestricted operating cash reserves of \$83.3 million, as well as \$74.6 million of cash reserves designated for construction purposes, and \$3.5 million of cash reserves designated for pension liability. Thus, as of June 30, 2017, Santa Clara’s electric utility had restricted and unrestricted cash reserves totaling approximately \$282.4 million.

Collectively, these reserves are designed to help insulate Santa Clara from market volatility. In addition, Santa Clara’s bond indenture permits the use of unrestricted cash balances and reserves (including, prior to December 31, 2010, the Cost Reduction Fund and the Rate Stabilization Fund, and subsequent to December 31, 2010, the Rate Stabilization Fund) to satisfy Santa Clara’s rate covenants with its bond holders. In Fiscal Year 2012-13, approximately \$7.43 million was transferred from the Rate Stabilization Fund (Cost Reduction Account) related to operating expenses. For Fiscal Year 2013-14, approximately \$10.0 million was transferred from the Rate Stabilization Fund related to operating expenses. For Fiscal Year 2014-15, approximately \$8.0 million was transferred from the Rate Stabilization Fund related to operating expenses. In Fiscal Years 2015-16 and 2016-17, \$2.7 million and \$34.0 million, respectively, was transferred into the Rate Stabilization Fund.

Santa Clara has determined that it is appropriate to use a portion of its unrestricted cash balances and reserves to stabilize or subsidize its electric rates in the near term and to increase rates when appropriate. Santa Clara maintains a minimum target balance of \$120 million for the Rate Stabilization Fund (including the Cost Reduction Account). In order to maintain this minimum target balance, Santa Clara adopted a 7% electric rate increase effective in January 2010, a 7% electric rate increase effective in January 2011, a 5% electric rate increase effective in January 2014, a 5% electric rate increase effective in January 2015, and a 2% electric rate increase effective in January 2016. As of June 30, 2017, the Rate Stabilization Fund balance was restored to meet the minimum target balance level. See “Condensed Operating Results and Selected Balance Sheet Information” below and “Rates and Charges” above. It is important to note that the impact of such increase or increases could be affected by future operating conditions, including factors outside the control of Santa Clara.

## **Litigation**

**General.** There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Santa Clara in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Santa Clara taken with respect to Third Phase Agreement.

Present lawsuits and other claims against Santa Clara’s electric utility department are incidental to the ordinary course of operations of the electric utility department and are largely covered by Santa Clara’s self insurance program. In the opinion of Santa Clara’s management and, with respect to such litigation, the Santa Clara City Attorney, such claims and litigation will not have a materially adverse effect upon Santa Clara’s ability to make payments under Third Phase Agreement.

**Other Matters.** There are various ongoing proceedings that involve projects in which Santa Clara has an interest and which comprise a portion of the current resource portfolio of Santa Clara’s electric

system. Although Santa Clara is not a party to any of this litigation the outcome of such proceedings may impact the costs and operations of the affected project.

#### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of income and selected balance sheet information of Santa Clara's electric utility for the five Fiscal Years ended June 30, 2017. The information for the Fiscal Years ended June 30, 2013 through June 30, 2017 was prepared by Santa Clara on the basis of its audited financial statements for such years.

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**CITY OF SANTA CLARA**  
**ELECTRIC UTILITY DEPARTMENT**  
**SUMMARY OF FINANCIAL OPERATING RESULTS\***  
(\$ in 000s)

	2013	2014	2015	2016	2017
Summary of Income					
Operating Revenues <sup>(1)</sup>	\$298,751	\$309,169	\$332,938	\$371,801	\$390,409
Operating Expenses:					
Salaries, Wages and Benefits	21,294	23,654	26,712	26,461	32,016
Materials, Supplies and Services <sup>(2)</sup>	255,078	276,335	283,861	301,991	299,531
Depreciation	19,402	19,727	20,163	19,956	19,820
Total Operating Expenses	\$295,774	\$319,716	\$330,736	\$348,408	\$351,367
Operating Income (Loss)	2,977	(10,547)	2,202	23,393	39,042
Other Income <sup>(3)</sup>	16,029	24,629	21,535	21,883	23,083
Interest Expense	(11,075)	(8,605)	(9,094)	(8,819)	(8,697)
Wholesale Power Sales	22,296	28,622	27,301	17,279	36,162
Wholesale Power Purchases	(24,717)	(28,871)	(32,635)	(21,682)	(35,197)
Other Expenses	(5,093)	(5,556)	(4,766)	(7,183)	(6,808)
Gain (Loss) on Retirement of Fixed Assets	(1)	-	62	(10)	4,830
Renewable Energy Credit	6,826	5,449	2,129	3,879	6,237
Equity (Loss) in Joint Power Agencies <sup>(4)</sup>	6,111	4,215	(4,719)	737	4,345
Net Income Before Operating Transfers and Extraordinary Items	\$ 13,353	\$ 9,336	\$ 2,015	\$ 29,477	\$ 62,997
Selected Balance Sheet Information (as of June 30)					
Rate Stabilization Fund <sup>(5)</sup>	\$102,259	\$ 92,259	\$ 84,259	\$ 86,959	\$ 120,959
Cash Designated for Construction	45,846	89,922	79,988	65,593	74,613
Cash Designated for Pension Liability	-	-	-	-	3,500
Operating Cash	82,463	73,154	74,446	73,865	83,325
Total Pooled & Cash Investments	\$230,568	\$255,335	\$238,693	\$226,417	\$282,397

\* Columns may not add to totals due to rounding.

(1) See "Rates and Charges" above. Exclude public benefit charge revenues.

(2) Includes purchased power payments and payments to joint power agencies. Also includes payment of a portion of gross revenues to City's General Fund as contribution in lieu of taxes which payment is subordinate to the payment of other operating expenses and debt service. Per the City Charter, up to 5% of gross revenues (not including revenues from wholesale transactions) from the electric utility is paid to Santa Clara's General Fund each year.

(3) Primarily represents interest income, public benefit charge revenues, grants, rents, and other non-recurring miscellaneous income. Unrealized gains were included in Fiscal Year 2013-14 (\$1.914 million), 2014-15 (\$0.421 million), and 2015-16 (\$0.907 million). Unrealized losses were included in Fiscal Years 2012-13 (\$3.853 million) and 2016-17 (\$2.723 million).

(4) Net loss in Fiscal Year 2014-15 reflects equity share loss of \$4.067 million in NCPA and \$0.652 million in TANC.

(5) Includes Cost Reduction Subaccount. As of December 31, 2010, the Cost Reduction Fund was transferred to the Rate Stabilization Fund (as a subaccount therein).

Source: City of Santa Clara.

## Rate Covenant Compliance Under Electric Revenue Bond Indenture

The electric revenue bond indenture pursuant to which Santa Clara's electric revenue bonds are issued requires Santa Clara to produce revenues of the electric utility in each year such that adjusted net revenues (as defined in the electric revenue bond indenture) will be sufficient to pay debt service on all electric revenue bonds and parity debt for such Fiscal Year. The electric revenue bond indenture permits amounts in the Rate Stabilization Fund or (prior to December 31, 2010) other unrestricted funds of the electric enterprise to be used to satisfy the rate covenant. Santa Clara has elected to use such unrestricted funds for such purpose as described in "Cash Reserves" above. Santa Clara has satisfied its rate covenant in each year as shown below. In addition to operating expenses and debt service, the electric utility has other obligations which it is required to satisfy. Such obligations include payments in lieu of taxes as well as capital expenditures not otherwise financed with bond proceeds, which obligations are, in accordance with the Santa Clara City Charter, payable subordinate to the payment of debt service on the electric revenue bonds and parity debt. Capital expenditures not financed with bond proceeds are funded from a variety of sources, including reserves, developer contributions and electric system revenues. See "Cash Reserves" above.

### CITY OF SANTA CLARA RATE COVENANT COMPLIANCE UNDER ELECTRIC REVENUE BOND INDENTURE (\$ in 000s)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Debt Service Coverage:					
Adjusted Revenues <sup>(1)</sup>	\$298,522	\$306,183	\$332,178	\$359,084	\$352,828
Adjusted Operating Expenses <sup>(2)</sup>	266,246	288,954	297,846	316,578	317,237
Adjusted Net Revenue Available for Debt Service	\$ 32,276	\$ 17,229	\$ 34,332	\$ 42,506	\$ 35,591
Debt Service on Electric Revenue Bonds <sup>(3)</sup>	\$ 17,272	\$ 12,183	\$ 14,934	\$ 15,334	\$ 15,612
Adjusted Revenues in Excess of Debt Service Requirements	\$ 15,004	\$ 5,046	\$ 19,398	\$ 27,172	\$ 19,979
Debt Service Coverage Ratio <sup>(4)</sup>	1.87	1.41	2.30	2.38	2.17

\* Numbers may not add up due to independent rounding.

(1) Adjusted Revenue includes operating revenues and non-operating revenues, other income (excluding unrealized gains or losses and developer contributions), net wholesale transactions and renewable energy credits, and excludes any gain on retirement of fixed assets or equity in joint powers agency projects accounted for on the equity method of accounting. Fiscal Year 2012-13 adjusted revenue was recalculated in 2014 to include renewable energy credit. Also includes Rate Stabilization Fund (formerly Cost Reduction Fund) transfers related to operating revenues. In Fiscal Years 2012-13, 2013-14 and 2014-15, transfers from the Cost Reduction Fund included in Adjusted Revenues were \$7.43 million, \$10.0 million and \$8.0 million, respectively. In Fiscal Years 2015-16 and 2016-17, \$2.7 million and \$34 million were transferred into the Rate Stabilization Fund, respectively. See "Rates and Charges" and "Cash Reserves" above.

(2) Adjusted Operating Expenses include operating expenses (including joint powers agency obligation payments) and other expenses, less depreciation and amortization expense and contribution-in-lieu to the General Fund. Adjusted Operating Expenses do not include any loss on retirement of fixed assets or any loss on joint powers agency projects accounted for on an equity method of accounting.

(3) Includes net swap payments and letter of credit fees relating to variable rate electric revenue bonds.

(4) Coverage of senior and subordinate lien electric revenue bonds only. Excludes joint powers agency obligations, the costs of which are a component of Adjusted Operating Expenses. See footnote (2).

Source: City of Santa Clara.



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## **APPENDIX B**

### **NCPA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016**

The combined financial statements of Northern California Power Agency and Associated Power Corporations as of and for the year ended June 30, 2017 have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report. Baker Tilly Virchow Krause, LLP has not been engaged to perform and has not performed, since the date of its report included therein, any procedures on the financial statements addressed in such report. Baker Tilly Virchow Krause, LLP has also not performed any procedures relating to this Official Statement. The June 30, 2016 combined financial statements of Northern California Power Agency and Associated Power Corporations were audited by Moss Adams LLP.

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**AND**

**ASSOCIATED POWER CORPORATIONS**

**Reports on Audit of Combined Financial Statements  
and  
Supplementary Information**

**For the Years Ended June 30, 2017 and 2016**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**Reports on Audit of Combined Financial Statements**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Northern California Power Agency and Associated Power Corporations  
Roseville, California

### ***Report on the Financial Statements***

We have audited the accompanying combined financial statements of Northern California Power Agency and Associated Power Corporations (the Agency), which comprise the combined statement of net position as of and for the year ended June 30, 2017, and the related combined statements of revenue, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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 California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. 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 combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the combined 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 Agency'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Northern California Power Agency and Associated Power Corporations as of June 30, 2017, and the respective changes in combined financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Commissioners  
Northern California Power Agency and Associated Power Corporations

### ***Prior Period Financial Statements***

The combined financial statements of the Northern California Power Agency and Associated Power Corporations, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated October 19, 2016, expressed an unmodified opinion on those combined statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's combined financial statements. The combining statements of net position, combining statements of revenues, expenses and changes in net position, combining statements of cash flows (combining financial statements) are presented for purposes of additional analysis and is not a required part of the combined financial statements.

The combining financial statements are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The fiscal 2017 information has been subjected to auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements as of and for the year ended June 30, 2017 are fairly stated, in all material respects, in relation to the combined financial statements as a whole. The fiscal 2016 combining statements were subjected to the auditing procedures applied in the audit of those basic financial statements by other auditors, whose report on such information stated it was fairly stated in all material respects in relation to the 2016 combined financial statements as a whole.

The schedule of generation entitlement shares has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Baker Tilly Veichau Krause, LLP*

Madison, Wisconsin  
October 17, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

The management of Northern California Power Agency (the Agency or NCPA) offers the following narrative discussion and analysis of its financial performance for the years ended June 30, 2017 and 2016. This discussion should be read in conjunction with the Agency's combined financial statements and accompanying notes, which follow this section.

#### **BACKGROUND**

The Northern California Power Agency is a joint powers agency formed by member public entities under the laws of the State of California to provide cost effective wholesale power, energy-related services, and advocacy on behalf of public power consumers. The Agency's purposes are for purchasing, generating, transmitting, and selling electrical energy and for providing other related services to its members as each may require. The Agency provides a portion of certain of its members' power needs and certain of its members also self-provide and/or purchase power and transmission from other public and private sources.

NCPA is governed by a Commission comprised of one representative for each member. The Commission is responsible for the general management of the affairs, property, and business of the Agency. Under the direction of the General Manager, the staff of the Agency is responsible for providing various administrative, operating and planning services for the Agency.

The Agency's project construction and development programs have been individually financed by project revenue bonds that are collateralized by the Agency's assignment of all payments, revenues, and proceeds associated with its interest in each project. Each of the Agency's members may choose which projects it wishes to participate in, and is known as a "project participant" for each such project. Each project participant has agreed to pay its proportionate share of debt service and other costs of the related project; notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason (that is, the take-or-pay member agreements). Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Power sales by the Agency to its members for their resale include both sales of power to project participants generated by operating plants and power purchased from outside sources. Collections for power sales are designed to recover costs that include budgeted annual operating costs and debt service. Additional amounts for operating reserves or cost stabilization may be included in collections under the terms of bond indentures. The Agency's collections for electric service are not subject to the regulatory jurisdiction of the California Public Utilities Commission (CPUC) or the Federal Energy Regulatory Commission (FERC). Rather, the Agency's collections are established annually in connection with its budget, which is approved by its governing Commission.

Various legal and tax considerations caused the Agency to provide that separate not-for-profit corporations should be delegated by the Agency to own the geothermal electrical generating projects undertaken by the Agency ("the Associated Power Corporations"). The Associated Power Corporations, consisting of Northern California Municipal Power Corporation Nos. Two and Three, have delegated to the Agency the authority to construct, operate, and manage their respective geothermal plants and related assets. The Agency, in return for financing the costs of acquisition and construction, acquires all the capacity and energy generated by the plants.

Because the Agency is a separate, special-purpose governmental entity that serves its participating members, who are also the Agency's principal customers, the net results of operations flow through to its participating members as either net revenues or net expenses.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

#### **FINANCIAL REPORTING**

For accounting purposes, the Agency is a special-purpose governmental entity that is engaged in a business-type activity, principally as a supplier of wholesale electricity and transmission to its member participants. As such, the Agency's financial statements are presented as an enterprise type fund.

The records of the Agency and the Associated Power Corporations are maintained substantially in accordance with the FERC Uniform System of Accounts. Accounting principles generally accepted in the United States of America are applied by the Agency in conformance with pronouncements of the Governmental Accounting Standards Board (GASB). The combined financial statements encompass the Agency and Associated Power Corporations on an accrual accounting basis. All significant intercompany balances and transactions have been eliminated from the combined amounts reported.

In accordance with GASB Statement of Government Accounting Standards No. 62, Codification of Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting (GASB No. 62), the Agency has recorded as regulatory assets and liabilities certain items of expense and revenue that otherwise would have been charged to operations as such items will be recovered in the future years' operations. The Agency expects to recover these items in collections over the term of the related debt obligations it has issued or when the obligation is paid.

Effective for fiscal year ended June 30, 2016, the Agency adopted GASB Statement of Government Accounting Standards No. 72, Fair Value Measurement and Application. This Statement establishes standards for fair value measurements of assets and liabilities. The definition of *fair value* is the price in an orderly transaction between market participants at the measurement date. No adjustments were needed as a result of adopting this Statement.

#### **COMBINED STATEMENTS OF NET POSITION, COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, AND COMBINED STATEMENTS OF CASH FLOWS**

The combined statements of net position includes all the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual method of accounting, as well as information about which assets can be used for general purposes and which assets are restricted as a result of bond covenants and other commitments. The combined statement of net position provides information about the nature and amount of resources and obligations at a specific point in time. The combined statements of revenues, expenses, and changes in net position report all the revenues and expenses during the time periods indicated. The combined statements of cash flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses, such as payments for debt service and capital additions.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

### FINANCIAL HIGHLIGHTS

The following is a summary of the Agency's combined financial position and results of operations for the years ended June 30, 2017, 2016, and 2015.

Condensed Statement of Net Position	June 30,		
	(in thousands)		
	2017	2016	2015
<b>Assets</b>			
Current assets	\$ 88,453	\$ 83,366	\$ 81,501
Restricted assets	221,783	211,759	204,769
Electric plant, net	559,841	588,870	618,708
Other assets	236,269	249,574	249,659
Total Assets	1,106,346	1,133,569	1,154,637
Deferred outflows of resources	61,612	63,441	67,424
	\$ 1,167,958	\$ 1,197,010	\$ 1,222,061
<b>Liabilities and Net Position</b>			
Long-term debt, net	\$ 737,022	\$ 776,982	\$ 816,936
Current liabilities	101,550	91,653	93,224
Non-current liabilities	218,427	214,612	199,980
Total Liabilities	1,056,999	1,083,247	1,110,140
Deferred inflows of resources	76,899	85,800	81,930
Net position:			
Net investment in capital assets	(62,191)	(62,193)	(60,971)
Restricted	58,269	66,282	64,688
Unrestricted	37,982	23,874	26,274
	\$ 1,167,958	\$ 1,197,010	\$ 1,222,061
Condensed Statements of Revenues, Expenses and Changes in Net Position	Years Ended June 30,		
	(in thousands)		
	2017	2016	2015
Operating revenues *	\$ 466,738	\$ 467,101	\$ 423,887
Operating expenses	(418,307)	(421,507)	(378,672)
Net operating revenues	48,431	45,594	45,215
Other expenses	(21,561)	(38,860)	(38,260)
Future refundable costs	(13,274)	(140)	(2,292)
Refunds to participants	(7,499)	(8,622)	(6,905)
Change in net position	6,097	(2,028)	(2,242)
Net position, beginning of year	27,963	29,991	32,233
Net position, end of year	\$ 34,060	\$ 27,963	\$ 29,991

\*A reclassification of \$14,457,000 was made for FY 2016 between Operating Revenues and Operating Expenses for comparability purpose.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

#### **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

##### **Current Assets**

*2017 Compared to 2016* - Current assets increased \$5.1 million or 6.1% from the prior year, primarily due to higher energy sales during May and June. The higher energy sales resulted from increased hydroelectric generation as a result of a significant snowpack and heavy rainfall during the winter months.

*2016 Compared to 2015* - Current assets increased \$1.9 million or 2.3% from the prior year, primarily due to net cash inflow from operating and investing activities offset by decrease in California Independent System Operator (CAISO) receivables.

##### **Restricted Assets**

*2017 Compared to 2016* - Restricted assets increased \$10.0 million or 4.7% from the prior year. This is primarily a result of net increase in participants' General Operating Reserves of \$4.7 million and collections of budgeted reserves and deposits of \$5.3 million.

*2016 Compared to 2015* - Restricted assets increased \$7.0 million or 3.4% from the prior year. This is primarily a result of net participants' contributions to their General Operating Reserves of \$5.4 million and collections of budgeted reserves and deposits of \$3.6 million.

##### **Electric Plant, net**

*2017 Compared to 2016* - The Agency has invested approximately \$559.8 million in plant assets and construction work in progress, net of accumulated depreciation, at June 30, 2017. Net utility plant comprises approximately 47.9% of the Agency's assets. The \$29.1 million or 4.9% decrease from the prior year consists of \$30.7 million in depreciation, offset by net capital expenditures of \$0.1 million. For additional detail, refer to Note B – Significant Accounting Policies.

*2016 Compared to 2015* - The Agency has invested approximately \$588.9 million in plant assets and construction work in progress, net of accumulated depreciation, at June 30, 2016. Net utility plant comprises approximately 49.2% of the Agency's assets. The \$29.8 million or 4.8% decrease from the prior year consists of \$30.6 million in depreciation, offset by net capital expenditures of \$0.8 million. For additional detail, refer to Note B – Significant Accounting Policies.

##### **Deferred Outflows**

*2017 Compared to 2016* - Total deferred outflows of resources decreased \$1.8 million or 2.9% due to the scheduled amortization of excess of cost on refunding of debt of \$6.2 million offset by increase of deferred pension contribution of \$4.4 million.

*2016 Compared to 2015* - Total deferred outflows of resources decreased \$4.0 million or 5.9% due to the scheduled amortization of excess of cost on refunding of debt of \$7.8 million offset by increase of deferred pension contribution of \$3.8 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS

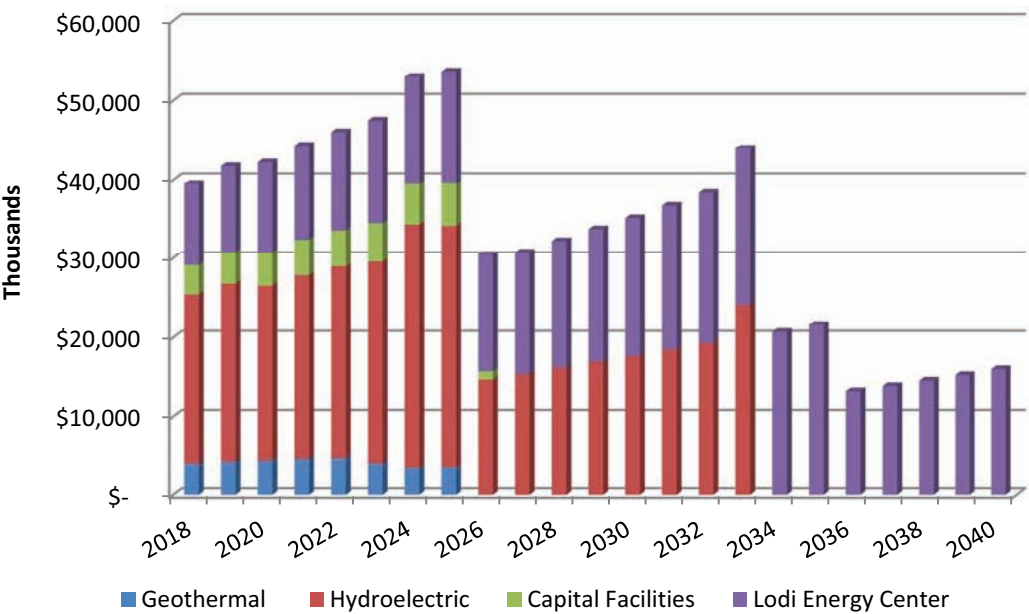
LIABILITIES

Long-Term Debt, net

*2017 Compared to 2016* - Long-term debt, net decreased \$40.0 million or 5.1% in 2017 as a result of scheduled principal payments of \$37.2 million, net premium amortization of \$2.3 million, and a decrease for the net transfer of the current portion of long-term debt of \$2.2 million offset by a net increase of \$1.7 million related to the Geothermal Project 3 Revenue Refunding Bonds 2016 Series A that partially refunded the Geothermal Project 3 Revenue Bonds 2009 Series A debt. For additional detail, refer to Note E – Projects and Related Financing.

*2016 Compared to 2015* - Long-term debt, net decreased \$40.0 million or 4.9% in 2016 as a result of scheduled principal payments of \$35.6 million, net premium amortization of \$2.7 million, and a net increase in the current portion of long-term debt of \$1.6 million. For additional detail, refer to Note E – Projects and Related Financing.

The following table shows the Agency’s scheduled annual debt service principal payments through FY 2041 as of June 30, 2017:



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

#### **Current Liabilities**

*2017 Compared to 2016* - Current liabilities increased by \$9.9 million or 10.8% in 2017. This is primarily due to increases in accounts payable of \$6.0 million, increases in operating reserves of \$2.5 million and increases in current portion of long-term debt of \$2.2 million offset by decreases in accrued interest of \$0.8 million.

*2016 Compared to 2015* - Current liabilities decreased by \$1.6 million or 1.7% in 2016. This is primarily due to decreases in operating reserves of \$3.6 million and decreases in accrued interest of \$0.6 million offset by increases in accounts payable of \$1.0 million and increases in current portion of long-term debt of \$1.6 million.

#### **Other Non-Current Liabilities**

*2017 Compared to 2016* - Non-current liabilities increased by a net of \$3.8 million or 1.8% in 2017. This was primarily due to increased net pension liability of \$6.8 million and increased operating reserves of \$4.1 million for budget collections offset by decreased interest rate swap liability of \$7.1 million.

*2016 Compared to 2015* - Non-current liabilities increased by a net of \$14.6 million or 7.3% in 2016. This was primarily due to increased net pension liability of \$0.5 million, increased interest rate swap liability of \$5.7 million and increased operating reserves of \$8.4 million for participants' budget collections.

#### **Deferred Inflows**

*2017 Compared to 2016* - Total deferred inflows of resources decreased \$8.9 million or 10.4% due to the recognition of PG&E-CPUC gas pipeline settlement of \$4.3 million, deferral of certain revenues related to the inventory and prepaids totaling \$2.5 million and net pension expense amortization of \$2.1 million.

*2016 Compared to 2015* - Total deferred inflows of resources increased \$3.9 million or 4.7% due to the recognition of certain revenues related to the inventory and prepaids and higher than expected actuarial pension earnings to be adjusted in future collections.

### **CHANGES IN NET POSITION**

The Agency is intended to operate on a not-for-profit basis. Therefore, net position primarily represents differences between total revenues collected, using rates based on estimated operating expenses and debt service, and the total actual expenses incurred. In subsequent periods of operation, excess collections (net of encumbrances) may be refunded to participants or appropriated for other uses at the discretion of the Agency's governing Board of Commissioners. In the event the Agency incurs a net expense at year-end, the balance would be subject to recovery in participant rates under the terms of the related participating member agreements. See Notes A, B and E to the Combined Financial Statements.

#### **Operating Revenues**

Operating revenues consist of Participants Revenue, California Independent System Operator (CAISO) Energy Sales and Ancillary Services (A/S) Revenues and Other Revenues.

*2017 Compared to 2016* - Operating revenues for fiscal year 2017 were approximately \$4 million or 0.1% lower than in the prior fiscal year. This was the net result of the following: (1) lower other third party revenues of \$7.2 million due to reduced generation resulting in decreased energy sales into the CAISO market from

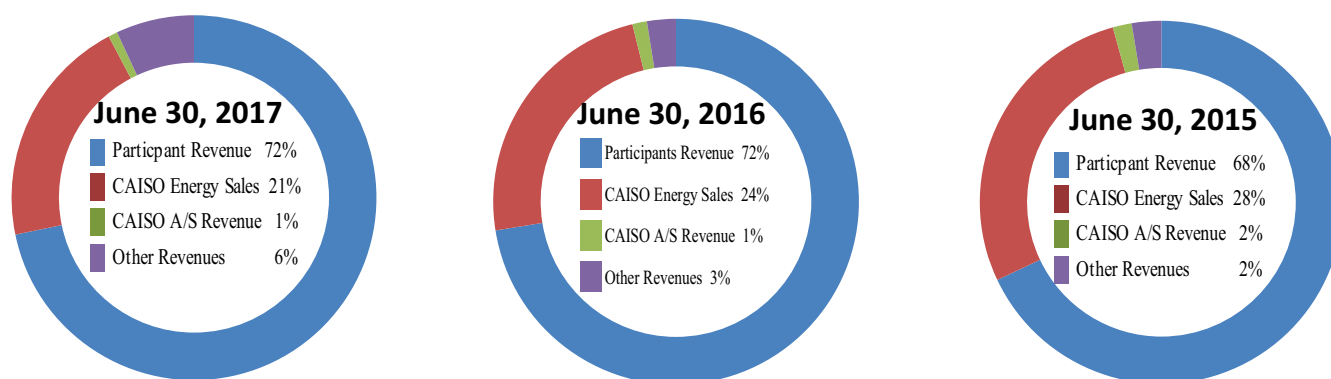
## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

generation plants, and (2) higher operating revenues from Agency participants of \$6.8 million due to higher collections for CAISO costs and energy purchases.

*2016 Compared to 2015* - Operating revenues for fiscal year 2016 were approximately \$43.2 million or 10.2% higher than in the prior fiscal year. This was the net result of the following: (1) higher operating revenues from Agency participants of \$40.2 million or 14.0% due to higher collections for CAISO costs and energy purchases, and (2) higher other third party revenues of \$3.0 million due to higher CAISO energy sales.

### OPERATING REVENUES BY SOURCES



### Operating Expenses

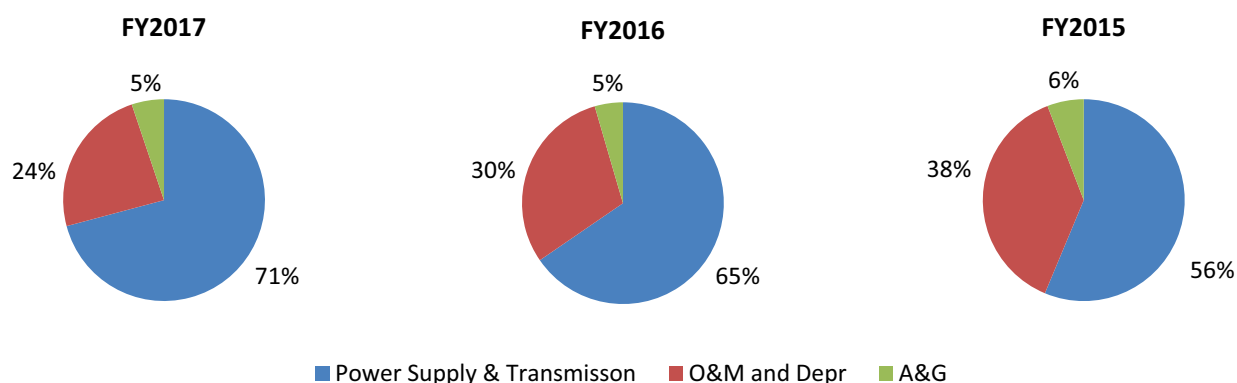
*2017 Compared to 2016* - Operating expenses were \$418.3 million in FY 2017, a decrease of \$3.2 million from FY 2016. Purchased power expense was \$10.2 million higher in 2017 mainly due to increased energy purchased to fulfill energy requirements. Operations expense decreased \$16.5 million primarily due to decreased fuel usage for the LEC. The LEC generated 300.6 MWh in FY 2017 compared to 1,076.9 MWh in FY 2016 due to economic reasons. Maintenance expenses were \$5.7 million lower than in FY 2016 due to decreased plant maintenance costs. Additionally, the increase in transmission costs of \$5.4 million was due to increased CAISO wheeling access charges during the year.

*2016 Compared to 2015* - Operating expenses were \$421.5 million in FY 2016, an increase of \$42.8 million from FY 2015. Purchased power expense was \$29.5 million higher in 2016 mainly due to increased energy purchased to fulfill energy requirements. Operations expense decreased \$21.5 million primarily due to decreased fuel usage for the LEC. The LEC generated 1,076.9 MWh in FY 2016 compared to 1,668.7 MWh in FY 2015. Maintenance expenses were \$1.0 million higher than in FY 2015 due to increased plant maintenance costs. Additionally, the increase in transmission costs of \$38.0 million was due to increased CAISO wheeling access and transmission access charges during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The following charts compare the components of Operating Expenses in fiscal years ended June 30, 2017, 2016, and 2015:



### FINANCING ACTIVITIES

During 2017, 2016 and 2015 the Agency continued to implement strategies to further improve its competitive position and financial flexibility. These actions included: (1) monitoring current financial market conditions for financing or refinancing opportunities; and (2) providing rating agencies annual updates on all projects.

In September 2016, the Agency issued Geothermal Revenue Refunding Bond 2016 Series A (\$17,530,000) to refund a portion of Geothermal Revenue Bond 2009 Series A. The refunding was completed through the issuance of \$17,530,000 fixed rate tax exempt debt (2016 Series A) with a yield of 1.67% with varying principal maturities ranging from \$265,000 to \$3,425,000 through July 1, 2024. The refunding is estimated to have decreased project debt service by an estimated \$1.69 million over the next 8 years, which results in an estimated economic gain to the Agency of approximately \$1.03 million.

Each year the Agency has either informal discussions or sometimes formal presentations with each of the credit rating agencies in order to maintain ongoing communications. Standard and Poor's, Moody's, and Fitch affirmed their current ratings on all projects in October 2014, December 2015, and May of 2016, respectively.

Ratings assigned to the Agency's outstanding project bonds as of June 30, 2017 are as follows:

Debt Credit Ratings:	Standard & Poor's	Fitch	Moody's
Geothermal	A-, stable	A+, stable	A1, stable
Hydroelectric	A+, stable	A+, stable	A1, stable
Capital Facilities	A-, stable	Not rated	A2, stable
Lodi Energy Center (Issue One)	A-, stable	A, stable	A2, stable
Lodi Energy Center (Issue Two)	AAA, stable	Not rated	Aa2, stable

### SUMMARY

The management of the Agency is responsible for preparing the information in this management's discussion and analysis, combined financial statements and notes to the combined financial statements. Financial statements were prepared according to accounting principles generally accepted in the United States of America, and they fairly portray the Agency's financial position and operating results. The notes to the financial statements are an integral part of the basic financial statements and provide additional financial information.

# Agency Financials



# COMBINED STATEMENTS OF NET POSITION

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	June 30,	
	2017	2016
ASSETS	(in thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 45,779	\$ 49,642
Investments	24,825	22,209
Accounts receivable		
Participants	997	690
Other	5,650	495
Interest receivable	171	120
Inventory and supplies	9,746	9,122
Prepaid expenses	1,285	1,088
<b>TOTAL CURRENT ASSETS</b>	<b>88,453</b>	<b>83,366</b>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	80,265	56,669
Investments	141,042	154,757
Interest receivable	476	333
<b>TOTAL RESTRICTED ASSETS</b>	<b>221,783</b>	<b>211,759</b>
<b>ELECTRIC PLANT</b>		
Electric plant in service	1,501,733	1,500,739
Less: accumulated depreciation	(942,713)	(911,976)
	559,020	588,763
Construction work-in-progress	821	107
<b>TOTAL ELECTRIC PLANT</b>	<b>559,841</b>	<b>588,870</b>
<b>OTHER ASSETS</b>		
Regulatory assets	236,245	249,519
Unused vendor credits	24	55
<b>TOTAL ASSETS</b>	<b>1,106,346</b>	<b>1,133,569</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Excess cost on refunding of debt	48,106	54,348
Pension deferrals	13,506	9,093
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>61,612</b>	<b>63,441</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,167,958</b>	<b>\$ 1,197,010</b>

See notes to combined financial statements.

# COMBINED STATEMENTS OF NET POSITION

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	June 30,	
	2017	2016
	(in thousands)	
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 30,456	\$ 24,473
Member advances	993	993
Operating reserves	20,024	17,535
Current portion of long-term debt	39,495	37,250
Accrued interest payable	10,582	11,402
TOTAL CURRENT LIABILITIES	101,550	91,653
NON-CURRENT LIABILITIES		
Net pension liability	64,589	57,774
Operating reserves and other deposits	138,665	134,577
Interest rate swap liability	15,173	22,261
Long-term debt, net	737,022	776,982
TOTAL NON-CURRENT LIABILITIES	955,449	991,594
TOTAL LIABILITIES	1,056,999	1,083,247
DEFERRED INFLOWS OF RESOURCES		
Regulatory credits	72,439	79,201
Pension deferrals	4,460	6,599
TOTAL DEFERRED INFLOWS OF RESOURCES	76,899	85,800
NET POSITION		
Net investment in capital assets	(62,191)	(62,193)
Restricted for:		
Debt service	57,424	55,766
Other programs	845	10,516
Unrestricted	37,982	23,874
TOTAL NET POSITION	34,060	27,963
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,167,958	\$ 1,197,010

See notes to combined financial statements.

**COMBINED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

	Years Ended June 30,	
	2017	2016
	(in thousands)	
OPERATING REVENUES		
Participants	\$ 334,913	\$ 328,101
Other Third-Party	131,825	139,001
TOTAL OPERATING REVENUES	466,738	467,102
OPERATING EXPENSES		
Purchased power	192,806	182,563
Operations	52,558	69,075
Transmission	103,544	98,170
Depreciation	30,749	30,645
Maintenance	16,970	22,675
Administrative and general	21,680	18,380
TOTAL OPERATING EXPENSES	418,307	421,508
NET OPERATING REVENUES	48,431	45,594
NON OPERATING (EXPENSES) REVENUES		
Interest expense	(34,550)	(48,454)
Interest income	60	3,538
Other	12,929	6,056
TOTAL NON OPERATING EXPENSES	(21,561)	(38,860)
FUTURE RECOVERABLE AMOUNTS	(13,274)	(140)
REFUNDS TO PARTICIPANTS	(7,499)	(8,622)
INCREASE (DECREASE) IN NET POSITION	6,097	(2,028)
NET POSITION, Beginning of year	27,963	29,991
NET POSITION, End of year	\$ 34,060	\$ 27,963

See notes to combined financial statements

# COMBINED STATEMENTS OF CASH FLOW

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	Years Ended June 30,	
	2017	2016
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from participants	\$ 327,844	\$ 329,651
Received from others	135,318	133,087
Payments for employee services	(35,930)	(33,547)
Payments to suppliers for goods and services	(348,243)	(346,293)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>78,989</b>	<b>82,898</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and sales of investments	113,772	178,073
Interest received on cash and investments	2,590	2,119
Purchase of investments	(105,399)	(182,741)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>10,963</b>	<b>(2,549)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of electric plant	(1,720)	(808)
Interest paid on long-term debt	(36,390)	(38,231)
Principal repayment on long-term debt	(37,250)	(35,615)
Proceeds from bond issues	15,416	-
Payments to refund debt	(15,705)	-
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(75,649)</b>	<b>(74,654)</b>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Other proceeds	12,929	6,059
Refunds to participants	(7,499)	(8,622)
<b>NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>5,430</b>	<b>(2,563)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>19,733</b>	<b>3,132</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	106,311	103,179
End of year	<b>\$ 126,044</b>	<b>\$ 106,311</b>

See notes to combined financial statements

# COMBINED STATEMENTS OF CASH FLOW-Continued

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	Years Ended June 30,	
	2017	2016
	(in thousands)	
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 48,431	\$ 45,594
Adjustments to reconcile net operating revenues to net cash from operating activities:		
Depreciation	30,749	30,645
	<u>79,180</u>	<u>76,239</u>
CASH FLOWS IMPACTED BY CHANGES IN		
Accounts receivable	(5,462)	966
Inventory, prepaid expense, and unused vendor credits	(790)	(661)
Operating reserves and other deposits	6,577	4,742
Regulatory credits	(6,762)	2,217
Accounts payable	5,983	1,011
Net pension liability and related amounts	263	(1,616)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 78,989</u>	<u>\$ 82,898</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash and cash equivalents - current assets	\$ 45,779	\$ 49,642
Cash and cash equivalents - restricted assets	80,265	56,669
End of year	<u>\$ 126,044</u>	<u>\$ 106,311</u>
NON-CASH TRANSACTIONS:		
Future recoverable/(refundable) costs	\$ (13,274)	\$ (140)
Amortization	(6,069)	(5,062)
Hydro swap change in fair value	7,089	(5,727)
Gain/loss on investments	(7)	-

See notes to combined financial statements

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### NOTE A -- ORGANIZATION

**The Agency** Northern California Power Agency (Agency) was formed in 1968 as a joint powers agency of the State of California. The membership consists of twelve cities with publicly-owned electric utility distribution systems, one port authority, a transit authority, one public utility district, and one associate member. The Agency is generally empowered to purchase, generate, transmit, distribute, and sell electrical energy. Members participate in the projects of the Agency on an elective basis.

Various legal and tax considerations caused the Agency to provide that separate Special District Entities should be delegated by the Agency to own the geothermal electrical generating projects undertaken by the Agency ("the Associated Power Corporations"). The Associated Power Corporations, Northern California Municipal Power Corporations Nos. Two and Three, have delegated to the Agency the authority to construct, operate and manage their respective geothermal plants and related assets. The Agency, in return for financing the costs of acquisition and construction, acquires all the capacity and energy generated by the plants. See Note E – Projects and Related Financing.

The Agency is governed by a Commission comprised of one representative for each member. The Commission is responsible for the general management of the affairs, property, and business of the Agency. Under the direction of the General Manager, the staff of the Agency is responsible for providing various administrative, operating, and planning services for the Agency.

#### NOTE B -- SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting and Principles of Combination** For accounting purposes, the Agency is a special-purpose governmental entity that is engaged in a business-type activity, principally as a supplier of wholesale electricity and transmission to its member participants. As such, the Agency's financial statements are presented as an enterprise type fund.

The records of the Agency and its Associated Power Corporations are maintained substantially in accordance with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts. Accounting principles generally accepted in the United States of America are applied by the Agency in conformance with pronouncements of the Governmental Accounting Standards Board (GASB). The combined financial statements encompass the Agency and Associated Power Corporations on an accrual accounting basis. All significant intercompany balances and transactions have been eliminated from the combined amounts reported.

**Cash and Cash Equivalents** Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, all investments in the Local Agency Investment Fund (LAIF) and cash maintained in interest-bearing depository accounts, which are fully insured or collateralized in accordance with state law. Cash balances may be invested in either overnight repurchase agreements, which are fully collateralized by U.S. Government Securities, or in money market funds invested in short-term U.S. Treasury Securities. The Agency commingles operating cash for investment purposes only. Separate detailed accounting records are maintained for each account's related investments. All cash of the Agency is held by either the Agency's custodian or its primary bank and revenue bond trustee.

Custodial credit risk for cash deposits is the risk that, in the event of the failure of a depository financial institution, the Agency 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. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

having a fair value of 110% to 150% of the Agency's cash on deposit. All of the Agency's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions.

**Investments** The Agency's investments are reported at fair value. Realized and unrealized gains and losses are included in interest income in the Statement of Revenue, Expenses and Changes in Net Position.

**Accounts Receivable** Accounts Receivable consists primarily of amounts due from participants and other governmental entities related to sales of energy and transmission. Amounts are deemed to be collectible and as such, no allowance for uncollectible accounts has been recorded.

**Inventory and Supplies** Inventory and supplies consist primarily of spare parts for the maintenance of plant assets and are stated at average cost.

**Restricted Assets** Cash and cash equivalents, investments and related accrued interest, which are restricted under terms of certain agreements, trust indentures or Commission actions limiting the use of such funds, are included in restricted assets.

**Electric Plant** Electric plant in service is recorded at historical cost. The cost of additions, renewals and betterments is capitalized; repairs and minor replacements are charged to operating expenses as incurred. The original cost of property retired, net of removal and salvage costs, is charged to accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. The provision for depreciation was approximately 2.0% of the average electric plant in service for the Agency during both 2017 and 2016. Depreciation is calculated using the following estimated lives:

Generation and Transmission	25 to 42 years
General Plant	5 to 25 years
Furniture and Fixtures	10 years
Transportation Equipment	5 years
Computer and Electronic Equipment	5 years

A summary of changes in electric plant for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Adjustments	Additions	Deletions	Balance June 30, 2017
	(in thousands)				
Structures and Leasehold Improvements	\$ 319,127	\$ 60	\$ 203	\$ (12)	\$ 319,378
Reservoirs, Dams and Waterways	249,339	(1)	-	-	249,338
Equipment	757,727	(331)	630	-	758,026
Furniture and Fixtures	2,601	271	174	-	3,046
	1,328,794	(1)	1,007	(12)	1,329,788
Accumulated Depreciation	(911,976)	-	(30,749)	12	(942,713)
	416,818		(29,742)	-	387,075
Construction Work-In-Progress	107	-	714	-	821
Land and Land Rights	171,945	-	-	-	171,945
Electric Plant, Net	\$ 588,870	\$ (1)	\$ (29,028)	\$ -	\$ 559,841

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

A summary of changes in electric plant for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
	(in thousands)			
Structures and Leasehold Improvements	\$ 319,069	\$ 58	\$ -	\$ 319,127
Reservoirs, Dams and Waterways	249,339	-	-	249,339
Equipment	757,310	898	(481)	757,727
Furniture and Fixtures	2,413	188	-	2,601
	1,328,131	1,144	(481)	1,328,794
Accumulated Depreciation	(881,412)	(30,645)	81	(911,976)
	446,719	(29,501)	(400)	416,818
Construction Work-In-Progress	44	63	-	107
Land and Land Rights	171,945	-	-	171,945
Electric Plant, Net	\$ 618,708	\$ (29,438)	\$ (400)	\$ 588,870

**Construction Work-In-Progress** Construction work-in-progress (CWIP) includes the capitalized cost of land, material, equipment, labor, interest (net of interest income), certain other financing costs incurred to facilitate the projects and an allocated portion of general and administrative expenses related to the development of electric plant. In addition, CWIP ultimately includes costs incurred during the test and start-up phase of projects prior to commencement of commercial operations.

**Regulatory Assets/Credits** In accordance with GASB No. 62, the Agency has deferred certain items of expense and revenue that otherwise would have been charged to operations because it is probable that such items will be recovered in future years' operations. For items related to Net Pension Liability, the Agency expects to recover these items through participant collections as determined by CalPERS actuarial calculation. For other regulatory items, the Agency expects to recover these items through participant collections over the term of the related debt obligations it has issued. On an ongoing basis, the Agency reviews its operations to determine the continued applicability of these deferrals under GASB No. 62.

The items of expense that have been deferred are net pension liability and those originally paid from bond proceeds, including depreciation, certain bond amortizations, and interest paid from bond proceeds. These amounts are recorded to future recoverable amounts. Revenues used to acquire electric plant have also been deferred to future years. As of June 30, 2017 and 2016, the Agency had accumulated regulatory assets, net of regulatory credits, of approximately \$163,806,000 and \$170,318,000, respectively.

**Debt Related Costs** Debt issuance costs are expensed as incurred. Excess costs on refunding of bonds are considered deferred outflows of resources as prescribed by GASB Statement No. 65 and amortized over the life of the refunding bonds, or the life of the refunded bonds, whichever is shorter. Amortization is computed using the effective interest method and included in interest expense.

**Compensated Absences** Accumulated unpaid compensated absences are accrued as the obligation is incurred. Compensated absences are included in accounts payable and accrued expenses.



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Pensions** For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Long-Term Debt** Long-term debt is stated net of unamortized discounts and premiums. Discounts and premiums are amortized over the term of the related obligation using the effective interest method. Amortization of debt discounts and premiums is included in total interest expense for the period. See Note E - Projects and Related Financing.

**Operating Reserves** The Agency has established various funded operating reserves, in accordance with various bond indentures, project agreements, and prudent utility practice, for anticipated periodic operating costs and related liabilities including, but not limited to, scheduled maintenance other than ordinary repairs and replacements. Certain amounts funded each year are charged to operating expense because the rates established by the Agency for power sales to its members include these costs on a prospective basis. Changes to operating reserve levels are periodically evaluated during the annual budgeting process. A non-project specific, individual participant controlled, general operating reserve is also maintained for participating Agency members.

**Rates** Power sales to participants for their resale include both power generated by operating plants and power purchased from outside sources. Collection rates for power sales are designed to recover costs that include budgeted annual operating costs and debt service. Additional amounts for operating reserves or rate stabilization may be included in collection rates under the terms of bond indentures. During fiscal years 2017 and 2016, no amounts were specifically collected for rate stabilization.

The Agency's collection rates for electric service are not subject to the regulatory jurisdiction of the California Public Utilities Commission (CPUC) or FERC. Rather, the Agency's rates are established annually in connection with its budget, which is approved by its governing Commission.

**Power, Transmission and Fuel Forward Transactions** In the normal course of its business, the Agency is required to manage loads, resources, and energy price risk on behalf of its members. Consequently, the Agency buys and sells power, transmission, and fuel in wholesale markets as required. The Agency does not enter into such agreements solely for trading purposes. All such transactions are normal purchases and sales subject to settlement at the agreed to contract prices for quantities delivered. While authorized to transact forward purchase contracts for terms of up to five years, forward contract purchases at fiscal year ended June 30, 2017 were for periods not greater than four years duration beyond the current fiscal year. In the event of default, undelivered transactions are required to be marked-to-market subject to the following limitations. If the Agency, as buyer, is the defaulting entity, the Agency's termination settlement amount is capped at the agreed to contract cost for all future undelivered commodities. If the selling counterparty is the defaulting entity, the seller's termination settlement is not capped for all future undelivered commodities. The defaulting entity is also subject to resultant transmission charges, brokerage fees, attorney fees, and all other reasonable expenses. See Note H - Commitments and Contingencies, Power Purchase Contracts.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Fair Values of Financial Instruments** The following methods and assumptions were used by the Agency in estimating its fair value disclosures for financial instruments:

*Cash and Cash Equivalents* - The carrying amount reported in the statements of net position for cash and cash equivalents approximates its fair value.

*Investments* - The fair values for investments are based on quoted market prices. See Note C - Investments.

*Swaps* - The fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that were received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. While the current net mark-to-market values are negative, this valuation would be realized only if the swaps were terminated at the valuation date.

**Net Position** The Agency classifies its net position into three components; invested in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* - This component consists of capital assets, net of accumulated depreciation reduced by outstanding debt balances, net of unspent bond proceeds.

*Restricted* - This component consists of net position with constraints placed on their use. Constraints include those imposed by debt indentures and other agreements; grants, laws and regulations of other governments or by the Agency's governing Board of Commissioners.

*Unrestricted* - This component consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

The Agency and the Associated Power Corporations are intended to operate on a not-for-profit basis. Therefore, any balance of net position represents differences between total revenues collected, using collection rates based on estimated operating expenses and debt service, and the total actual expenses incurred. In subsequent periods of operation, excess collections (net of encumbrances) that the participating members do not direct be held by or released to the Agency, are refunded to the participating members. Estimated encumbrances at June 30, 2017 and 2016 were \$3,257,000 and \$2,999,000, respectively. In the event the Agency incurs a negative net position balance, the balance would be subject to recovery in collection rates under the terms of the related take-or-pay member agreements. See Note E – Projects And Related Financing.

**Deferred Outflows and Inflows of Resources** The statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred Outflows of Resources consist of excess cost on refunding of debt and pension deferrals. Pension contributions made in the current year are reported as deferred outflows of resources per GASB No. 71 as the CalPERS' valuation measurement date is June 30, 2016; those contributions will be expensed in fiscal year 2018.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period(s) and will be recognized as revenue at that time. The Agency's deferred inflows of resources are comprised of regulatory credits intended to offset the effects of the collection rate process and pension deferrals projected in the CalPERS actuarial report.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Recent Accounting Pronouncements** In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, effective for financial statements for years beginning after June 15, 2015. This statement clarifies the definition of fair value, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. This statement establishes a three-level hierarchy to the valuation techniques used to measure fair value. Disclosure is required to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

#### **Accounting Pronouncements Effective in Future Fiscal Years**

- **GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the Postemployment Benefits Other than Pensions (OPEB) provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning after June 15, 2017, or the 2017-2018 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 83** – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and reporting for certain asset retirement obligations (AROs). This Statement requires governments to recognize a liability for legal obligations to perform future asset retirement activities related to its tangible capital assets. The Statement is effective for the periods beginning after June 15, 2018, or the 2018-2019 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for the periods beginning after December 15, 2018, or the 2019-2020 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 86** – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement is effective for the periods beginning after June 15, 2017, or the 2017-2018 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of the Statement is to recognize in the Financial Statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement is effective for the periods beginning after December 15, 2019, or the 2020-2021 fiscal year. The Agency has not determined the effect of the statement.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Use of Estimates in the Preparation of Financial Statements** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no material effect on net position.

#### NOTE C -- INVESTMENTS

The Agency is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, in certificates of deposit, commercial paper, banker's acceptances, repurchase agreements, passbook savings account demand deposits, municipal bonds, the State Treasurer's LAIF pool, and in other instruments authorized by applicable sections of the Government Code of the State of California. The Agency's investments are stated at fair value.

Investments at June 30, 2017			
<u>Description</u>	Carrying Value	Fair Value	Wtd. Avg Maturity (In years)
	(in thousands)		
U.S. Agencies	\$ 167,404	\$ 165,867	2.79
TOTAL INVESTMENTS	\$ 167,404	\$ 165,867	
Investments at June 30, 2016			
<u>Description</u>	Carrying Value	Fair Value	Wtd. Avg Maturity (In years)
	(in thousands)		
U.S. Agencies	\$ 169,717	\$ 176,966	2.75
TOTAL INVESTMENTS	\$ 169,717	\$ 176,966	

The Agency's investment policy requires investments that assure safety of the principal, liquidity to meet specific obligations of the Agency when due, and investment quality all in compliance with California State law and the Agency's revenue bond indentures. Generally, operating and reserve funds investment maturities are limited to one and five years, except for Geothermal Decommissioning Reserve and debt service reserve funds, which are allowed maturities up to ten years and fifteen years, respectively. All U.S. Government and U.S. Government Agency securities held by the Agency are either in effect or actually AA rated.

All securities owned by, or held on behalf of, the Agency are held by either the Agency's custodian, Union Bank of California, N.A., or its revenue bond trustee, U.S. Bank Trust, N.A.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The Agency's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of the portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

**Credit Risk** To mitigate the risk that an issuer will not fulfill its obligation to the investment, the Agency limits investments to those rated, at a minimum, A or equivalent for long/medium term notes by a nationally recognized statistical rating organization.

**Custodial Credit Risk** This is the risk that in the event of a failure of a depository financial institution, the Agency's deposits may not be returned or the Agency will not be able to recover its deposits, investments, or collateral securities that are in the possession of another party. The Agency's policy mitigates this risk by requiring transactions with approved institutions and firms that have one or more of the following attributes: recognized as a primary government dealer as designated by the Federal Reserve Bank; regional broker/dealer headquartered in the State of California; national or state chartered bank that must be a member of the FDIC; direct issuer of securities eligible for purchase by the Agency; brokers and dealers qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule), must be registered with the Financial Industry Regulatory Authority (FINRA) and must be licensed to do business in the State of California. Capitalization, credit worthiness, experience, reference checks and services offered criteria are evaluated when selecting a custodian.

**Concentration of Credit Risk** This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The investment policy of the Agency contains no limitations on the amount that may be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total Agency investments include the following at June 30, 2017 and June 30, 2016.

#### Concentration of Credit Risk, June 30, 2017

Issuer:	Investment Type	Reported Amount	Percentage of Portfolio
Federal National Mortgage Association	Federal Agency	\$ 59,751,517	36.0%
Federal Home Loan Mortgage Corp.	Federal Agency	40,633,931	24.5%
Federal Farm Credit Bank	Federal Agency	30,655,349	18.5%
Federal Home Loan Bank	Federal Agency	34,816,372	21.0%

#### Concentration of Credit Risk, June 30, 2016

Issuer:	Investment Type	Reported Amount	Percentage of Portfolio
Federal National Mortgage Association	Federal Agency	\$ 65,301,760	36.9%
Federal Home Loan Mortgage Corp.	Federal Agency	43,006,478	24.3%
Federal Farm Credit Bank	Federal Agency	53,394,472	30.2%
Federal Home Loan Bank	Federal Agency	10,263,961	5.8%

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Interest Rate Risk** Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. The Agency manages its exposure to interest rate risk by following a hold-to-maturity investment approach, purchasing a combination of shorter and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

#### **NOTE D -- FAIR VALUE MEASUREMENT**

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, effective for financial statements for years beginning after June 15, 2015. This statement clarifies the definition of fair value, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements.

In accordance with GASB 72, Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability.

Valuation inputs are assumptions that market participants use in pricing an asset or liability. The hierarchy of inputs used to generate the valuation is classified into three different Levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs include quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for an asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs from the asset or liability where there is very little market activity and they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

The Agency's fair value measurements are performed on a recurring basis. Because investing is not a core part of the Agency's mission, the Agency determines that the disclosures related to these investments only need to be disaggregated by major type. The fair value of swaps reflect the nonperformance risk of their client counterparty relating to that liability, and the nonperformance risk of the bank counterparty relating to that asset.

Fair Value of Investments under GASB 72 – Debt and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 Securities are valued using a multi-dimensional relationship model or matrix pricing model utilizing market data including, but not limited to, benchmark yields, reported trades, and broker/dealer quotes.

Fair Value of Swaps under GASB 72 – Fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of a given transaction. The valuations of derivatives transactions provided are indicative values based on mid-market levels as of June 30, 2017. These valuations do not represent the actual terms at which new transactions could be entered into or the actual terms at which existing transactions could be liquidated. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions for interest rate swaps. The observability of inputs used to perform the measurement results in the swap fair values being categorized as Level 2.

# NOTES TO COMBINED FINANCIAL STATEMENTS

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The Agency has the following fair value measurements as of June 30, 2017:

	Fair Value Using (thousands)			
	June 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
Debt Securities				
U.S governmental securities	\$ -	\$ -	\$ -	\$ -
U.S agencies	165,867	34,894	130,973	-
Total debt securities	165,867	34,894	130,973	-
Total investments by fair value level	\$ 165,867	\$ 34,894	\$ 130,973	\$ -
Derivative Instruments by fair value level				
Swap liability instruments	\$ (15,173)	\$ -	\$ (15,173)	\$ -
Total Derivative Instruments by fair value level	\$ (15,173)	\$ -	\$ (15,173)	\$ -

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The Agency had the following fair value measurements as of June 30, 2016:

		Fair Value Using (thousands)		
	June 30, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
Debt Securities				
U.S governmental securities	\$ -	\$ -	\$ -	\$ -
U.S agencies	176,966	176,966	-	-
Total debt securities	176,966	176,966	-	-
Total investments by fair value level	\$ 176,966	\$ 176,966	\$ -	\$ -
Derivative Instruments by fair value level				
Swap liability instruments	\$ (22,261)	\$ -	\$ (22,261)	\$ -
Total Derivative Instruments by fair value level	\$ (22,261)	\$ -	\$ (22,261)	\$ -



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### NOTE E -- PROJECTS AND RELATED FINANCING

**Financing Programs** The Agency's project construction and development programs have been individually financed by project revenue bonds that are collateralized by the Agency's assignment of all payments, revenues, and proceeds associated with its interest in each project. Each project participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason (that is, the take-or-pay member agreements).

Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
	(in thousands)				
Geothermal Project					
2009 Series A - Original Issue Amount \$35,610 Serial, 4.00-5.50% through 2025	\$ 25,645	\$ -	\$ 18,005	\$ 7,640	\$2,420
2012 Series A - Original Issue Amount \$12,910 Term, 2.289% due 2023	8,875	-	1,280	7,595	1,310
2016 Series A - Original Issue Amount \$17,530 Term, 1.670% due 2024	-	17,530	-	17,530	265
Add: Unamortized Premium	74	-	74	-	-
Total Geothermal Project	34,594	17,530	19,359	32,765	3,995
Hydroelectric Project - Original Issue Amount \$195,610					
1992 Refunding Series A Term, 6.30% due 2019	24,610	-	1,015	23,595	11,440
2008 Refunding Series A - Original Issue Amount \$85,160 Term, adjustable rate-weekly reset, due 2033	85,160	-	-	85,160	-
2008 Refunding Series B (Taxable) - Original Issue Amount \$3,165 Term, adjustable rate-weekly reset, due 2021	1,830	-	290	1,540	305
2008 Refunding Series C - Original Issue Amount \$128,005 Serial, 4.00-5.00% through 2025	88,130	-	11,000	77,130	-
2010 Refunding Series A - Original Issue Amount \$101,260 Serial, 4.00-5.00% through 2024	80,360	-	7,745	72,615	9,640
2012 Refunding Series A - Original Issue Amount \$76,665 Serial, 5.00% through 2033	76,665	-	-	76,665	-
2012 Refunding Series B - Original Issue Amount \$7,120 Serial, 4.32% through 2025	7,120	-	-	7,120	-
Add: Unamortized Premium, net	11,995	-	1,522	10,473	-
Total Hydroelectric Project	375,870	-	21,572	354,298	21,385
Capital Facilities Project - Original Issue Amount \$55,120					
2010 Refunding Series A Serial, 2.00-5.25% through 2026	41,070	-	3,670	37,400	3,760
Add: Unamortized Premium	957	-	194	763	-
Total Capital Facilities Project	42,027	-	3,864	38,163	3,760

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	Balance July 1, 2016	Additions	Retirements (in thousands)	Balance June 30, 2017	Current Portion
Lodi Energy Center, Issue One					
2010 Series A - Original Issue Amount \$78,330					
Serial, 3.00-5.00% through 2020	\$ 23,120	\$ -	\$ 5,365	\$ 17,755	\$ 5,630
Term, 5.00% due 2025	36,020	-	-	36,020	-
2010 Series B (Federally Taxable - Direct Payment Build America Bonds) - Original Issue Amount \$176,625					
Term, 7.311% due 2040	176,625	-	-	176,625	-
Lodi Energy Center, Issue Two					
2010 Series A - Original Issue Amount \$30,540					
Serial, 3.00-5.00% through 2019	14,270	-	4,585	9,685	4,725
2010 Series B (Federally Taxable - Direct Payment Build America Bonds) - Original Issue Amount \$110,225					
Term, 4.63% due 2020	5,210	-	-	5,210	-
Term, 5.679% due 2035	105,015	-	-	105,015	-
Add: Unamortized Premium	1,481	-	500	981	-
Total Lodi Energy Center Project	361,741	-	10,450	351,291	10,355
Total Long-Term Debt, Net	\$ 814,232	\$ 17,530	\$ 55,245	\$ 776,517	\$ 39,495

Debt service requirements for each of the next five years and in five-year cumulative increments thereafter as of June 30, 2017:

	Principal	Interest (in thousands)	Total
2018	\$ 39,495	\$ 41,783	\$ 81,278
2019	41,730	39,812	81,542
2020	42,200	37,632	79,832
2021	44,275	35,598	79,873
2022	45,950	33,507	79,457
2023-2027	215,290	133,055	348,345
2028-2032	176,220	83,135	259,355
2033-2037	113,360	35,160	148,520
2038-2040	45,780	6,798	52,578
Add: Unamortized Bond Premium	12,217	-	12,217
	\$ 776,517	\$ 446,480	\$ 1,222,997

Interest includes interest requirements for fixed rate debt at their stated rate and variable rate debt covered by interest rate swaps at their fixed swap rate.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Redemption Provisions** As set forth in the bond indentures, the term bonds are subject to redemption prior to maturity in varying amounts at specific dates. At the option of the Agency, the bonds are also subject to early redemption at specific redemption prices and dates.

**Defeased Debt** Various bond refundings were undertaken to defease debt and realize future debt service savings. Debt was defeased by using the proceeds of the refunding issues and other available monies to irrevocably place in trust cash and U.S. Government Securities, which together with interest earned thereon, will be sufficient to pay both the interest and the appropriate maturity or redemption value of the refunded bonds as required.

Accordingly, these defeased debt issues have been considered extinguished for financial reporting purposes. At year-end, the following defeased debt remained outstanding:

	2017	2016
	(in thousands)	
Hydroelectric: Project No. One, 1985 Series A	\$ 12,150	\$ 12,150
Project No. One, 1986 Series A	31,360	36,960
Total Defeased Debt Outstanding	\$ 43,510	\$ 49,110

**Geothermal Project** In addition to a federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2) with combined 165 MW (nameplate rating) turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system, a transmission tap-line, and other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes well pads, access roads, steam wells and re-injection wells.

**Hydroelectric Project** The Agency contracted to finance, manage, construct, and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, the Agency has the right to the electric output of the project for 50 years from February 1982. The Agency also has an option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

As part of a refinancing plan in November 2004, the Agency entered into two forward starting interest rate swaps in an initial notional amount of \$85,160,000 and \$1,574,000. Payments under the swap agreements with Citigroup Financial Products, Inc. began on April 2, 2008. To complete the refinancing transaction and realize the debt service savings under the 2004 swap agreement, on April 2, 2008 the Agency completed a bond refunding of certain maturities of the 1998 Hydroelectric Refunding Series A bonds totaling \$85,870,000 maturing in 2023 to 2032. These fixed rate bonds were refinanced through the issuance of tax-exempt 2008 Hydroelectric Refunding Series A (\$85,160,000) bonds and taxable 2008 Hydroelectric Refunding Series B (\$3,165,000) bonds. Both issues are variable interest rate bonds bearing interest at weekly interest rates, payable semi-annually on July 1 and January 1 each year. To support this financing, the Agency entered into two irrevocable direct pay letter of credit agreements with Citibank N.A. The Citibank letters of credit were for a period of three years and were scheduled to expire on September 27, 2014. On September 10, 2014, the irrevocable letter of credit agreements with Citibank N.A. were terminated. Substitution letters of credit with the Bank of Montreal were issued the same day. The Bank of Montreal letters of credit are for a period of five years and expire on September 9, 2019.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The payment of principal and interest on these issues are not covered by any financial guaranty insurance policies. This 2008 Hydroelectric Refunding and the associated interest rate swaps are estimated to have reduced project debt service by \$11.8 million over the next 24 years providing the Agency with an estimated economic gain (difference between the present values of the old and new debt service payments) of approximately \$5.9 million.

The Agency has entered into two separate pay-fixed, receive-variable interest rate swaps to produce savings or to result in lower costs over the life of each transaction than what the Agency would have paid using fixed-rate debt. While these derivative instruments carry additional risks, the Agency's swap policy and favorable negotiations have helped to reduce such risks.

2008 Hydroelectric Refunding Revenue Bonds Forward Starting Swaps				
Associated Interest Rate Swaps starting April 2, 2008	Series A		Series B (Taxable)	
	Citigroup		Citigroup	
Counterparty to Interest Rate Swap	Financial Products Inc.		Financial Products Inc.	
Notional Value of Interest Rate Swap	\$ 85,160,000		\$1,142,014	
Fair Value--Due from (to) Counterparty	\$(15,394,295)		\$ 221,580	
Credit Downgrade Required Collateral Posting:				
For Counterparty, Fair Value Above	\$10 million		\$10 million	
If S&P or Moody's Credit Rating falls to	A-/A3 and BBB-/Baa3		A-/A3 and BBB-/Baa3	
For Agency (Credit of Agency's Insurer National Public Finance Guarantee formerly MBIA and NCPA credit), Fair Value Above	\$10 million		\$10 million	
If S&P or Moody's Credit Rating falls to	A+/A1		A+/A1	
Termination Date	July 1, 2032		July 1, 2032	
	Terms	Rates	Terms	Rates
Payments to (from) Counterparty	Fixed	3.819 %	Fixed	(5.291) %
Variable Payments (from) to Counterparty	54% LIBOR+.54%*	(0.936) %	100% of LIBOR*	0.727 %
Net Interest Rate Swap Payments		2.883 %		(4.564) %
Variable-Rate Bond Payments	SIFMA**	0.640 %	SIFMA**	1.072 %
Effective Interest Rate on Bonds		3.523 %		(3.492) %

Average to Date: \*1-Month London Inter-Bank Offered Rate

\*\*Securities Industry and Financial Market Association Municipal Swap Index (formerly the Bond Market Association Municipal Swap Index)

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The total fair value of outstanding swap instruments was a net liability of \$15,173,000 and \$22,261,000 at June 30, 2017 and June 30, 2016, respectively. These amounts are reported as a non-current liability. The interest rate swaps beginning in FY 2013 are both ineffective hedges and considered investment derivative instruments. The change in fair value of \$7.1 million is recorded as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position. The net settlement payments of interest on these investment derivative instruments total \$2.5 million and \$2.6 million, which is recorded as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position for FY 2017 and FY 2016, respectively. The value of the swaps noted above reflects the estimated fair value of the swaps at June 30, 2017 as determined by the Agency's financial advisor. The fair value of the swaps will change due to notional amount, amortizations, and interest rate changes.

The following swap agreement risks are common to all the interest rate swaps. The interest rate swaps expose the Agency to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings of the swap may not be realized. The Agency is exposed to interest rate risk on its pay-fixed, receive variable interest rate swaps. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Agency's financial instruments or cash flows. As the LIBOR or SIFMA swap index decreases, the Agency's net payment on swaps increases. In addition, the Agency is exposed to interest rate risk if the counterparty to the swap defaults or if the swap is terminated. The Agency is also exposed to market access risk, the risk that it will not be able to enter credit markets or that credit will become more costly. The Agency's financial rating is tied to the credit strength of the major participants of the specific project for which each financial instrument is issued. The Agency is also exposed to market access risks caused by disruptions in the municipal bond market.

To mitigate the potential for credit risk, the swap counterparties are required by the agreement to post collateral should the fair value exceed certain thresholds as shown above. At June 30, 2017, credit ratings of the counterparties to the swaps were as follows:

Swap Counterparty & Agency's Insurer	Standard & Poor's	Moody's
Citigroup Financial Products Inc.	A+	A1
National Public Finance Guarantee formerly MBIA (the Agency's insurer)	A	A2

The swaps utilized the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. However, an additional provision under the Schedule to the ISDA Master Agreement allows the swap to be terminated by the Agency if the counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's. If a swap is terminated, the applicable bonds would no longer carry a synthetic fixed interest rate. In addition, if a swap has a negative fair value at the time of an early termination, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Combustion Turbine Project** The original project consisted of five combustion turbine units, each nominally rated at approximately 25 megawatts. Concurrent with the final project bond maturity, two units located in Roseville were acquired by an Agency member. The remaining project consists of two units in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time.

**Capital Facilities Project** The project consists of one 49.9 megawatt natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

**Lodi Energy Center (LEC)** The project is a 296 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) located in Lodi, California, next to the Capital Facilities Project discussed above. Pursuant to the Lodi Energy Center Power Sales Agreement, the Agency agreed to operate the LEC and has sold all of the capacity and energy of the LEC to thirteen participants (including four non-members) in accordance with their respective Generation Entitlement Shares (GES). Each participant has agreed to unconditionally provide for its share of the operation and maintenance expenses and all capital improvements based on its GES. The LEC will be operated and maintained by the Agency under the direction of the LEC Project Management and Operations Agreement among the Agency and the LEC Project Participants.

Lodi Energy Center Revenue Bonds, Issue One provided financing for 11 project participants with 55.7857% GES. Lodi Energy Center Revenue Bonds, Issue Two provided financing for the California Department of Water Resources 33.5% GES. The Modesto Irrigation District elected to provide its own financing for its 10.7143% GES of the costs of construction of the project. Modesto Irrigation District is not liable for any Agency debt service obligations for the project.

The Issue One Series B and the Issue Two Series B bonds were issued as Taxable Subsidy Bonds constituting Build America Bonds (BABs) for the purposes of the American Recovery and Reinvestment Act of 2009. The Act provides for a direct payment to the Agency from the federal government equal to 35% of the interest costs. The direct payment was reduced by 6.9% and 6.8% in 2017 and 2016, respectively, due to federal government budget sequestration. Such payments may continue to be affected by sequestrations.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### NOTE F -- RETIREMENT PLAN

##### General Information about the Pension Plans

**Plan Descriptions** The Agency provides a defined benefit retirement plan to all eligible employees under the Public Employees' Retirement System (PERS). The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. In 2012, the Public Employees' Pension Reform Act (PEPRA) became law that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA. Employees hired prior to January 1, 2013, and those new employees not meeting the PEPRA definition of new member, are considered classic members.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 full-time years	5 full-time years
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	60 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	30.697%	30.697%

**Employees Covered** – At June 30, 2017 and 2016, the following employees were covered by the benefit terms for each Plan:

	<u>2017</u>	<u>2016</u>
Inactive employees or beneficiaries currently receiving benefits	119	118
Inactive employees entitled to but not yet receiving benefits	27	26
Active employees	<u>150</u>	<u>152</u>
Total	<u>296</u>	<u>296</u>

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Contributions** Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 and 2015 (the measurement dates), the average active employee contribution rates were 7.866% and 7.881%, respectively, of annual pay and the Agency's contribution rates are 29.474% and 28.234%, respectively, of annual payroll. Employer contribution rates may change if plan contracts are amended.

**Net Pension Liability** The Agency's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured at year end, using annual actuarial valuations as of the previous year end and rolled forward to current year end, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** The total pension liabilities as of June 30, 2017 and 2016 were determined using the following actuarial assumptions:

	<u>2017</u>	<u>2016</u>
Valuation Date	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2016	June 30, 2015
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.2%-12.2% (1)	3.2%-12.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Depending on age and service.

(2) Net of pension plan investment expenses, including inflation.

(3) Derived using CalPERS' specific membership data with projected on-going mortality improvement using Scale BB published by the Society of Actuaries.



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Discount Rate** The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. For the year ended June 30, 2016 and 2015, using this lower discount rate resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. On December 21 2016, CalPERS announced to employers that the CalPERS Board of Administration voted to lower the discount rate assumption, net of administrative expenses, from 7.5% to 7.0% over a three year period as follows:

- FY 2017-2018: 7.375%
- FY 2018-2019: 7.25 %
- FY 2019-2020: 7.00 %

There will be a one year implementation delay for school districts and public agencies deferring the first rate discount decrease to FY 2018-2019. Lowering the discount rate, also known as the assumed rate of return, means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. CalPERS has estimated that the three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll in addition to increases to the current unfunded accrued liability payments.

To mitigate the growing unfunded accrued liability, the Agency implemented a Long-Term Funding Plan for NCPA’s Employee Pension Program which includes accelerated funding of the unfunded liability over a 15 year period. The plan includes: 1) a goal for minimum funding level of 80% within 15 years and annual Commission confirmation of the continued funding of the annual required employer contribution at 100%; 2) shorten the amortization period of the liability to 15 years; 3) research other ways to limit the pension liability; and 4) annual Finance Committee review in conjunction with annual CalPERS actuarial valuations and recommendation to the Commission as needed.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1-10<sup>1</sup></b>	<b>Real Return Years 11+<sup>2</sup></b>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### Changes in the Net Pension Liability

The change in the Net Pension Liability for each Plan follows:

Description	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016</b>	\$ 135,846,223	\$ 78,072,198	\$ 57,774,025
Service cost incurred	3,152,017	-	3,152,017
Interest on total pension liability	10,328,232	-	10,328,232
Differences between actual and expected experience	581,539	-	581,539
Change in assumption	-	-	-
Change in benefits	-	-	-
Contributions - employer	-	5,406,928	(5,406,928)
Contributions - employee	-	1,453,722	(1,453,722)
Projected earnings on investments	-	434,144	(434,144)
Differences between projected and actual earnings on plan investments	-	-	-
Benefit payments	(5,988,393)	(5,988,393)	-
Administrative expense	-	(47,581)	47,581
Net changes	8,073,395	1,258,820	6,814,575
<b>Balance at June 30, 2017</b>	<b>\$ 143,919,618</b>	<b>\$ 79,331,018</b>	<b>\$ 64,588,600</b>

Description	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$ 132,170,818	\$ 74,910,678	\$ 57,260,140
Service cost incurred	3,256,167	-	3,256,167
Interest on total pension liability	9,734,270	-	9,734,270
Differences between actual and expected experience	-	-	-
Change in assumption	(2,354,661)	-	(2,354,661)
Change in benefits	-	-	-
Contributions - employer	-	5,584,985	(5,584,985)
Contributions - employee	-	1,433,343	(1,433,343)
Projected earnings on investments	-	1,754,108	(1,754,108)
Differences between projected and actual earnings on plan investments	(1,437,389)	-	(1,437,389)
Benefit payments	(5,522,982)	(5,522,982)	-
Administrative expense	-	(87,934)	87,934
Net changes	3,675,405	3,161,520	513,885
<b>Balance at June 30, 2016</b>	<b>\$ 135,846,223</b>	<b>\$ 78,072,198</b>	<b>\$ 57,774,025</b>

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** The following presents the net pension liability of the Plan, calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

2017	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
<b>Plan's Net Pension Liability</b>	\$ 83,586,138	\$ 64,588,600	\$ 48,792,228

2016	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
<b>Plan's Net Pension Liability</b>	\$ 75,790,453	\$ 57,774,025	\$ 42,788,940

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions** For the years ending June 30, 2017 and 2016, the Agency incurred pension expense of \$6,016,714 and \$4,565,372, respectively. At June 30, 2017 and 2016, the Agency has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,254,577	\$ -
Changes in assumptions	-	(1,233,393)
Differences between actual and expected experience	439,700	(752,919)
Net differences between projected and actual earnings on plan investments	6,811,477	(2,473,421)
<b>Total</b>	<b>\$ 13,505,754</b>	<b>\$ (4,459,733)</b>

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,906,603	\$ -
Changes in assumptions	-	(1,794,027)
Differences between actual and expected experience	-	(1,095,154)
Net differences between projected and actual earnings on plan investments	3,185,968	(3,710,132)
<b>Total</b>	<b>\$ 9,092,571</b>	<b>\$ (6,599,313)</b>

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

Pension contributions subsequent to measurement date of \$6,254,577 and \$5,906,603 reported as deferred outflows of resources for years ending June 30, 2017 and 2016, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively. Amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in future pension expense as follows:

<b>Measurement Period Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2017	\$ (95,749)
2018	(95,748)
2019	1,863,257
2020	1,119,684
2021	-
Thereafter	-
Total	<u>\$ 2,791,444</u>

**Payable to the Pension Plan** At June 30, 2017 and 2016, the Agency did not have an outstanding amount of contributions payable to the pension plan required for the years ended.

#### NOTE G -- OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Agency contracts with the CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) for employee medical insurance. In connection with this plan, the Agency provides medical insurance to all active employees and their families, as well as all qualified retirees (and spouses), subject to certain limitations. The Agency has maintained an actuarially based restricted fund for the sole purpose of paying medical insurance premiums for qualified retired employees (and spouses) participating in the CalPERS medical plan. In 2007, the Agency became a participant in the CalPERS California Employers' Retiree Benefit Trust (CERBT), a pre-funding OPEB plan, which is an irrevocable multi-employer trust and plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. The Agency makes actuarially determined Annual Required Contributions (ARC) to this OPEB plan. The ARC represents the forecasted funding level required to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years; there were 28 years remaining as of June 30, 2015, the last actuarial report date. Actuarial valuations of the fund are obtained every two years, as required by CalPERS.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### Summary of certain plan provisions and benefits in effect during fiscal year ended June 30, 2017:

Required service for eligibility	Pre-1/1/2009 Hires, 5 full-time years On or After 1/1/2009 Hires, 10 full-time years
Minimum retirement age	50
Benefit payments	Monthly for life
Vesting for eligible employees	Pre-1/1/2009 Hires, 100% at 5 years On or After 1/1/2009 Hires, 50% at 10 years; 5%/year after
Maximum monthly benefit	90% of Sacramento Kaiser Family rate

The annual required contribution and funded status of the OPEB plan were determined based on current cost trends of the CalPERS health plans in which the employees currently participate at the time of the actuarial valuation. The June 30, 2015 actuarial valuation was prepared on the basis of the OPEB assumption model, as prescribed by the CalPERS, in effect at the time of the valuation. At fiscal year-end June 30, 2017, the Agency had 150 active eligible employees and 119 retirees drawing benefits under this program.

The funded status of the plan and the annual required contributions are subject to periodic revision based on actual results, changes in assumptions or plan provisions, and new estimates of expected future circumstances. Future actuarial valuations will be performed every two years, as prescribed by CalPERS.

The Agency's annual required contribution (based on actuarially established rates) was determined as part of a June 30, 2015, actuarial valuation using the entry age normal actuarial cost method. The primary actuarial assumptions included: valuation using the Entry Age Normal Cost Method, 7.00% annual discount rate, payroll growth of 0.29% to 10.87%, 2.50% inflation, and maximum employer contribution increases derived from the Getzen Model for developing long-term health care cost trends.

To mitigate the growing OPEB unfunded accrued liability, the Agency implemented a Long-Term Funding Plan for the NCPA Retiree Medical Plan which includes: 1) establish a goal to obtain a minimum funding level of 80% within 15 years and confirm the policy of funding 100% or more of the ARC each year; 2) reduce actuarial liability by developing a cap for health care premiums going forward; 3) shorten the amortization period used in the actuarial calculations from 28 years to 15 years; 4) consider additional funding sources for increased funding of the ARC, including further budget reductions or new revenues (from members or new services/customers); and 5) conduct new actuarial studies on a biennial basis as required and review the updated results with the Finance Committee, who will make recommendations for revision to the Commission as needed.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### NOTE H -- COMMITMENTS AND CONTINGENCIES

**Power Exchange Agreement** On behalf of certain of its members, the Agency has entered into a seasonal exchange agreement with Seattle City Light whereby the companies exchange 60 megawatts of summer capacity and 90,580 megawatt hours of energy in exchange for a return of 46 megawatts of capacity and 108,696 megawatt hours of energy in the winter. The term of the agreement will terminate in May 2018.

**Power Purchase Contracts** The Agency had commitments of approximately \$12.0 million in connection with various power purchase contracts as of June 30, 2017. The contracts, extending through December 2019, are normal purchases at agreed to contract prices for fixed quantities of energy. Certain of the Agency's members have individually entered into certain other long-term contracts, which the Agency dispatches and schedules for them. See Note B - Summary of Significant Accounting Policies.

**Fuel Supply Agreements** The Agency has entered into the following agreements to provide natural gas fuel supply for use in its generation resources:

- A 30-year agreement terminating in October 2023 with various natural gas pipeline management companies under which the Agency has acquired firm natural gas pipeline transportation capacity in four separate natural gas pipelines between Alberta, Canada and northern California. The estimated minimum annual natural gas transmission commitment is approximately \$720,000. The Agency's firm natural gas pipeline transportation capacity is scheduled by Noble Americas Gas & Power Corp. pursuant to the term and conditions of an Asset Management Agreement for Pipeline Transportation Capacity that became effective on January 1, 2015.
- On behalf of the participants in the Combustion Turbine Project Number One and the Capital Facilities project, the Agency entered into an agreement with EDF Trading North America, LLC (EDF) effective January 1, 2013 to provide natural gas supply and scheduling, nomination, balancing and settlement services. The contract automatically renews each year on January 1, unless terminated earlier by six-months written notice by either party.
- The Agency and Mercuria Energy Gas Trading, LLC (Mercuria) agreement to provide the gas supply and nomination, imbalance, and settlement services for the Agency's Lodi Energy Center project terminated on August 31, 2016. Effective September 1, 2016, the Agency and EDF entered into an agreement to provide these services to the Agency's Lodi Energy Center.
- The Agency had approximately \$10.0 million of gas purchase commitments at June 30, 2017. The commitments, extending through December 2020, are normal purchases at agreed to prices for fixed quantities of gas.

**Western Area Power Administration Base Resource** A number of the Agency's members, who had an aggregate 18.87957% of the Base Resource Contract with the Western Area Power Administration to receive electric power from the Central Valley Project in California, have assigned their shares to the Agency in order to create a power resource portfolio for the mutual benefit of participating Agency members. The assignments terminate the earlier of December 31, 2024 or 60 days after Western approves a reassignment.

**Geothermal Royalties** Under terms of federal geothermal leasehold agreements, the Agency is required to pay royalties to the United States (U.S.) on the value of geothermal steam produced. Currently, the effective rate of such royalties is 3.6% of an amount based on the Agency's monthly weighted average cost of third-party wholesale electricity purchases made by Agency members participating in the Geothermal Project.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The U.S. Department of the Interior, Office of Natural Resources Revenue maintains the right to periodically review and withdraw their approval or to change this methodology should operations, market conditions, or Federal regulations change.

**Geothermal Steam Production & Decommissioning** Steam for the Agency's geothermal plants comes from lands in the Geysers area, which are leased by the Agency from the federal government. The Agency operates these steam-supply areas. Operation of the geothermal plants at high generation levels, together with high steam usage by others in the same area, resulted in a decline in the steam production from the steam wells at a rate greater than expected. As a result, by April 1988, for the purpose of slowing the decline in the steam field capability, the Agency changed its steam field production from base-load to load-following and reduced average annual generation. These changes were effective in reducing the decline in steam production.

Beginning in 1991, along with other steam field operators in the area, the Agency began implementing various operating strategies to further reduce the rate of decline in steam production. The Agency has modified both steam turbine units at Plant 1 and the associated steam collection system to enable generation with lower pressure steam at higher mass-flow rates to optimize the utilization of the available steam resource.

The Agency also entered into agreements with other producers in the Geysers area to finance and construct the Southeast Geysers Effluent Pipeline Project, which was completed in September 1997 and began operating soon thereafter. The 26-mile pipeline collects wastewater from Lake County Sanitation District treatment plants at Clearlake and Middletown and delivers the wastewater to the Agency and the other Geysers steam field operators for injection into the steam field. A second pipeline enhancement project to further augment the wastewater injection program was completed in 2004.

Based on current operating protocols and forecasted operations, the Agency expects both the average and peak capacity to continue to decrease, reaching approximately 66 MWG (megawatts gross) by calendar year 2039.

Under terms of the federal geothermal leasehold agreements, which became effective August 1, 1974, the leasehold had a 10-year primary term with provision for renewal as long thereafter as geothermal steam is produced or utilized, but not longer than 40 years. At the expiration of that period, if geothermal steam is still being produced, the Agency has preferential right to renew the leasehold for a second term. The leasehold also requires the Agency to remove its leasehold improvements including the geothermal plants and steam gathering system when, and if, the Agency abandons the leasehold. The Agency obtained an updated decommissioning costs study in December, 2016. These decommissioning costs are currently estimated to total approximately \$59.3 million. The Agency has been collecting monies to pay the expected decommissioning costs since 2007 and currently holds approximately \$16.2 million in a reserve for such purpose as of June 30, 2017.

### CLAIMS AND LITIGATION

**California Energy Crisis** During 2000 and 2001, California experienced extreme fluctuations in the prices and supplies of natural gas and electricity in much of the State. While there has been progress in addressing these issues, uncertainty remains. As a result, no assurance can be given that measures undertaken, together with measures to be taken in the future, will prevent the recurrence of shortages, price volatility or other energy problems that have adversely affected California electric utilities in the past. The Agency has settled with the plaintiffs in related litigation, and while the settlement has been approved by FERC, there are still some claims by others that remain ongoing. Although the Agency considers these claims to be lacking in merit, no assurance thereof can be given until all proceedings are finally concluded.



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Greenhouse Gas (GHG) Emissions** The California Global Warming Solutions Act of 2006 (also known as California Assembly Bill 32 or AB 32) requires the gradual reduction of state-wide GHG emissions to the 1990 level by 2020. The California Air Resources Board (CARB) is the state agency charged with monitoring GHG levels and adopting regulations to implement and enforce AB 32. The CARB has approved various regulations, including regulations that established a state-wide, comprehensive “cap-and-trade” program that sets a gradually declining limit (or “cap”) on the amount of GHGs that may be emitted by the major sources of GHG emissions each year. GHG emissions are measured in metric tons (MT) of carbon dioxide-equivalent greenhouse gases (CO<sub>2e</sub>) per year.

The cap and trade program’s first two-year compliance period, which began January 1, 2013, applies to the electricity generation and large industrial sectors. The next compliance period, from January 1, 2015 through December 31, 2017, expanded to include the natural gas supply and transportation sectors, effectively covering all the capped sectors until 2020. In July 2017, CARB adopted an updated set of cap-and-trade regulations that extends the cap-and-trade program to 2030. The updated regulations continue the direct allocation of allowances to distribution utilities which in turn can be transferred by members to the Agency.

The Agency’s Lodi Energy Center gas plant, Steam Injected Gas Turbine gas plant and electricity imports (purchased power) are subject to the compliance rules established by CARB for the cap-and-trade program. As such, the Agency acquires sufficient compliance instruments to cover its compliance obligations or receives transfers of required compliance instruments from its project participants. At June 30, 2017, the Agency had a cumulative compliance obligation of 902,456 MT with 1,097,509 MT of acquired allowances to meet its compliance obligation.

**Other Factors Affecting the Electric Utility Industry** Electric industry market participants, such as the Agency and its members, continue to face numerous potential risks and uncertainties including, but not limited to, significant volatility in energy prices and increased transmission and ancillary services costs; new federal and state renewable energy, operating efficiency, and environmental standards; and, global pressures on economic and financial market conditions. The Agency and its members continue to study and to take various actions in an effort to mitigate and manage these risk and uncertainties. However, the Agency cannot predict either the ultimate outcome of these ongoing changes or whether such outcome will have a material adverse effect on its financial position or results of operations.

**Other Legal Matters** The Agency is engaged in various legal proceedings before federal and state courts and various administrative tribunals incidental to the Agency’s operations.

Based on its review of the aforementioned proceedings with outside legal counsel, the Agency believes that the ultimate aggregate liability, if any, resulting from these proceedings will not have a materially adverse effect on the combined financial position or results of operations of the Agency.

**Claims** On September 9, 2015, a major wildfire (The Valley Fire) occurred in the California counties of Lake, Napa, and Sonoma. The fire burned approximately 74,000 acres and destroyed approximately 1,960 structures including homes, commercial properties, and other minor structures. The Agency’s Geysers geothermal and effluent projects are located in Lake County, and some of those facilities were damaged in the fire. Damage and reparation costs totaled \$1.74 million in 2015 and 2016. A Presidential Disaster Declaration was issued on September 22, 2015. Public Assistance was added to the Disaster Declaration on October 9, 2015. The Agency is seeking cost recovery from its insurance policy and public assistance grants and will record those proceeds in other non-operating revenue in the fiscal year in which they are received.

In December, 2015, the Hydroelectric Project Adit 4 Tunnel Spoils incurred water related damage that required remediation to stabilize the site and prevent further erosion to Clark Creek. The Adit 4 Tunnel Spoils (Spoils)

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

are located approximately 1.5 miles up canyon from the Collierville Powerhouse in Calaveras County and are part of the water conveyance tunnel between McKays Point Diversion Dam and the Collerville Power House. Damage and reparation costs are estimated to be \$4.5 million, and construction is projected to be completed by November 2017, with the exception of minor road repairs that may be deferred until Spring 2018. The Agency is seeking cost recovery from its insurance policy; however, recovery is inestimable at this time. NCPA will record any proceeds in other non-operating revenue in the fiscal year in which they are received.

During the period of January 3-12, 2017, severe winter storms caused flooding and mudslides in many California Counties. As a result of those storms, the Beaver Creek Diversion Dam and McKays Point Reservoir filled with sediment and debris and Beaver Creek required emergency dredging after the river flows receded during the summer. Additionally, much of the Project was inaccessible for weeks as a result of numerous road failures. Repair costs are estimated at \$2.1 million and are projected to be completed by November 2017. On February 14, 2017, a Presidential Disaster Declaration was issued including federal disaster assistance. The Agency is seeking cost recovery from its insurance policy and public assistance grants.

# Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)  
NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**Schedule of Changes in the Net Pension Liability and  
Related Ratios Last 10 Years \***

	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>
<b>Total Pension Liability</b>			
Service cost	\$ 3,152,017	\$ 3,256,167	\$ 3,220,329
Interest on total pension liability	10,328,232	9,734,270	9,285,364
Differences between expected and actual experience	581,539	(1,437,389)	-
Changes in assumptions	-	(2,354,661)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(5,988,393)	(5,522,982)	(5,059,144)
<b>Net change in total pension liability</b>	<b>8,073,395</b>	<b>3,675,405</b>	<b>7,446,549</b>
<b>Total pension liability - beginning</b>	<b>135,846,223</b>	<b>132,170,818</b>	<b>124,724,269</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 143,919,618</b>	<b>\$ 135,846,223</b>	<b>\$ 132,170,818</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 5,406,928	\$ 5,584,985	\$ 5,507,642
Contributions - employee	1,453,722	1,433,343	1,410,488
Net investment income	434,144	1,754,108	10,868,237
Benefit payments	(5,988,393)	(5,522,982)	(5,059,144)
Administrative expense	(47,581)	(87,934)	-
<b>Net change in plan fiduciary net position</b>	<b>1,258,820</b>	<b>3,161,520</b>	<b>12,727,223</b>
<b>Plan fiduciary net position - beginning</b>	<b>78,072,198</b>	<b>74,910,678</b>	<b>62,183,455</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 79,331,018</b>	<b>\$ 78,072,198</b>	<b>\$ 74,910,678</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 64,588,600</b>	<b>\$ 57,774,025</b>	<b>\$ 57,260,140</b>
Plan fiduciary net position as a percentage of the total pension liability	55.12%	57.47%	56.68%
Covered - employee payroll	\$ 18,121,290	\$ 18,365,293	\$ 17,596,462
Net pension liability as percentage of covered-employee payroll	356.42%	314.58%	325.41%

**Notes to Schedule:**

**Benefit changes** The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers to Two Years Additional Service Credit (aka Golden Handshakes).

**Changes in assumptions** In 2016, GASB 68 was modified to state that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

\* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION - Continued**  
**(UNAUDITED)**  
**NORTHERN CALIFORNIA POWER AGENCY**  
**AND ASSOCIATED POWER CORPORATIONS**

**Schedule of Plan Contributions**

**Last 10 Years \***

	<b>FY 2017</b>		<b>FY 2016</b>		<b>FY 2015</b>	
Actuarially Determined Contribution	\$	5,406,928	\$	5,065,861	\$	5,029,697
Contributions in Relation to the						
Actuarially Determined Contribution		(6,254,577)		(5,584,985)		(5,507,642)
Contribution Deficiency (Excess)	\$	(847,649)	\$	(519,124)	\$	(477,945)
Covered-Employee Payroll <sup>1</sup>	\$	18,990,529	\$	18,365,293	\$	17,596,462
Contributions as a Percentage of						
Covered-Employee Payroll <sup>1</sup>		32.94%		30.41%		31.30%

<sup>1</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Pensionable earnings are covered employee payroll reduced for earnings and other earnings adjustments not subject to pension contributions.

\* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION- Continued**  
**(UNAUDITED)**  
**NORTHERN CALIFORNIA POWER AGENCY**  
**AND ASSOCIATED POWER CORPORATIONS**

**Trend Information for the OPEB Plan**

Fiscal Year Ended	Annual Required Contribution	Annual OPEB Cost	Actual OPEB Contributions	Net OPEB Obligation	Percentage of OPEB Cost Contributed
June 30, 2013	\$ 1,049,873	\$ 1,049,873	\$ 1,506,882	\$ (457,009)	144%
June 30, 2014	\$ 871,135	\$ 871,135	\$ 2,094,609	\$ (1,223,474)	240%
June 30, 2015	\$ 889,447	\$ 889,447	\$ 1,535,620	\$ (646,173)	173%
June 30, 2016	\$ 2,301,880	\$ 2,306,684	\$ 1,486,108	\$ 820,576	64%

**Funded Status of the OPEB Fund**

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Actuarial Accrued Unfunded Liability (a) - (b)	Funded Ratio (b) / (a)	Annual Covered Payroll (c)	Unfunded Actuarial Accrued Liability as % of Payroll [(a) - (b)] / (c)
June 30, 2008	\$ 16,114,250	\$ 12,213,980	\$ 3,900,270	75.8%	\$ 15,491,511	25.2%
June 30, 2010	\$ 18,936,156	\$ 13,975,353	\$ 4,960,803	73.8%	\$ 16,355,901	30.3%
June 30, 2011*	\$ 21,599,763	\$ 14,464,987	\$ 7,134,776	67.0%	\$ 16,672,248	42.8%
June 30, 2013	\$ 22,477,396	\$ 17,529,070	\$ 4,948,326	78.0%	\$ 17,564,711	28.2%
June 30, 2015**	\$ 36,724,032	\$ 22,291,159	\$ 14,432,873	60.7%	\$ 17,941,846	80.4%

\* The discount rate was changed from 7.75%, which was used in all prior years' actuarial valuations, to 7.61% for June 30, 2011 through June 30, 2014, as prescribed by CalPERS.

\*\* The discount rate was changed from 7.61% to 7.00% for the June 30, 2015 actuarial valuation, as prescribed by CalPERS.

## **SUPPLEMENTAL INFORMATION**

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2017

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 1	\$ -	\$ 1	\$ 1	\$ 72	\$ -	\$ -	\$ 39	\$ 45,665	\$ 45,779
Investments	-	-	-	-	-	-	-	-	24,825	24,825
Accounts receivable										
Participants	-	-	64	225	-	-	608	48	52	997
Other	-	-	-	-	-	-	5,150	-	500	5,650
Interest receivable	-	-	-	-	-	-	61	-	110	171
Inventory and supplies	4,509	1,079	642	1,405	2,111	-	-	-	-	9,746
Prepaid expenses	320	274	24	34	260	-	-	18	355	1,285
Due from Agency and other programs*	18,334	18,611	2,307	(745)	10,147	-	9,950	5,225	(63,829)	-
TOTAL CURRENT ASSETS	23,164	19,964	3,038	920	12,590	-	15,769	5,330	7,678	88,453
RESTRICTED ASSETS										
Cash and cash equivalents	10,478	31,922	957	-	5,104	-	3,893	-	27,911	80,265
Investments	16,767	28,290	5,008	-	20,191	-	18,509	-	52,277	141,042
Interest receivable	48	115	16	-	45	-	-	-	252	476
TOTAL RESTRICTED ASSETS	27,293	60,327	5,981	-	25,340	-	22,402	-	80,440	221,783
ELECTRIC PLANT										
Electric plant in service	568,991	394,274	64,826	36,245	423,640	7,736	-	663	5,358	1,501,733
Less: accumulated depreciation	(531,919)	(252,562)	(46,157)	(34,295)	(66,941)	(7,736)	-	(358)	(2,745)	(942,713)
	37,072	141,712	18,669	1,950	356,699	-	-	305	2,613	559,020
Construction work-in-progress	670	-	-	-	107	-	-	-	44	821
TOTAL ELECTRIC PLANT	37,742	141,712	18,669	1,950	356,806	-	-	305	2,657	559,841
OTHER ASSETS										
Regulatory assets	733	146,009	11,471	-	21,652	-	-	-	56,380	236,245
Unused vendor credits	14	-	-	-	-	-	-	-	10	24
TOTAL OTHER ASSETS	747	146,009	11,471	-	21,652	-	-	-	56,390	236,269
TOTAL ASSETS	88,946	368,012	39,159	2,870	416,388	-	38,171	5,635	147,165	1,106,346
DEFERRED OUTFLOWS OF RESOURCES										
Excess cost on refunding of debt	1,831	44,223	2,052	-	-	-	-	-	-	48,106
Pension deferrals	-	-	-	-	-	-	-	-	13,506	13,506
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,831	44,223	2,052	-	-	-	-	-	13,506	61,612
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 90,777	\$ 412,235	\$ 41,211	\$ 2,870	\$ 416,388	\$ -	\$ 38,171	\$ 5,635	\$ 160,671	\$ 1,167,958

\* Eliminated in Combination



OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2017											
	GENERATING & TRANSMISSION RESOURCES						Purchased Power & Transmission	Associated Member Services	Other Agency	Combined	
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission					
LIABILITIES											
CURRENT LIABILITIES											
Accounts payable and accrued expenses	\$ 162	\$ 730	\$ -	\$ 16	\$ 1,110	\$ -	\$ 19,475	\$ 597	\$ 8,366	\$ 30,456	
Member advances	791	-	-	-	-	-	-	202	-	993	
Operating reserves	6,213	250	513	643	12,405	-	-	-	-	20,024	
Current portion of long-term debt	3,995	21,385	3,760	-	10,355	-	-	-	-	39,495	
Accrued interest payable	425	8,044	775	-	1,338	-	-	-	-	10,582	
TOTAL CURRENT LIABILITIES	11,586	30,409	5,048	659	25,208	-	19,475	799	8,366	101,550	
NON-CURRENT LIABILITIES											
Net pension liability	-	-	-	-	-	-	-	-	64,589	64,589	
Operating reserves and other deposits	17,738	15,920	-	-	1,716	-	22,464	39	80,788	138,665	
Interest rate swap liability	-	15,173	-	-	-	-	-	-	-	15,173	
Long-term debt, net	28,770	332,913	34,403	-	340,936	-	-	-	-	737,022	
TOTAL NON-CURRENT LIABILITIES	46,508	364,006	34,403	-	342,652	-	22,464	39	145,377	955,449	
TOTAL LIABILITIES	58,094	394,415	39,451	659	367,860	-	41,939	838	153,743	1,056,999	
DEFERRED INFLOWS OF RESOURCES											
Regulatory credits	19,610	4,023	995	2,111	42,321	-	-	305	3,074	72,439	
Pension deferrals	-	-	-	-	-	-	-	-	4,460	4,460	
TOTAL DEFERRED INFLOWS OF RESOURCES	19,610	4,023	995	2,111	42,321	-	-	305	7,534	76,899	
NET POSITION											
Net investment in capital assets	(6,360)	(36,963)	(6,922)	-	(12,783)	-	-	-	837	(62,191)	
Restricted for:											
Debt service	8,520	30,815	5,206	-	12,883	-	-	-	-	57,424	
Other programs	(269)	1,502	-	-	(39)	-	-	-	(349)	845	
Unrestricted	11,182	18,443	2,481	100	6,146	-	(3,768)	4,492	(1,094)	37,982	
TOTAL NET POSITION	13,073	13,797	765	100	6,207	-	(3,768)	4,492	(606)	34,060	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 90,777	\$ 412,235	\$ 41,211	\$ 2,870	\$ 416,388	\$ -	\$ 38,171	\$ 5,635	\$ 160,671	\$ 1,167,958	

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2017

	GENERATING & TRANSMISSION RESOURCES									Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	
OPERATING REVENUES										
Participants	\$ 8,277	\$ 26,539	\$ 7,354	\$ 2,899	\$ 36,145	\$ -	\$ 235,251	\$ 18,129	\$ 319	\$ 334,913
Other third-party	27,602	34,127	468	1,498	15,823	-	52,292	15	-	131,825
TOTAL SALES FOR RESALE	35,879	60,666	7,822	4,397	51,968		287,543	18,144	319	466,738
OPERATING EXPENSES										
Purchased power	-	-	-	-	3,000	-	189,806	-	-	192,806
Operations	15,264	3,398	1,478	1,699	17,133	-	5,057	8,502	27	52,558
Transmission	758	2,758	85	176	384	-	99,378	5	-	103,544
Depreciation	3,820	9,582	2,213	178	14,607	5	-	47	297	30,749
Maintenance	5,572	5,170	703	1,361	4,057	-	-	107	-	16,970
Administrative and general	4,133	3,557	565	616	4,191	-	-	7,196	1,422	21,680
Intercompany (sales) purchases, net*	(601)	225	56	117	276	-	-	(73)	-	-
TOTAL OPERATING EXPENSES	28,946	24,690	5,100	4,147	43,648	5	294,241	15,784	1,746	418,307
NET OPERATING REVENUES	6,933	35,976	2,722	250	8,320	(5)	(6,698)	2,360	(1,427)	48,431
NON OPERATING (EXPENSES) REVENUES										
Interest expense	(989)	(15,741)	(1,885)	-	(15,935)	-	-	-	-	(34,550)
Interest income	16	89	31	-	109	-	155	36	(376)	60
Other	833	28	1,200	-	8,634	-	1,957	41	236	12,929
TOTAL NON OPERATING (EXPENSES) REVENUES	(140)	(15,624)	(654)	-	(7,192)	-	2,112	77	(140)	(21,561)
FUTURE RECOVERABLE AMOUNTS	(1,178)	(13,003)	(1,606)	-	2,495	5	-	-	13	(13,274)
REFUNDS TO PARTICIPANTS	(691)	(2,787)	97	33	(385)	-	(1,166)	(2,572)	(28)	(7,499)
INCREASE (DECREASE) IN NET POSITION	4,924	4,562	559	283	3,238	-	(5,752)	(135)	(1,582)	6,097
NET POSITION, Beginning of year	8,149	9,235	206	(183)	2,969	-	1,984	4,627	976	27,963
NET POSITION, End of year	\$ 13,073	\$ 13,797	\$ 765	\$ 100	\$ 6,207	\$ -	\$ (3,768)	\$ 4,492	\$ (606)	\$ 34,060

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF CASH FLOW

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2017											
GENERATING & TRANSMISSION RESOURCES											
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Received from participants	\$ 7,290	\$ 26,510	\$ 7,210	\$ 2,500	\$ 30,658	\$ -	\$ 234,643	\$ 18,388	\$ 645	\$ 327,844	
Received from others	29,608	35,418	468	1,498	15,823	-	48,717	15	3,771	135,318	
Payments for employee services	(11,532)	(5,498)	(878)	(1,184)	(6,021)	-	-	(10,817)	-	(35,930)	
Payments to suppliers for goods and services	(14,602)	(9,284)	(1,950)	(2,266)	(25,358)	-	(288,868)	(5,340)	(575)	(348,243)	
Payments from(to) other programs *	601	(225)	(56)	(117)	(276)	-	-	73	-	-	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>11,365</b>	<b>46,921</b>	<b>4,794</b>	<b>431</b>	<b>14,826</b>	<b>-</b>	<b>(5,508)</b>	<b>2,319</b>	<b>3,841</b>	<b>78,989</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Proceeds from maturities and sales of investments	16,003	37,975	4,476	-	21,311	-	5,075	-	28,932	113,772	
Interest received on cash and investments	504	523	49	-	239	-	387	36	852	2,590	
Purchase of investments	(13,776)	(23,378)	(5,051)	-	(25,428)	-	(5,093)	-	(32,673)	(105,399)	
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>2,731</b>	<b>15,120</b>	<b>(526)</b>	<b>-</b>	<b>(3,878)</b>	<b>-</b>	<b>369</b>	<b>36</b>	<b>(2,889)</b>	<b>10,963</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>											
Acquisition and construction of electric plant	(962)	(338)	-	-	(186)	-	-	(86)	(148)	(1,720)	
Interest paid on long-term debt	(1,120)	(16,869)	(1,934)	-	(16,467)	-	-	-	-	(36,390)	
Principal repayment on long-term debt	(3,580)	(20,050)	(3,670)	-	(9,950)	-	-	-	-	(37,250)	
Proceeds from bond issues	15,416	-	-	-	-	-	-	-	-	15,416	
Payments to refund debt	(15,705)	-	-	-	-	-	-	-	-	(15,705)	
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(5,951)</b>	<b>(37,257)</b>	<b>(5,604)</b>	<b>-</b>	<b>(26,603)</b>	<b>-</b>	<b>-</b>	<b>(86)</b>	<b>(148)</b>	<b>(75,649)</b>	
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>											
Other proceeds	833	28	1,200	-	8,634	-	1,957	41	236	12,929	
Refunds to participants	(691)	(2,787)	97	33	(385)	-	(1,166)	(2,572)	(28)	(7,499)	
Payments from(to) other programs *	(3,845)	(4,893)	(477)	(464)	4,562	-	5,692	70	(645)	-	
<b>NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,703)</b>	<b>(7,652)</b>	<b>820</b>	<b>(431)</b>	<b>12,811</b>	<b>-</b>	<b>6,483</b>	<b>(2,461)</b>	<b>(437)</b>	<b>5,430</b>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,442</b>	<b>17,132</b>	<b>(516)</b>	<b>-</b>	<b>(2,844)</b>	<b>-</b>	<b>1,344</b>	<b>(192)</b>	<b>367</b>	<b>19,733</b>	
Beginning of year	6,037	14,790	1,474	1	8,020	-	2,549	231	73,209	106,311	
End of year	\$ 10,479	\$ 31,922	\$ 958	\$ 1	\$ 5,176	\$ -	\$ 3,893	\$ 39	\$ 73,576	\$ 126,044	

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF CASH FLOW - Continued

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2017											
GENERATING & TRANSMISSION RESOURCES						Purchased Power & Transmission	Associated Member Services	Other Agency	Combined		
Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission						
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS FROM OPERATING ACTIVITIES											
Operating income	\$ 6,933	\$ 35,976	\$ 2,722	\$ 250	\$ 8,320	\$ (5)	\$ (6,698)	\$ 2,360	\$ (1,427)	\$ 48,431	
Adjustments to reconcile net operating revenues to net cash from operating activities:											
Depreciation	3,820	9,582	2,213	178	14,607	5	-	47	297	30,749	
	10,753	45,558	4,935	428	22,927	-	(6,698)	2,407	(1,130)	79,180	
CASH FLOWS IMPACTED BY CHANGES IN											
Accounts receivable	2	-	(64)	(225)	-	-	(5,313)	220	(82)	(5,462)	
Inventory, prepaid expense, and unused vendor credits	(397)	(42)	3	(7)	(316)	-	-	(2)	(29)	(790)	
Operating reserves and other deposits	2,004	1,291	-	393	(1,923)	-	1,130	(541)	4,223	6,577	
Regulatory credits	(987)	(29)	(80)	(174)	(5,487)	-	-	39	(44)	(6,762)	
Accounts payable	(10)	143	-	16	(375)	-	5,373	196	640	5,983	
Net pension liability and related amounts	-	-	-	-	-	-	-	-	263	263	
NET CASH FROM OPERATING ACTIVITIES	\$ 11,365	\$ 46,921	\$ 4,794	\$ 431	\$ 14,826	\$ -	\$ (5,508)	\$ 2,319	\$ 3,841	\$ 78,989	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION											
Cash and cash equivalents - current assets	\$ 1	\$ -	\$ 1	\$ 1	\$ 72	\$ -	\$ -	\$ 39	\$ 45,665	\$ 45,779	
Cash and cash equivalents - restricted assets	10,478	31,922	957	-	5,104	-	3,893	-	27,911	80,265	
End of year	\$ 10,479	\$ 31,922	\$ 958	\$ 1	\$ 5,176	\$ -	\$ 3,893	\$ 39	\$ 73,576	\$ 126,044	

OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2016

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 1	\$ -	\$ 1	\$ 1	\$ 71	\$ -	\$ -	\$ 231	\$ 49,337	\$ 49,642
Investments	-	-	-	-	-	-	-	-	22,209	22,209
Accounts receivable										
Participants	-	-	-	-	-	-	-	268	422	690
Others	2	-	-	-	-	-	445	-	48	495
Interest receivable	-	-	-	-	24	-	43	-	53	120
Inventory and supplies	4,150	1,079	642	1,402	1,849	-	-	-	-	9,122
Prepaid expenses	241	232	27	30	206	-	-	16	336	1,088
Due from Agency and other programs*	14,489	13,718	1,830	(1,209)	14,709	-	15,642	5,295	(64,474)	-
TOTAL CURRENT ASSETS	18,883	15,029	2,500	224	16,859	-	16,130	5,810	7,931	83,366
RESTRICTED ASSETS										
Cash and cash equivalents	6,036	14,790	1,473	-	7,949	-	2,549	-	23,872	56,669
Investments	19,465	43,324	4,453	-	16,205	-	18,741	-	52,569	154,757
Interest receivable	65	110	16	-	20	-	-	-	122	333
TOTAL RESTRICTED ASSETS	25,566	58,224	5,942	-	24,174	-	21,290	-	76,563	211,759
ELECTRIC PLANT										
Electric plant in service	568,711	393,936	64,826	36,245	423,459	7,736	-	577	5,249	1,500,739
Less: accumulated depreciation	(528,111)	(242,980)	(43,944)	(34,117)	(52,334)	(7,731)	-	(311)	(2,448)	(911,976)
	40,600	150,956	20,882	2,128	371,125	5	-	266	2,801	588,763
Construction work-in-progress	-	-	-	-	102	-	-	-	5	107
TOTAL ELECTRIC PLANT	40,600	150,956	20,882	2,128	371,227	5	-	266	2,806	588,870
OTHER ASSETS										
Regulatory assets	1,912	159,012	13,077	-	19,158	(5)	-	-	56,365	249,519
Unused vendor credits	55	-	-	-	-	-	-	-	-	55
TOTAL OTHER ASSETS	1,967	159,012	13,077	-	19,158	(5)	-	-	56,365	249,574
TOTAL ASSETS	87,016	383,221	42,401	2,352	431,418	-	37,420	6,076	143,665	1,133,569
DEFERRED OUTFLOWS OF RESOURCES										
Excess cost on refunding of debt	-	52,091	2,257	-	-	-	-	-	-	54,348
Pension deferrals	-	-	-	-	-	-	-	-	9,093	9,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	52,091	2,257	-	-	-	-	-	9,093	63,441
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 87,016	\$ 435,312	\$ 44,658	\$ 2,352	\$ 431,418	\$ -	\$ 37,420	\$ 6,076	\$ 152,758	\$ 1,197,010

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2016										
	GENERATING & TRANSMISSION RESOURCES						Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission				
LIABILITIES										
CURRENT LIABILITIES										
Accounts payable and accrued expenses	\$ 172	\$ 587	\$ -	\$ -	\$ 1,485	\$ -	\$ 14,102	\$ 401	\$ 7,726	\$ 24,473
Member advances	791	-	-	-	-	-	-	202	-	993
Operating reserves	6,233	250	513	250	10,289	-	-	-	-	17,535
Current portion of long-term debt	3,580	20,050	3,670	-	9,950	-	-	-	-	37,250
Accrued interest payable	766	8,428	837	-	1,371	-	-	-	-	11,402
TOTAL CURRENT LIABILITIES	11,542	29,315	5,020	250	23,095	-	14,102	603	7,726	91,653
NON-CURRENT LIABILITIES										
Net pension liability	-	-	-	-	-	-	-	-	57,774	57,774
Operating reserves and other deposits	15,714	14,629	-	-	5,755	-	21,334	580	76,565	134,577
Interest rate swap liability	-	22,261	-	-	-	-	-	-	-	22,261
Long-term debt, net	31,014	355,820	38,357	-	351,791	-	-	-	-	776,982
TOTAL NON-CURRENT LIABILITIES	46,728	392,710	38,357	-	357,546	-	21,334	580	134,339	991,594
TOTAL LIABILITIES	58,270	422,025	43,377	250	380,641	-	35,436	1,183	142,065	1,083,247
DEFERRED INFLOWS OF RESOURCES										
Regulatory credits	20,597	4,052	1,075	2,285	47,808	-	-	266	3,118	79,201
Pension deferrals	-	-	-	-	-	-	-	-	6,599	6,599
TOTAL DEFERRED INFLOWS OF RESOURCES	20,597	4,052	1,075	2,285	47,808	-	-	266	9,717	85,800
NET POSITION										
Net investment in capital assets	(7,415)	(34,427)	(6,839)	-	(13,512)	-	-	-	-	(62,193)
Restricted for:										
Debt service	8,199	29,665	5,105	-	12,797	-	-	-	-	55,766
Other programs	14	16,134	-	-	(5,632)	-	-	-	-	10,516
Unrestricted	7,351	(2,137)	1,940	(183)	9,316	-	1,984	4,627	976	23,874
TOTAL NET POSITION	8,149	9,235	206	(183)	2,969	-	1,984	4,627	976	27,963
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 87,016	\$ 435,312	\$ 44,658	\$ 2,352	\$ 431,418	\$ -	\$ 37,420	\$ 6,076	\$ 152,758	\$ 1,197,010

# OTHER FINANCIAL INFORMATION

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS (000's omitted)

For the Year Ended June 30, 2016

	GENERATING & TRANSMISSION RESOURCES									Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	
OPERATING REVENUES										
Participants	\$ 8,068	\$ 37,076	\$ 7,360	\$ 2,718	\$ 29,538	\$ -	\$ 221,529	\$ 21,671	\$ 141	\$ 328,101
Other third-party	29,803	16,999	328	571	38,980	-	52,320	-	-	139,001
TOTAL SALES FOR RESALE	37,871	54,075	7,688	3,289	68,518		273,849	21,671	141	467,102
OPERATING EXPENSES										
Purchased power	-	-	-	-	4,827	-	177,736	-	-	182,563
Operations	14,813	3,852	1,220	1,026	30,032	-	6,030	12,102	-	69,075
Transmission	880	817	52	(27)	915	-	95,529	4	-	98,170
Depreciation	3,898	9,415	2,212	178	14,601	16	-	34	291	30,645
Maintenance	8,338	3,837	888	1,523	7,994	-	-	95	-	22,675
Administrative and general	4,018	3,153	548	585	4,252	-	-	7,255	(1,431)	18,380
Intercompany (sales) purchases, net*	(546)	197	70	105	247	-	-	(73)	-	-
TOTAL OPERATING EXPENSES	31,401	21,271	4,990	3,390	62,868	16	279,295	19,417	(1,140)	421,508
NET OPERATING REVENUES	6,470	32,804	2,698	(101)	5,650	(16)	(5,446)	2,254	1,281	45,594
NON OPERATING (EXPENSES) REVENUES										
Interest expense	(1,480)	(28,770)	(2,003)	-	(16,201)	-	-	-	-	(48,454)
Interest income	391	833	121	-	412	-	480	38	1,263	3,538
Other	271	23	761	39	4,523	-	-	220	219	6,056
TOTAL NON OPERATING (EXPENSES) REVENUES	(818)	(27,914)	(1,121)	39	(11,266)	-	480	258	1,482	(38,860)
FUTURE RECOVERABLE AMOUNTS	(1,093)	625	(1,542)	-	2,767	16	-	-	(913)	(140)
REFUNDS TO PARTICIPANTS	(2,018)	(3,375)	8	338	1,286	-	(831)	(3,075)	(955)	(8,622)
INCREASE (DECREASE) IN NET POSITION	2,541	2,140	43	276	(1,563)	-	(5,797)	(563)	895	(2,028)
NET POSITION, Beginning of year	5,608	7,095	163	(459)	4,532	-	7,781	5,190	81	29,991
NET POSITION, End of year	\$ 8,149	\$ 9,235	\$ 206	\$ (183)	\$ 2,969	\$ -	\$ 1,984	\$ 4,627	\$ 976	\$ 27,963

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF CASH FLOW

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2016																				
GENERATING & TRANSMISSION RESOURCES																				
						Purchased Power & Transmission	Associated Member Services	Other Agency	Combined Total											
Geothermal		Hydroelectric		Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission													
CASH FLOWS FROM OPERATING ACTIVITIES																				
Received from participants	\$	7,251	\$	37,097	\$	7,276	\$	2,534	\$	32,710	\$	-	\$	221,529	\$	21,559	\$	(305)	\$	329,651
Received from others		31,063		18,246		328		571		38,980		-		54,834		-		3,522		147,544
Payments for employee services		(11,135)		(4,978)		(841)		(1,104)		(5,638)		-		-		(9,851)		-		(33,547)
Payments to suppliers for goods and services		(18,005)		(6,747)		(1,863)		(1,998)		(47,312)		-		(274,679)		(8,764)		(1,382)		(360,750)
Payments from(to) other programs *		546		(197)		(70)		(105)		(247)		-		-		73		-		-
NET CASH FLOWS FROM OPERATING ACTIVITIES		9,720		43,421		4,830		(102)		18,493		-		1,684		3,017		1,835		82,898
CASH FLOWS FROM INVESTING ACTIVITIES																				
Proceeds from maturities and sales of investments		14,238		56,929		4,894		-		34,498		-		10,140		-		57,374		178,073
Interest received on cash and investments		283		449		48		-		250		-		399		38		652		2,119
Purchase of investments		(15,740)		(60,708)		(4,482)		-		(36,108)		-		(10,190)		-		(55,513)		(182,741)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,219)		(3,330)		460		-		(1,360)		-		349		38		2,513		(2,549)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES																				
Acquisition and construction of electric plant		(20)		(311)		-		-		(108)		-		-		(167)		(202)		(808)
Interest paid on long-term debt		(1,608)		(17,629)		(2,059)		-		(16,935)		-		-		-		-		(38,231)
Principal repayment on long-term debt		(3,445)		(19,105)		(3,585)		-		(9,480)		-		-		-		-		(35,615)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		(5,073)		(37,045)		(5,644)		-		(26,523)		-		-		(167)		(202)		(74,654)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES																				
Other proceeds		271		23		762		39		4,523		-		-		219		222		6,059
Refunds to participants		(2,018)		(3,375)		8		338		1,286		-		(831)		(3,075)		(955)		(8,622)
Payments from(to) other programs *		(1,056)		(1,575)		65		(275)		(233)		-		(322)		75		3,321		-
NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		(2,803)		(4,927)		835		102		5,576		-		(1,153)		(2,781)		2,588		(2,563)
NET CHANGE IN CASH AND CASH EQUIVALENTS																				
Beginning of year		5,412		16,671		993		1		11,834		-		1,669		124		66,475		103,179
End of year	\$	6,037	\$	14,790	\$	1,474	\$	1	\$	8,020	\$	-	\$	2,549	\$	231	\$	73,209	\$	106,311

\* Eliminated in Combination



OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF CASH FLOW - Continued

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2016											
GENERATING & TRANSMISSION RESOURCES											
Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined		
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES											
Operating income	\$ 6,470	\$ 32,804	\$ 2,698	\$ (101)	\$ 5,650	\$ (16)	\$ (5,446)	\$ 2,254	\$ 1,281	\$ 45,594	
Adjustments to reconcile net operating revenues to net cash from operating activities:											
Depreciation	3,898	9,415	2,212	178	14,601	16	-	34	291	30,645	
	10,368	42,219	4,910	77	20,251	-	(5,446)	2,288	1,572	76,239	
CASH FLOWS IMPACTED BY CHANGES IN											
Accounts receivable	(2)	-	-	-	-	-	1,502	(244)	(290)	966	
Inventory, prepaid expense, and unused vendor credits	(596)	53	5	6	(327)	-	-	(16)	214	(661)	
Operating reserves and other deposits	1,262	1,247	-	-	(2,625)	-	1,012	456	3,390	4,742	
Regulatory credits	(817)	21	(84)	(184)	3,172	-	-	132	(23)	2,217	
Accounts payable	(495)	(119)	(1)	(1)	(1,978)	-	4,616	401	(1,412)	1,011	
Net pension liability and related amounts	-	-	-	-	-	-	-	-	(1,616)	(1,616)	
NET CASH FROM OPERATING ACTIVITIES	\$ 9,720	\$ 43,421	\$ 4,830	\$ (102)	\$ 18,493	\$ -	\$ 1,684	\$ 3,017	\$ 1,835	\$ 82,898	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION											
Cash and cash equivalents - current assets	\$ 1	\$ -	\$ 1	\$ 1	\$ 71	\$ -	\$ -	\$ 231	\$ 49,337	\$ 49,642	
Cash and cash equivalents - restricted assets	6,036	14,790	1,473	-	7,949	-	2,549	-	23,872	56,669	
End of year	\$ 6,037	\$ 14,790	\$ 1,474	\$ 1	\$ 8,020	\$ -	\$ 2,549	\$ 231	\$ 73,209	\$ 106,311	

GENERATION ENTITLEMENT SHARES - UNAUDITED

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS

	Table of Generation Entitlement Shares					LEC Debt Shares	
	Geothermal Project No. 3	Hydroelectric Project No. One	Capital Facilities Project	Combustion Turbine No. One	Lodi Energy Center (LEC)	LEC Indenture Group A	LEC Indenture Group B
<b>NCPA Member Participants:</b>							
Alameda	16.8825%	10.0000%	19.0000%	21.8200%			
BART					6.6000%	11.8310%	
Biggs	0.2270%			0.1970%	0.2679%	0.4802%	
Gridley	0.3360%			0.3500%	1.9643%	3.5212%	
Healdsburg	3.6740%	1.6600%		5.8330%	1.6428%	2.9448%	
Lodi	10.2800%	10.3700%	39.5000%	13.3930%	9.5000%	17.0295%	
Lompoc	3.6810%	2.3000%	5.0000%	5.8330%	2.0357%	3.6491%	
Palo Alto		22.9200%					
Plumas-Sierra REC	0.7010%	1.6900%		1.8170%	0.7857%	1.4084%	
Roseville	7.8830%	12.0000%	36.5000%				
Santa Clara	44.3905%	37.0200%		41.6670%	25.7500%	46.1588%	
Ukiah	5.6145%	2.0400%		9.0900%	1.7857%	3.2010%	
<b>Other Participants:</b>							
Azuza					2.7857%	4.9936%	
California Dept. of Water Resources					33.5000%		100.0000%
Modesto Irrigation District					10.7143%		
Power & Water Resources Pooling Agency					2.6679%	4.7824%	
Turlock Irrigation District	6.3305%						
	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.000%	100.000%
	Note A	Note A, B		Note A	Note B		

Note A: Project Entitlement shares are after transfers among participants.

Note B: Project Generation Shares may vary from project cost shares due to varied financing and fuel supply arrangements.

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## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix C regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and NCPA takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each Series of the 2018 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested

by an authorized representative of DTC. The deposit of 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2018 Bond documents. For example, Beneficial Owners of 2018 Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to NCPA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and interest payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from NCPA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee, or NCPA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of NCPA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2018 Bonds at any time by giving reasonable notice to NCPA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2018 Bond certificates are required to be printed and delivered.

NCPA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2018 Bond certificates will be printed and delivered to DTC.

## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain provisions of the Indenture. This summary is not to be considered a full statement of the terms of the Indenture and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not defined in this summary or elsewhere in the Official Statement have the respective meanings set forth in the Indenture.

#### **Certain Definitions**

“Act” means the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of California, as amended and supplemented and shall also include the provisions of any other law applicable to NCPA by virtue of being a public entity pursuant to said Chapter 5 of Division 7 of Title 1 including, without limitation, Article 10 and Articles 11 of Chapter 3 of Division 2 of Title 5 of said Government Code, as each thereof may be amended and supplemented.

“Additional Bonds” means all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 203 of the Original Indenture and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

“Adjustable Rate Bond” means, as of any date of determination, any Bond not bearing interest from such date to the maturity thereof at a specified, fixed rate; provided, however, that each Adjustable Rate Bond shall also be an Option Bond with a Purchase Date on the Business Day next succeeding the termination of each Adjustment Period for such Bond.

“Adjusted Aggregate Debt Service” means, as of any date of calculation and with respect to any period, the sum of the amounts of Adjusted Debt Service during such period for all Series of Bonds, other than Lender Bonds; provided, however, that in computing such Adjusted Aggregate Debt Service, each Series of Adjustable Rate Bonds shall be deemed to bear the Assumed Interest Rate applicable thereto.

“Adjusted Debt Service” means, with respect to any Series of Bonds, as of any date of calculation and with respect to any period, the Debt Service for such Series of Bonds for such period which would result if the Principal Installment for such Series due on the final maturity date of such Series were adjusted over the period specified pursuant to the next sentence so that the Bonds of such Series would have Substantially Equal Debt Service for each Fiscal Year of such period and that such Principal Installment would be fully paid at the end of such period, assuming timely payment of all principal or Redemption Price, if any, of and interest on the Bonds of such Series in accordance with such adjustments and computing the interest component of Debt Service on the basis of the true interest cost actually incurred on such Series of Bonds (determined by the true, actuarial method of calculation which consists of calculating true interest cost from the actual delivery date of such Series of Bonds as opposed to calculating it from the date of such Series of Bonds). Such adjustment shall be made over a period which shall begin with the final maturity date of such Series and end on such date or a date which shall be specified in the Supplemental Indenture authorizing such Series of Bonds, which date shall be not later than the earlier to occur of (i) 40 years after the date of such Bonds or (ii) the termination date of the Third Phase Agreement. For purposes of computing such true interest cost for any Series of Bonds containing Adjustable Rate Bonds each such Adjustable Rate Bond shall be deemed to bear the Assumed Interest Rate applicable thereto.

“Agreement of Attornment” means the Agreement of Attornment, dated March 22, 1985, by and among NCPA, the Calaveras County Water District and Sierra Constructors, as the same may be amended and supplemented from time to time in accordance with its terms and terms of the Indenture.

“Beneficial Owner” means, with respect to the 2018 Bonds, any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the 2018 Bonds.

“Business Day” means, with respect to the 2018 Bonds, any day of the year on which banks in New York, New York are not required or authorized to remain closed and on which the Trustee, the Paying Agent and the New York Stock Exchange are open.

“Capital Improvements” shall mean all renewals or replacements of or repairs, additions, improvements, modifications or betterments chargeable to the capital account of the Project, which are (i) consistent with Prudent Utility Practice and determined necessary by the Commission to keep the Project in good operating condition or to prevent a loss of revenue therefrom, (ii) required by any governmental agency having jurisdiction over the Project, or (iii) required by the Indenture; provided, however, that Capital Improvements shall not include any additional generating units in addition to the number of generating units presently included in the Project.

“Debt Service Reserve Requirement” means, as of any date of calculation, and with respect to the Debt Service Reserve Account (which does not secure the 2018 Bonds), an amount equal to the greatest amount of Adjusted Aggregate Debt Service for the Participating Bonds for the then current or any future Fiscal Year and, with respect to a Series Debt Service Reserve Account, the amount, if any, specified as such with respect to such Series Debt Service Reserve Account pursuant to the Indenture.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel acceptable to the Insurer to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not result in the inclusion of interest on any Bonds in gross income for federal income tax purposes.

“Future Bonds” means all Bonds issued when the Eleventh Supplemental Indenture of Trust became effective, i.e., July 1, 1998.

“Initial Facilities” means those facilities included in or required by the FERC License and all associated facilities, rights, land and interest in land, properties, studies, reports, equipment, transmission facilities and improvements appurtenant thereto and necessary or convenient therewith including without limitation any payments to other parties such as contributions in and of construction in connection with the transmission of the output of the facilities included in the definition of the “Project” under the Power Purchase Contract.

“Interest Payment Date” means, with respect to each Series of Bonds, the dates during each year on which interest on such Series of Bonds is scheduled to be paid as specified in, or determined in accordance with, the Indenture or Supplemental Indenture authorizing such Series of Bonds.

“Investment Securities” means and includes any of the following securities, if and to the extent the same are at the time legal for investment of NCPA’s funds:

- (i) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including a receipt, certificate or any other evidence of an ownership interest in the aforementioned obligations, or in specified portions thereof (which may consist of specified portions of interest thereon) and also including advance refunded tax-exempt bonds secured by the aforementioned obligations;

- (ii) Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued, or the principal of and interest on which are unconditionally guaranteed, by the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association, the United States Postal Service or any other agency or instrumentality of or corporation wholly owned by the United States of America;

- (iii) New Housing Authority Bonds or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions to be paid by the United States of America or any agency thereof;

(iv) Direct and general obligations, to the payment of which the full faith and credit of the issuer is pledged, of any State of the United States or any political subdivision thereof which at the time of investment is rated by any nationally recognized bond rating agency and assigned by such agency a rating which denotes a security with investment characteristics at least equal to the investment characteristics of a security presently rated by Moody's Investors Service, Inc. or Standard & Poor's Corporation as "A" or better;

(v) Bank time deposits evidenced by certificates of deposit, and banker's acceptances, issued by any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation; provided either that the aggregate of such bank time deposits and bankers' acceptances issued by any bank, trust company or banking association does not exceed at any one time ten per centum (10%) of the aggregate of the capital stock, surplus and undivided profits of such bank, trust company or banking association and that such capital stock, surplus and undivided profits shall not be less than Twenty-Five Million Dollars (\$25,000,000), or that such deposits are fully and continuously secured by a valid and perfected security interest in obligations described in paragraph (i), (ii) or (iii) of this definition; and

(vi) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation, or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected security interest in obligations described in paragraph (i), (ii) or (iii) of this definition.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by NCPA by notice in writing to the Trustee and acceptable to the Insurer.

"NCPA Operating Expenses" means (i) costs incurred by NCPA pursuant to the Third Phase Agreement, (ii) any other current expenses or obligations required to be paid by NCPA under the provisions of the Project Agreements or by law, all to the extent properly allocable to the Project, or required to be incurred under or in connection with the performance of the Third Phase Agreement, (iii) the fees and expenses of the Fiduciaries, (iv) fees incurred pursuant to any lending or credit facility or agreement, including, without limitation, the Reimbursement Agreements, and (v) all other costs (including overhead) properly allocable to the Project. NCPA Operating Expenses shall not include any costs or expenses for new construction or any allowance for depreciation of the Project.

"NCPA Revenues" means (i) all revenues, income, rents and receipts derived or to be derived by NCPA from or attributable to the Project or the Power Purchase Contract or to the payment of the costs of the Project received or to be received by NCPA under the Third Phase Agreement or the Power Purchase Contract or under any other contract for the sale by NCPA of the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof or the services or capacity thereof, (ii) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Project, (iii) any receipts under the Construction Contract or the Agreement of Attornment, other than insurance proceeds required to be deposited in the Construction Fund in accordance with the provisions of the Indenture, and (iv) interest received or to be received on any moneys or securities (other than in the Construction Fund) held pursuant to the Indenture and required to be paid into the Revenue Fund.

"Participating Bonds" means all Bonds Outstanding prior to the Eleventh Supplemental Indenture of Trust becoming effective (July 1, 1998) and all Future Bonds other than Future Bonds which are specified in the Supplemental Indenture authorizing such Future Bonds not to be Participating Bonds in accordance with the provisions of the Indenture.

"Power Purchase Contract" means the Revised Power Purchase Contract, dated as of March 1, 1985, by and between NCPA and CCWD as the same may be amended and supplemented from time to time in accordance with its terms and the terms of the Indenture.



“Project” means the Initial Facilities and all Capital Improvements.

“Project Agreements” means, prior to the respective termination dates thereof, the Indenture, the Third Phase Agreement, the Power Purchase Contract, the Construction Contract, the Agreement of Attornment and any other contract designated a Project Agreement by the Commission of NCPA.

“Prudent Utility Practice” means any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition, taking into account the fact that Prudent Utility Practice is not intended to be limited to the optimum practice, methods or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturers’ warranties and requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the Project, but also to appropriate structures, landscaping, paving, signs, lighting, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project.

“Securities Depository” means, with respect to a Series of the 2018 Bonds, the securities depository designated in the Supplemental Indenture with respect to such Series and its successors and assigns or if (a) the then incumbent Securities Depository resigns from its functions as depository for such Series of the 2018 Bonds, or (b) NCPA discontinues use of the then incumbent Securities Depository for such Series of the 2018 Bonds pursuant to such Supplemental Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository for such Series of the 2018 Bonds.

“Series Debt Service Reserve Account” means each Account within the Debt Service Fund established with respect to a Series of Future Bonds which are not Participating Bonds, including the 2018 Bonds, pursuant to the Indenture.

“Sinking Fund Installment” means with respect to a Series of the 2018 Bonds, the amount required by the Supplemental Indenture with respect to such Series to be paid by NCPA on any single date for the retirement of 2018 Bonds of such Series.

“Substantially Equal Adjusted Aggregate Debt Service” means, with respect to any period of similar Fiscal Years for all Outstanding Bonds, other than Lender Bonds, that the greatest Adjusted Aggregate Debt Service for any Fiscal Year in such period is not in excess of one hundred and twenty-five percent of the Adjusted Aggregate Debt Service for any preceding Fiscal Year in such period.

“Substantially Equal Debt Service” means, with respect to any period of Fiscal Years for any Series of Bonds, other than Lender Bonds, that the greatest Debt Service for such Bonds for any Fiscal Year in such period is not in excess of one hundred and twenty-five percent of the smallest Debt Service for such Bonds for any Fiscal Year in such period.

“Supplemental Indenture” shall mean any indenture supplemental to or amendatory of the Indenture, entered into by NCPA and the Trustee in accordance with the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by NCPA by notice in writing to the Trustee and acceptable to the Insurer.

“Trust Estate” means (A) subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (i) the proceeds of the sale of the Bonds,

other than Lender Bonds, (ii) the NCPA Revenues and (iii) all amounts on deposit in the Funds established by the Indenture, including the investments, if any, thereof, to the extent held by the Trustee; (B) all right, title and interest of NCPA in, to and under the Third Phase Agreement; (C) all right, title and interest of NCPA in, to and under the Power Purchase Contract; and (D) all right, title and interest of NCPA in, to and under the Construction Contract and the Agreement of Attornment.

“2018 Bonds” means collectively, the 2018 Series A Bonds and the 2018 Series B Bonds.

“2018 Series A Bonds” means the Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A.

“2018 Series B Bonds” means the Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B.

### **Pledge Effected by the Indenture**

NCPA has pledged and assigned the Trust Estate to the Trustee for the benefit of the Bondholders.

### **Nature of Obligation**

The Indenture provides that the principal, Redemption Price, if any, and Purchase Price thereof, and interest on the Bonds shall be payable solely from the NCPA Revenues and other funds pledged by NCPA under the Indenture and shall not constitute a charge against the general credit of NCPA. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of NCPA or any Project Participant is pledged to the payment of the principal, Redemption Price, if any, and Purchase Price of, or interest on the Bonds. NCPA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State of California or any public agency (other than NCPA) or any member of NCPA or any Project Participant. Neither the members of the Commission of NCPA nor any officer or employee of NCPA shall be individually liable for the Bonds or in respect of any undertakings by NCPA under the Indenture.

### **Application of NCPA Revenues**

NCPA Revenues are pledged by the Indenture to payment of the principal, Redemption Price, if any, and Purchase Price of, and interest on the Bonds, subject to the provisions of the Indenture permitting application for other purposes. The Indenture establishes the following Funds and Accounts for the application of Bond proceeds and NCPA Revenues:

**FUNDS****HELD BY**

Revenue Fund.....	NCPA
Operating Reserve Fund.....	Trustee
Operating Fund.....	NCPA
Debt Service Fund* .....	Trustee
Debt Service Account	
Debt Service Reserve Account	
Subordinated Indebtedness Fund.....	Trustee
Note Fund .....	Trustee
Reserve and Contingency Fund.....	NCPA
Renewal and Replacement Account	
Reserve Account	
General Reserve Fund .....	NCPA
Rate Stabilization Account	
General Account	

All NCPA Revenues received are to be deposited promptly in the Revenue Fund upon receipt thereof. Amounts in the Revenue Fund are to be paid monthly in the following order of priority for application therefrom as follows:

(1) To the Operating Reserve Fund, the amount, if any, required so that the balance in said Fund shall equal \$100,000 or such greater or lesser amount as shall be recommended by the Consulting Engineer to be on deposit in said Fund .

(2) To the Operating Fund, a sum which, together with any amount in the Operating Fund not set aside as a general reserve for NCPA Operating Expenses or as a reserve for working capital, is equal to the total moneys appropriated for NCPA Operating Expenses in the Annual Budget for the then current month. In addition, if the Supplemental Indenture authorizing a Series of Bonds so provides, amounts from the proceeds of such Bonds may be deposited in the Operating Fund and set aside as a reserve for working capital. Amounts in the Operating Fund shall be paid out from time to time by NCPA for reasonable and necessary NCPA Operating Expenses. The Indenture provides for the application of excess amounts in the Operating Fund to make up any deficiencies in certain other funds established under the Indenture with any balance to be deposited in the General Account of the General Reserve Fund.

(3) To the Debt Service Fund (i) for credit to the General Debt Service Subaccount, the amount, if any, required so that the balance in said subaccount, plus the amounts on deposit in all the other subaccounts in the Debt Service Account to the extent available to pay Accrued Aggregate Debt Service, as of the last day of the then current month, shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; (ii) for credit to the Debt Service Reserve Account, the amount, if any, required for such Account to equal the Debt Service Reserve Requirement for the Debt Service Reserve Account as of the last day of the then current month; and (iii) for credit to each Series Debt Service Reserve Account established for Future Bonds, the amount, if any, required for each such Account to equal the applicable Debt Service Reserve Requirement for such Series Debt Service Reserve Account as of the last day of the then current month; provided that the transfers to the Debt Service Reserve Account and each Series Debt Service Reserve Account shall be made to the Debt Service Reserve Account and each Series Debt Service Reserve Account without preference or priority between such transfers made in accordance with clauses (ii) and (iii) of this subsection (a), and in the event of any insufficiency of such moneys ratably based on the amount required to be deposited in each such Account, without any discrimination or preference. The Trustee will apply amounts in the General Debt Service Subaccount in the Debt Service Account to the payment of principal of and interest on the Bonds. In addition, the Trustee may, and if directed by NCPA

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\* If provided in a Supplemental Indenture authorizing a Series of Future Bonds which are not Participating Bonds, the Debt Service Fund shall include a Series Debt Service Reserve Account for each such Series of Future Bonds as to which a debt service reserve is to be established.

must, apply certain amounts in the Debt Service Account to the purchase or redemption of Bonds to satisfy sinking fund requirements prior to the due date of any Sinking Fund Installment. The Trustee must pay out of the Debt Service Account the amount required for the redemption of Bonds called for redemption pursuant to sinking fund requirements on any redemption date.

Amounts in the Debt Service Reserve Account are to be applied on the last business day of each month to make up any deficiency in the Debt Service Account with respect to Participating Bonds. Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account with respect to Participating Bonds, is sufficient to pay in full all Outstanding Participating Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account. So long as the amount in the Debt Service Fund available for such purpose is sufficient to pay all then Outstanding Participating Bonds in full (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made in the Debt Service Reserve Account. Whenever moneys on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement with respect to such Account, the excess will be deposited in the Revenue Fund.

In the event of the refunding of Participating Bonds, the Trustee shall, upon the direction of NCPA with the advice of Bond Counsel, withdraw from the Debt Service Reserve Account any and all of the amounts on deposit therein and hold such amounts for the payment of the principal or Redemption Price, if applicable, and interest on such Participating Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter the Participating Bonds being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal shall not be less than the Debt Service Reserve Requirement for the Debt Service Reserve Account.

Amounts in each Series Debt Service Reserve Account are to be applied on the last business day of each month to make up any deficiency in the Debt Service Account with respect to the Future Bonds secured by such Series Debt Service Reserve Account. Whenever the amount in a Series Debt Service Reserve Account, together with the amount in the Debt Service Account with respect to the Future Bonds secured by such Series Debt Service Reserve Account, is sufficient to pay in full all Future Bonds secured by such Series Debt Service Reserve Account then Outstanding in accordance with their terms, the funds on deposit in such Series Debt Service Reserve Account will be transferred to the Debt Service Account and applied to the payment or redemption of the Series of Future Bonds secured by such Series Debt Service Reserve Account. So long as the amount in the Debt Service Fund with respect to a Series of Future Bonds secured by a Series Debt Service Reserve Account is sufficient to pay all such Future Bonds then Outstanding in full (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made in such Series Debt Service Reserve Account. Whenever moneys on deposit in a Series Debt Service Reserve Account exceed the Debt Service Reserve Requirement with respect to such Account, the excess will be deposited in the Revenue Fund.

In the event of the refunding of Future Bonds secured by a Series Debt Service Reserve Account, the Trustee shall, upon the direction of NCPA with the advice of Bond Counsel, withdraw from the Series Debt Service Reserve Account securing such Future Bonds any and all of the amounts on deposit therein and hold such amounts for the payment of the principal or Redemption Price, if applicable, and interest on such Future Bonds; provided that such withdrawal shall not be made unless immediately thereafter the Future Bonds being refunded shall be deemed to have been paid pursuant to the Indenture,.

(4) To the Subordinated Indebtedness Fund, the amount, if any, required so that the balance in said Fund shall equal all principal and interest on outstanding Subordinated Indebtedness accrued and unpaid and to accrue to the end of the then current calendar month. The Trustee will apply amounts in the Subordinated Indebtedness Fund to the payment of interest and reserves on Subordinated Indebtedness in accordance with the provisions of the resolution, agreement or contract relating to the issuance of such Subordinated Indebtedness. However, if at any time the amounts in the Debt Service Fund are less than the amounts required by the Indenture, and there is not on deposit in the General Reserve Fund or in the Reserve and Contingency Fund or in the Note Fund available moneys sufficient to cure such deficiency, the

Trustee will transfer from the Subordinated Indebtedness Fund the amount necessary to make up such deficiency.

(5) To the Note Fund, the amount, if any, required so that the balance in said Fund shall equal all interest on outstanding Notes accrued and unpaid and to accrue to the end of the then current calendar month. The Trustee will apply amounts in the Note Fund to the payment of interest on Notes in accordance with the provisions of the resolution, agreement or contract relating to the issuance of such Notes. However, if at any time the amounts in the Debt Service Fund are less than the amounts required by the Indenture, and there is not on deposit in the General Reserve Fund or in the Reserve and Contingency Fund available moneys sufficient to cure such deficiency, the Trustee will transfer from the Note Fund the amount necessary to make up such deficiency.

(6) To the Reserve and Contingency Fund, for credit to (a) the Renewal and Replacement Account, the amount, if any, provided for deposit therein during the then current month in the current Annual Budget; and (b) the Reserve Account, the amount, if any, required so that the balance in said Account shall equal \$3,000,000 or such greater or lesser amount as shall be recommended by the Consulting Engineer to be on deposit in said Account.

Amounts in the Renewal and Replacement Account will be applied to the cost of Capital Improvements. To the extent not provided for in the then current Annual Budget or by reserves in the Operating Fund or from the proceeds of Bonds, amounts in the Reserve Account will be applied to the costs of Capital Improvements to the extent amounts in the Renewal and Replacement Account are not sufficient therefor, and to the payment of extraordinary operating and maintenance costs of the Project and contingencies.

If at any time the amounts in the Debt Service Fund are less than the amounts required by the Indenture, and there are not on deposit in the General Reserve Fund available moneys sufficient to cure such deficiency, then the Trustee will transfer from the Reserve Account and the Renewal and Replacement Account, in that order, the amount necessary to make up such deficiency.

Amounts in the Renewal and Replacement Account or the Reserve Account not required to meet any deficiencies in the Debt Service Fund or for any of the purposes for which such Accounts were established shall be transferred to the Operating Fund to the extent, if any, deemed necessary by NCPA, to make up any deficiencies therein. Any remaining excess shall be deposited into the General Account of the General Reserve Fund.

(7) To the Rate Stabilization Account of the General Reserve Fund, the amount, if any, provided for deposit therein during the then current month in the Annual Budget and, to the General Account of the General Reserve Fund, the balance, if any, in the Revenue Fund. NCPA must transfer from the General Reserve Fund: (a) to the Debt Service Fund amounts necessary to make up any deficiencies in required payments to the Debt Service Fund; and (b) to the Renewal and Replacement Account and the Reserve Account in the Reserve and Contingency Fund the amount necessary to make up any deficiencies in payments to said Accounts.

Amounts in the General Reserve Fund not required to meet any of the deficiencies described above will, upon determination of NCPA, be applied to or set aside for any one or more of the following: (a) transfer to the Revenue Fund; (b) the purchase or redemption of any Bonds, and expenses and reserves in connection therewith; (c) NCPA Operating Expenses or reserves therefor; (d) payments into any separate account or accounts established in the Construction Fund; (e) Capital Improvements or reserves therefor; (f) payment of principal of and interest on Subordinated Indebtedness or purchase or redemption of Subordinated Indebtedness; (g) payment of principal of and interest on Notes; and (h) any other lawful purpose of NCPA related to the Project. Bonds purchased or redeemed with amounts in the General Reserve Fund may be credited to Sinking Fund Installments thereafter to become due (other than the next due).

Deposits from the Revenue Fund into the Debt Service Fund, the Subordinated Indebtedness Fund, the Note Fund, the Reserve and Contingency Fund and the General Reserve Fund are to be made as soon as practicable in each month after the deposit of NCPA Revenues into the Revenue Fund, the Operating Reserve Fund and the Operating Fund have been made for such month, but not later than the last business day of such month.

### **Certain Requirements of and Conditions to Issuance of Bonds**

Bonds shall be authenticated by the Trustee pursuant to the Indenture upon compliance with certain requirements and conditions, including the following:

(a) The Trustee shall have received an Opinion of Bond Counsel to the effect that the Bonds of the Series being issued have been duly and validly authorized, issued and are valid and binding obligations of NCPA and as to certain other matters concerning the Indenture.

(b) The Trustee shall have received the amount, if any, necessary for deposit: (A) in the Debt Service Reserve Account so that the amount in such Account shall equal the Debt Service Reserve Requirement with respect to such Account calculated immediately after the authentication and delivery of each Series of Participating Bonds and (B) in the Series Debt Service Reserve Account, if any, established with respect to each Series of Future Bonds, so that the amount in such Account shall equal the Debt Service Reserve Requirement, if any, with respect to such Account calculated immediately after the authentication and delivery of such Series of Future Bonds;

(c) Except in the case of Lender Bonds and Refunding Bonds, NCPA shall have certified that it is not in default in the performance of its agreements under the Indenture. In the case of Refunding Bonds such certificate may state that upon the application of the proceeds of the Refunding Bonds, NCPA will not be in default in the performance of its agreements under the Indenture.

The Indenture also provides that Principal Installments will be established at the time of issuance for each Series of Bonds so as to comply with the following:

(a) Principal Installments shall commence not later than the later of (A) the first day of the eighth Fiscal Year following the end of the Fiscal Year of authentication and delivery of such Series of Bonds or (B) the first day of the fifth Fiscal Year following the end of the Fiscal Year in which NCPA estimates that the Project will reach its Date of Firm Operation, and shall terminate not later than the date on which the Third Phase Agreement terminates.

(b) Such Principal Installments shall result in either (A) Substantially Equal Debt Service for the Bonds of such Series for the Fiscal Year immediately preceding the due date of the first such Principal Installment to occur subsequent to the Date of Firm Operation of the Project and for each Fiscal Year thereafter to and including the final maturity date of such Series or (B) Substantially Equal Adjusted Aggregate Debt Service for all Outstanding Bonds, including such Series being issued, for the first Fiscal Year in which Principal Installments become due on all Series of Bonds then Outstanding, including such Series being issued, beginning however no earlier than the Fiscal Year immediately preceding the due date of the first Principal Installment to occur subsequent to the Date of Firm Operation of the Project, and for each Fiscal Year thereafter to and including the Fiscal Year immediately preceding the latest maturity of any Series of Bonds Outstanding immediately prior to the issuance of such Series being issued or the Fiscal Year immediately preceding the latest maturity of such Series being issued, whichever is earlier (using in the case of any Series of Bonds sold by competitive bidding a net effective interest rate for the Bonds of such Series as estimated by NCPA); provided that, if the first Principal Installment of any Series of Bonds shall be less than 12 months after the date of issuance thereof, it shall be assumed, for purposes of this calculation, that interest accrued on such Series for the entire 12-month period preceding the first Principal Installment at the same rate as interest accrued for the actual portion of such period during which such Series of Bond was Outstanding.

### **Additional Bonds**

NCPA may issue one or more series of Additional Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the Project including paying the principal of and interest on any Subordinated Indebtedness or Notes issued for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the Project upon compliance with the conditions to issuance described above.

### **Refunding Bonds**

One or more Series of Refunding Bonds may be issued to refund any Outstanding Bonds of one or more Series or one or more maturities within a Series. Refunding Bonds shall be authenticated and delivered by the Trustee pursuant to the Indenture upon compliance with certain requirements and conditions, including the receipt by the Trustee of either (i) moneys sufficient to pay the applicable Redemption Price of the refunded Bonds to be redeemed plus the amount required to pay principal of refunded Bonds not to be redeemed together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, or (ii) Investment Securities in such amounts and having such terms as required by the Indenture to pay the principal or Redemption Price, if applicable, and interest due on and before the redemption date or maturity date, as the case may be.

### **Debt Service Reserves for Future Bonds**

Each Series of Future Bonds shall constitute Participating Bonds unless the Supplemental Indenture authorizing such Series of Future Bonds provides that such Series of Future Bonds shall not be Participating Bonds and, if such Series of Future Bonds is to be secured by a Series Debt Service Reserve Account, provides for the establishment of such Series Debt Service Reserve Account and establishes the Debt Service Reserve Requirement for such Account; provided, however, that each Series of Future Bonds shall constitute Participating Bonds unless at or prior to the issuance of such Series of Future Bonds the Trustee shall have received written confirmation from each rating agency then rating the Outstanding Bonds that the issuance of such Series of Future Bonds as other than Participating Bonds, in and of itself, will not result in the withdrawal or reduction in the rating of any Bonds, other than such Series of Future Bonds, to be Outstanding upon the issuance of such Series of Future Bonds.

### **Notice of Redemption**

The Trustee shall give notice of the redemption of any Bonds to be redeemed, which notice shall specify the redemption date and the place or places where amounts due upon redemption will be payable, and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable.

With respect to the redemption of any Bonds, the Trustee will mail a copy of such notice, not less than thirty (30) days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books.

Receipt of such notice shall not be a condition precedent to such redemption of the Bonds and failure to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds. Upon the request of NCPA, the Trustee shall also give notice of redemption to certain securities depositories and bond services as specified in the Indenture.

### **Interchangeability and Transfer**

Bonds, other than Lender Bonds, upon surrender thereof at the principal corporate trust office of the Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Holder or his

duly authorized attorney, may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and of other authorized denominations.

Except for Option Bonds deemed tendered but not actually tendered, Bonds shall be transferable only upon the books of NCPA, which shall be kept for such purposes at the principal corporate trust office of the Bond Registrar, by the Holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Register duly executed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, other than a Lender Bond, NCPA shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, NCPA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. For every such exchange or transfer of Bonds, NCPA or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

### **Investment of Certain Funds and Accounts**

The Indenture provides that certain Funds and Accounts held thereunder may, and in the case of the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund, the Subordinated Indebtedness Fund, and the Note Fund, subject to the terms of agreements relating to the issuance of the Subordinated Indebtedness and Notes, must, be invested to the fullest extent practicable in Investment Securities; provided that certain of such Funds and Accounts can only be invested in certain types of Investment Securities. The Indenture provides that such investments will mature no later than such times as necessary to provide moneys when reasonably expected to be needed for payments from such Funds and Accounts and provides specific limitations on the terms of investments for moneys in certain Funds and Accounts.

Prior to the completion of the Initial Facilities, interest and investment earnings (net of which (a) represents a return of accrued interest paid in connection with the purchase of any investment or (b) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts will be paid into the Construction Fund and after such date all such interest shall be paid into the Revenue Fund; except that to the extent provided in the Supplemental Indenture authorizing a Series of Additional Bonds to pay the Cost of Acquisition and Construction of Capital Improvements, all such interest earned on any moneys or investments in the account established in the Construction Fund for such Capital Improvements shall be retained in said account.

The Trustee may deposit moneys in all Funds and Accounts held by it under the Indenture in banks or trust companies organized under the laws of any state of the United States or national banking associations ("Depositaries"). All moneys held under the Indenture by the Trustee or any Depositary must be (1) either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (i) through (iv), inclusive, of the definition of "Investment Security" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which the Trustee or such Depositary is located, regarding security for the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee, the Depositaries or any Paying Agent to give security for the deposit of any moneys held in trust by it and set aside for the payment of principal or Redemption Price or Purchase Price of, or interest on, any Bonds or to give security for any moneys which are represented by obligations or certificates of deposit purchased as an investment of such moneys.

In computing the amount in any Fund created under the Indenture, obligations purchased as an investment of moneys therein shall be valued at the amortized costs of such obligations or the market value thereof, whichever is lower, exclusive of accrued interest except that obligations purchased as an investment of moneys in the Debt Service Reserve Account are to be valued at the amortized cost thereof.



## **Covenants**

### **Encumbrances: Disposition of Properties**

NCPA will not issue bonds, notes, debentures or other evidences of indebtedness, other than the Bonds, payable out of or secured by a pledge or assignment of the NCPA Revenues or other moneys, securities or funds held or set aside by NCPA, or the Fiduciaries under the Indenture, nor will it create, or cause to be created, any lien or charge thereon; provided, however, that nothing contained in the Indenture shall prevent NCPA from issuing, if and to the extent permitted by law, (1) evidences of indebtedness (a) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of the Project or (b) payable out of, or secured by a pledge and assignment of, NCPA Revenues to be derived on and after the discharge of the pledge of NCPA Revenues provided in the Indenture or (2) Subordinated Indebtedness or Notes issued in accordance with the provisions of the Indenture.

NCPA may, however, acquire, construct or finance through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the Project for the purposes of the Indenture and may secure such bonds, notes or other evidences of indebtedness by a mortgage of the facilities so financed or by a pledge of, or lien on, the revenues therefrom or any lease or other agreement with respect thereto or any revenues derived from such lease or other agreement; provided that such bonds, notes or other evidences of indebtedness shall not be payable out of or secured by the NCPA Revenues or any Fund or Account held under the Indenture and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the NCPA Revenues or from any such Fund or Account.

NCPA will not sell, lease, mortgage or otherwise dispose of the Project or consent to the sale, lease, mortgage or other disposal of the Project other than in accordance with the Third Phase Agreement.

### **Rate Covenant**

NCPA covenants in the Indenture that so long as any Bonds are Outstanding it will have good right and lawful power to establish charges and cause to be collected amounts with respect to the use of the Project, subject to the terms of the Third Phase Agreement. NCPA covenants in the Indenture that it will at all times establish charges and cause to be collected amounts with respect to the use of the Project, as shall be required to provide NCPA Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of all the following:

- (a) NCPA Operating Expenses during such Fiscal Year;
- (b) An amount equal to the Aggregate Debt Service for such Fiscal Year;
- (c) The amount, if any to be paid during such Fiscal Year into the Debt Service Reserve Account and each Series Debt Service Reserve Account in the Debt Service Fund;
- (d) The amount, if any, to be paid during such Fiscal Year into the Subordinated Indebtedness Fund;
- (e) The amount, if any, to be paid during such Fiscal Year into the Note Fund;
- (f) The amount to be paid during such Fiscal Year into the Reserve and Contingency Fund for credit to the Renewal and Replacement Account and the Reserve Account therein; and
- (g) All other charges or liens whatsoever payable out of NCPA Revenues during such Fiscal Year.

In estimating Aggregate Debt Service on any Adjustable Rate Bonds for purposes of the preceding paragraph, NCPA shall be entitled to assume that such Adjustable Rate Bonds will bear such interest rate or rates as

NCPA shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Adjustable Rate Bonds at the time of determination of Aggregate Debt Service.

NCPA will not furnish or supply or cause to be furnished or supplied any use or service of the Project free of charge to any person, firm or corporation, public or private, and NCPA will, consistent with the Project Agreements and upon the direction of the Trustee, enforce the payment of any and all accounts owing to NCPA by reason of the Project by discontinuing such use or service, or by filing suit therefor, as soon as practicable 30 days after any such accounts are due, or by both such discontinuance and by filing suit.

### **Covenants with Respect to Third Phase Agreement and Project Agreements**

NCPA covenants that it will receive and deposit in the Revenue Fund all amounts payable to it under the Third Phase Agreement or otherwise payable to it pursuant to any contract for use of the Project or any part thereof. NCPA will enforce the provisions of the Third Phase Agreement and duly perform its covenants and agreements thereunder, and will not agree to or permit any rescission of or amendment to, or otherwise take any action under or in connection with, the Third Phase Agreement which would reduce the payments required thereunder or which would in any manner materially impair or materially adversely affect the rights or security of Bondholders under the Indenture; provided, however, NCPA is specifically authorized to make certain amendments relating to billing procedures and the sale price of surplus power and energy under the Third Phase Agreement and is also not prohibited from making any other amendments to the Third Phase Agreement.

Subject to the terms of the Indenture, NCPA will enforce or cause to be enforced the provisions of the Project Agreements to which it is a party and duly perform its covenants and agreements thereunder. NCPA will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Project Agreements which will in any manner materially impair or materially adversely affect the rights of NCPA thereunder or the rights or security of the Bondholders under the Indenture.

### **Annual Budget**

NCPA will file with the Trustee an Annual Budget prepared in accordance with the Third Phase Agreement for each Fiscal Year commencing with the first Power Supply Year. The Annual Budget will set forth the estimated NCPA Revenues and NCPA Operating Expenses of the Project by month for such Fiscal Year and shall include monthly appropriations for the estimated amount to be deposited in each month of such Fiscal Year in the Revenue Fund, including provision for any general reserve for NCPA Operating Expenses and the amount to be deposited in the Renewal and Replacement Account, the Reserve Account in the Reserve and Contingency Fund, the Rate Stabilization Account in the General Reserve Fund and the requirements, if any, for the amounts estimated to be expended from each Fund and Account. NCPA shall review quarterly its estimates set forth in the Annual Budget and in the event such estimates do not substantially correspond with the actual NCPA Revenues, NCPA Operating Expenses or other requirements, NCPA shall adopt an amended Annual Budget for the remainder of such Fiscal Year. NCPA is also required to adopt such an amended Annual Budget if there are at any time during the year extraordinary receipts or payments of unusual costs. NCPA may also at any time in accordance with the provisions of the Third Phase Agreement, adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

### **Insurance**

NCPA will at all times after commencement of construction of the Project, insure the Project or cause the Project to be insured against such causes customarily insured against and in such amounts as are usually obtained. NCPA will also use its best efforts to maintain or cause to be maintained any additional or other insurance which NCPA deems necessary or advisable to protect its interests and those of the Bondholders. If any useful portion of the Project is damaged or destroyed, NCPA shall, as expeditiously as possible, continuously and diligently enforce its right to cause to be prosecuted the reconstruction or replacement thereof. The proceeds of any insurance, including the proceeds of any self-insurance fund, paid on account of damage or destruction (other than any business interruption loss insurance) shall be held by the Trustee and applied, to the extent necessary, to pay the costs of reconstruction or replacement. The proceeds of any business interruption loss insurance shall be paid into the Revenue Fund unless otherwise required by the Third Phase Agreement.

### **Accounts and Reports**

NCPA will keep or cause to be kept proper and separate books of records and accounts relating to the Project and each Fund and Account established by the Indenture and relating to the costs and charges under the Third Phase Agreement. Such books, together with the Third Phase Agreement and all other books and papers of NCPA relating to the Project, will at all times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding.

NCPA will file annually with the Trustee an annual report for each Fiscal Year, accompanied by an Accountant's Certificate, relating to the Project, including a statement of assets and liabilities as of the end of such Fiscal Year, a statement of NCPA Revenues and NCPA Operating Expenses and a statement as to the existence of any default under the provisions of the Indenture.

NCPA will notify the Trustee forthwith of any Event of Default or default in the performance by NCPA of a provision of the Indenture. NCPA will file annually with the Trustee a certificate of an Authorized NCPA Representative stating whether, to the best of the signer's knowledge and belief, NCPA has complied with its covenants and obligations in the Indenture and whether there is then existing an Event of Default or other event which would become an Event of Default upon the lapse of time or the giving of notice, or both, and if any such default or Event of Default so exists, specifying the same and the nature and the status thereof.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture will be available for inspection of Bondholders at the office of the Trustee and will be mailed to each Bondholder who files a written request therefor with the Trustee. The Trustee may charge each Bondholder requesting such reports, statements or other documents a reasonable fee to cover reproduction, handling and postage.

### **Extension of Payment of Bonds**

NCPA covenants in the Indenture that it will not extend or assent to the extension of the maturity of any of the Bonds, other than Lender Bonds, or claims for interest. If the maturity of any of the Bonds, other than Lender Bonds, or claims for interest is extended, such Bonds or claims for interest shall not be entitled, in the case of any default under the Indenture, to the benefit of the Indenture or any payment out of NCPA Revenues, Funds or the moneys held by the Trustee or by any Paying Agent or any Depositary, except moneys held in trust for payment of (i) the principal of all Bonds Outstanding the maturity of which has not been extended, (ii) the portion of accrued interest on the Bonds which is not represented by such extended claims for interest and (iii) the accrued interest on the Lender Bonds. Nothing herein shall be deemed to limit the right of NCPA to issue Option Bonds or Refunding Bonds and neither such issuance nor the exercise by the Holder of any Option Bond of any of the rights appertaining to such Option Bond shall be deemed to constitute an extension of maturity of Bonds.

### **Amendments and Supplemental Indentures**

Any of the provisions of the Indenture may be amended by NCPA, with the written consent of the Banks, by a Supplemental Indenture upon the consent of the Holders of at least sixty percent in principal amount in each case of (1) all Bonds then Outstanding and (2) if less than all of the several Series of Outstanding Bonds are affected, the Bonds of each affected Series; excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any of such Bonds remain Outstanding. Any such amendment may not permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of or interest on any Outstanding Bond or make any reduction in principal, Redemption Price, Purchase Price or interest rate without the consent of each affected Holder, or reduce the percentages of consents required for a further amendment.

NCPA may enter into, with the written consent of the Banks (without the consent of any Holders of the Bonds or the Trustee), a Supplemental Indenture to close the Indenture against, or impose additional limitations upon, the issuance of Bonds or other evidences of indebtedness; to authorize Bonds of a Series; to add to the restrictions to be observed by NCPA contained in the Indenture; to add to the covenants of NCPA contained in the

Indenture; to confirm any lien or pledge under the Indenture; to authorize the establishment of a fund or funds for self-insurance; to authorize Subordinated Indebtedness or Notes; and to modify any of the provisions of the Indenture in any other respect if (i) no Bonds will be Outstanding at such time or (ii) such modification shall be, and be expressed to be, effective only after all Bonds then Outstanding cease to be Outstanding and all Bonds authenticated and delivered after the adoption of such Supplemental Indenture specifically refer to such Supplemental Indenture in the text of such Bonds. NCPA may enter into, with the written consent of the Banks, a Supplemental Indenture which shall be effective upon the consent of the Trustee (without the consent of any Holders of the Bonds) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision in the Indenture; or to clarify matters or questions arising under the Indenture and not contrary to or inconsistent with the Indenture.

### **Trustee; Payment Agents**

The Trustee may at any time resign on 60 days' notice to NCPA and the Banks. Such resignation will take effect on the date specified in such notice, or, if a successor Trustee has been appointed, such resignation will take effect immediately upon the appointment of such successor. The Trustee may at any time be removed by the Holders of a majority in principal amount of the Bonds then Outstanding. Successor Trustees may be appointed by the Banks and the Holders of a majority in principal amount of Bonds then Outstanding, and failing such an appointment NCPA shall appoint a successor to hold office until the Banks and the Bondholders act. The Trustee and each successor Trustee, if any, must be a bank, trust company, or national banking association doing business and having its principal office in New York, New York or Chicago, Illinois or Los Angeles, California or San Francisco, California and having capital stock and surplus aggregating at least \$50,000,000, if there be such an entity willing and able to accept the appointment. The Indenture requires the appointment by NCPA of one or more Paying Agents (which may include the Trustee).

Pursuant to the Indenture, the Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and has not been cured, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Subject to the above, neither the Trustee nor any Paying Agent shall be liable in connection with the performance of its duties under the Indenture except for its own negligence, misconduct or default.

NCPA will cause to be paid to the Trustee and any Paying Agent or Depositary reasonable compensation for all services rendered under the Indenture and all reasonable expenses, charges, counsel fees and other disbursements, incurred in the performance of its duties under the Indenture. Each Trustee, Paying Agent or Depositary has a lien on any and all funds held by it under the Indenture securing its rights to compensation except that the proceeds of Drawings under the Letters of Credit or any funds taken into account in calculating the amount drawn under a Letter of Credit are not available for such purpose. NCPA also agrees to indemnify and save each Trustee, Paying Agent or Depositary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture and which are not due to its negligence, misconduct or default.

### **Defeasance**

The pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of NCPA to the Bondholders under the Indenture will cease, terminate and become void and be discharged and satisfied whenever all Bonds have been paid in full. Bonds or interest installments will be deemed to have been paid for the purpose of the defeasance referred to above in this paragraph if on the maturity or redemption date thereof Eligible Moneys have been set aside and held in trust by the Paying Agents for such payment. Bonds, other than Lender Bonds, will be deemed to have been so paid prior to the maturity or redemption date thereof whenever the following conditions are met: (1) there have been deposited with the Trustee either Eligible Moneys in an amount which will be sufficient, or Investment Securities purchased with Eligible Moneys the principal of and the interest on which when due, will provide moneys which, together with the Eligible Moneys deposited, will be sufficient, to pay when due principal or Redemption Price, if applicable, and interest due and to become due on such Bonds, (2) in the case of Bonds to be redeemed prior to maturity, NCPA has given to the Trustee irrevocable instructions to mail

the notice of redemption therefor, and (3) NCPA has given to the Trustee irrevocable instructions to (i) mail, as soon as practicable, notice to the Holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay principal or Redemption Price, if applicable, on such Bonds and (ii) publish a similar notice.

For purposes of determining whether Adjustable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Investment Securities and moneys, if any, in accordance with the preceding paragraph, the interest to come due on such Adjustable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Assumed Interest Rate; provided, however, that if on any date, as a result of such Adjustable Rate Bonds having borne interest at less than the Assumed Interest Rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Adjustable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Adjustable Rate Bonds in order to satisfy the preceding paragraph, the Trustee shall, if requested by NCPA, pay the amount of such excess to NCPA free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Indenture.

Option Bonds shall be deemed to have been paid in accordance with the first paragraph of this heading only if there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal or Redemption Price, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the first paragraph of this heading, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal of and Redemption Price, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by NCPA, pay the amount of such excess to NCPA free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture.

### **Events of Default and Remedies**

Events of Default specified in the Indenture include (i) failure to pay principal or Redemption Price of any Bond when due; (ii) failure to pay any interest installment on any Bond or the unsatisfied balance of any Sinking Fund Installment thereon when due; (iii) failure to pay the Purchase Price of any Option Bond at the time required by the Indenture and such default shall continue for 10 days; (iv) as specified under any Reimbursement Agreement (none of which is in effect); (v) if there is default by NCPA for 120 days after written notice thereof from the Trustee or the Holders of not less than 10% in principal amount of the Bonds then Outstanding in the observance or performance of any other covenants, agreements or conditions contained in the Indenture or in the Bonds; (vi) NCPA shall apply for or consent to the appointment of a receiver or admit in writing its inability to pay its debts generally as they become due; and (vii) a proceeding shall be instituted in any court of competent jurisdiction under any law relating to bankruptcy, insolvency, reorganization or relief of debtors and the same shall result in an entry of an order for relief or continue undismissed or pending unstayed for a period of 60 days. Upon the happening of any such Event of Default described in clause (i), (ii), (iii), (v), (vi) or (vii) above, the Trustee or the Holders of not less than 25% in principal amount of the Bonds then Outstanding may declare the principal of and accrued interest on all Bonds then Outstanding due and payable (subject to a rescission of such declaration upon the curing of such default before the Bonds have matured).

Upon the occurrence of any Event of Default which has not been remedied, NCPA will, if demanded by the Trustee, (1) account, as a trustee of an express trust, for all NCPA Revenues and other moneys, securities and funds pledged or held under the Indenture and (2) cause to be paid over to the Trustee (a) forthwith, all moneys, securities and fund then held by NCPA in any Fund under the Indenture and (b) as received, all NCPA Revenues. The Trustee will apply all moneys, securities, funds and NCPA Revenues received during the continuance of any Event of Default in the following order: (1) to payment of the reasonable and proper charges, expenses and liabilities of the Trustee, the Depositaries and Paying Agents, (2) to the payment of NCPA Operating Expenses, and (3) to the payment of interest on and principal or Redemption Price of the Bonds without preference or priority of interest over principal or Redemption Price or of principal or Redemption Price over interest, unless the principal of all Bonds has not been declared due and payable, in which case first to the payment of interest on and second to the payment of

principal or Redemption Price of those Bonds which have become due and payable in order of their due dates, and in the amount available for such payment thereof, ratably, according to the amounts of interest or principal or Redemption Price, respectively, due on such date. In addition, the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of the Project.

If an Event of Default has occurred and has not been remedied, the Trustee may, and on request of the Holders of not less than 25% in principal amount of Bonds Outstanding must, proceed to protect and enforce its rights and the rights of the Bondholders under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Indenture or in aid of the execution of any power granted in the Indenture or any remedy granted under the Act, or for an accounting against NCPA as if NCPA were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Indenture. The Trustee may, and upon the request of the Holders of a majority in principal amount of the Bonds then Outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the Indenture or to preserve or protect the interests of the Trustee and of the Bondholders.

Upon the occurrence of an Event of Default, NCPA shall give notice to each Project Participant that such Project Participant shall make the payments due by it under the Third Phase Agreement directly to the Trustee.

Except as otherwise provided in the last sentence of this paragraph and except for the rights specifically conferred on the Banks and the Banks' Agent pursuant to the Indenture, no Bondholder will have any right to institute any suit, action or proceeding for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless (1) such Bondholder previously has given the Trustee written notice of an Event of Default, (2) the Holders of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers and institute such suit, action or proceeding, (3) there has been offered to the Trustee adequate security and indemnity against its costs, expenses and liabilities to be incurred and (4) the Trustee has refused to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity. The Indenture provides that nothing therein or in the Bonds affects or impairs NCPA's obligation to pay the Bonds and interest thereon due or the right of any Bondholder to enforce such payment of his Bonds.

The Banks' Agent or the Holders of not less than a majority in principal amount of Bonds then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction.

#### **Notice of Default**

The Trustee shall promptly mail written notice of the occurrence of any Event of Default to each Holder of Bonds at his address, if any, appearing on the registry books of NCPA.

#### **Unclaimed Moneys**

Any moneys held by the Trustee, a Paying Agent or Depositary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at maturity or by call for redemption (unless such moneys were not held at the time of such maturity or call for redemption, and then which remain unclaimed for six years after the date of deposit of such moneys with the Trustee, Paying Agent or Depositary), shall, at the written request of NCPA and after meeting certain publication requirements, be repaid to NCPA, and such Trustee, Paying Agent or Depositary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to NCPA for the payment of such Bonds.

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## APPENDIX E

### PROPOSED FORMS OF CONTINUING DISCLOSURE AGREEMENTS

#### CONTINUING DISCLOSURE AGREEMENT BY AND BETWEEN THE NORTHERN CALIFORNIA POWER AGENCY AND U. S. BANK NATIONAL ASSOCIATION

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April \_\_, 2018, is executed and delivered by the Northern California Power Agency and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. NCPA and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by NCPA and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by NCPA pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Chairman, the General Manager, the Assistant General Manager, Finance and Administrative Services, and the Treasurer-Controller of NCPA or his or her designee, or such other officer or employee as NCPA shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by NCPA and which has filed with the Dissemination Agent a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.



“Listed Event” means any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean the original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) With respect to the 2018 Bonds, NCPA shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year of NCPA (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of NCPA may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for NCPA, NCPA shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, NCPA shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from NCPA, the Dissemination Agent shall contact NCPA to determine if NCPA is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with NCPA certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** NCPA’s Annual Report shall contain or include by reference the following:

- (i) A summary of the peak generating capability of the Project for the prior Fiscal Year;
- (ii) A summary of the average generating capability of the Project for the prior Fiscal Year;
- (iii) A summary of total energy generated with respect to the Project for the prior Fiscal Year; and

(iv) The audited financial statements of NCPA for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over NCPA and by the Governmental Accounting Standards Board. If NCPA's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of NCPA or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. NCPA shall clearly identify each such other document so included by reference.

#### **SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, NCPA shall give, or cause to be given, notice of occurrence of any of the following events with respect to the 2018 Bonds not later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) adverse tax opinions or the issuance by the Internal Revenue Service of a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes; or
- (ix) bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (iv), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and

orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, NCPA shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2018 Bonds, if material, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2018 Bonds or other material events affecting the tax status of the 2018 Bonds;

(ii) modifications to rights of the Owners of the 2018 Bonds;

(iii) optional, unscheduled or contingent 2018 Bond calls;

(iv) release, substitution or sale of property securing repayment of the 2018 Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional trustee or the change of name of a trustee;

(c) Whenever NCPA obtains knowledge of the occurrence of a Listed Event described in Section 5(b), NCPA shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If NCPA obtains knowledge of the occurrence of a Listed Event described in Section 5(a), or if NCPA has determined that knowledge of the occurrence of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, NCPA shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) or shall state that NCPA shall itself report such occurrence.

(e) If NCPA determines that the Listed Event described in Section 5(b) would not be material under applicable federal securities laws, NCPA shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by NCPA to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(vii) and (b)(iii) need not be given under this subsection any earlier than the notice

(if any) of the underlying event is given to Bondholders of affected 2018 Bonds pursuant to the Indenture.

**SECTION 6. Termination of Reporting Obligation.** The obligations of NCPA under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds. If such termination occurs prior to the final maturity of the 2018 Bonds, NCPA shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

**SECTION 7. Dissemination Agent.** NCPA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by NCPA pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association. NCPA shall be responsible for all fees and associated expenses of the Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, NCPA and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, NCPA shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by NCPA. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent NCPA from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If NCPA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, NCPA shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of NCPA or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds and the furnishing by such Bondholders of indemnity satisfactory to the Trustee against its costs and expenses, including, without limitation, fees and expenses of its attorneys, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause NCPA or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement

in the event of any failure of NCPA or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and NCPA satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and NCPA shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in the County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent NCPA has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to NCPA. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by NCPA. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. NCPA covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, NCPA also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination

Agent has been advised of such loss or damage and regardless of the form of action. The obligations of NCPA under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with NCPA, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from NCPA. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to NCPA for response. NCPA shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for NCPA, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To NCPA: Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678  
Attention: General Manager  
Telephone: (916) 781-3636  
Fax: (916) 783-7693

To the Dissemination Agent: U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

NCPA and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed the Disclosure Agreement to be executed as of the date set forth above.

**NORTHERN CALIFORNIA POWER AGENCY**

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

**U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

## EXHIBIT A

### NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Northern California Power Agency ("NCPA")

Name of Bond Issue: \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the "2018 Bonds")

Date of Issuance: April \_\_, 2018

**NOTICE IS HEREBY GIVEN** that NCPA has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April \_\_, 2018, by and between NCPA and U. S. Bank National Association, as Dissemination Agent. [NCPA anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent on behalf of the Northern California  
Power Agency

cc: NCPA



**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
[SIGNIFICANT SHARE PROJECT PARTICIPANT]  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April \_\_, 2018, is executed and delivered by the [Significant Share Project Participant] (the “Project Participant”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. The Project Participant and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Project Participant and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by the Project Participant pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the General Manager of the Project Participant, or his or her designee, or such other officer or employee as the Project Participant shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Project Participant and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SECTION 3. Provision of Annual Reports.**

(a) The Project Participant shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Project Participant (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Project Participant may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Project Participant, the Project Participant shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Project Participant shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Project Participant, the Dissemination Agent shall contact the Project Participant to determine if the Project Participant is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the Project Participant certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** The Project Participant’s Annual Report shall contain or include by reference the following:

(i) A summary of the operating results and selected balance sheet information for the Project Participant’s electric system for the most recently completed fiscal year;

(ii) A summary of power supply resources of the Project Participant’s electric system in tabular form for the most recently completed fiscal year;

(iii) A summary of customers, energy sales, revenues and peak demand of the Project Participant’s electric system in tabular form for the most recently completed fiscal year; and

(iv) The audited financial statements of the Project Participant’s electric utility fund for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Project Participant and by the Governmental Accounting Standards Board. If the Project Participant’s electric utility

fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Project Participant or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The Project Participant shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting.** Notices required by Section 3(a) or Section 8 of this Disclosure Agreement shall be filed with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Project Participant under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds.

**SECTION 7. Dissemination Agent.** The Project Participant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Project Participant pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Project Participant and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Project Participant shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Project Participant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Project Participant from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the Project Participant chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the Project Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Report.

**SECTION 10. Default.** In the event of a failure of the Project Participant or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Project Participant or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Project Participant or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and the Project Participant satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Project Participant shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in the County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Project Participant has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to the Project Participant. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Project Participant. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Project Participant covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction

or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Project Participant also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Project Participant under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Project Participant, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Project Participant. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Project Participant for response. The Project Participant shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Project Participant, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Project Participant, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Project Participant: [Significant Share Project Participant]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To the Dissemination Agent: U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

The Project Participant and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**[SIGNIFICANT SHARE PROJECT  
PARTICIPANT]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

## EXHIBIT A

### NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Northern California Power Agency ("NCPA")

Name of Bond Issue: \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$\_\_\_\_\_ aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the "2018 Bonds")

Name of Obligated Party [Significant Share Project Participant] (the "Project Participant")

Date of Issuance: April \_\_, 2018

**NOTICE IS HEREBY GIVEN** that the Project Participant has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April \_\_, 2018, by and between the Project Participant and U. S. Bank National Association, as Dissemination Agent. [The Project Participant anticipates that the Annual Report will be filed by \_\_\_\_\_. ]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION, as Trustee  
on behalf of the Northern California Power Agency

cc: the Project Participant

## APPENDIX F

### PROPOSED FORM OF BOND COUNSEL OPINION

[Delivery Date]

Commission  
Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678

Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Northern California Power Agency (the “Agency”) in connection with issuance of \$\_\_\_\_\_ aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”), and \$\_\_\_\_\_ aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and, together with the 2018 Series A Bonds, the “2018 Bonds”). The 2018 Bonds have been issued pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1, and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5, of the Government Code of the State of California and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and the Indenture of Trust, dated as of March 1, 1985 by and between the Agency and U.S. Bank National Association, as successor trustee, as amended and supplemented (the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

The 2018 Bonds have been issued to provide the funds necessary to refund the Agency’s outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C and related purposes.

In such connection, we have reviewed the Indenture, the Hydroelectric Project Member Agreement, the Tax Certificate of the Agency relating to the 2018 Series A Bonds (the “Tax Certificate”), certificates of the Agency, the Trustee, the Project Participants and others, opinions of counsel to the Agency and to each Project Participant, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken



or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2018 Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency, and, with respect to the Hydroelectric Project Member Agreement, the Project Participants. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Hydroelectric Project Member Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2018 Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2018 Bonds, the Indenture, the Hydroelectric Project Member Agreement and the Tax Certificate, and their enforceability, may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty) right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2018 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2018 Bonds constitute the valid and binding special, limited obligations of the Agency payable solely from, and secured solely by, the Trust Estate.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Agency. The Indenture creates a valid pledge of the Trust Estate to secure the payment of the principal and redemption price of, and the interest on, the Bonds, including the 2018 Bonds, to the extent set forth in the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The 2018 Bonds are payable solely from the funds provided in the Indenture and shall not constitute a charge against the general credit of the Agency. The 2018 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Agency or

any of its income or receipts except the Trust Estate. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof, any member of the Agency or any Project Participant is pledged to the payment of the principal or redemption price of, or interest on, the 2018 Bonds. The 2018 Bonds are not a debt of the State of California, and said State or any public agency thereof (other than the Agency), any member of the Agency or any Project Participant is not liable for the payment thereof.

4. The Hydroelectric Project Member Agreement has been duly executed and delivered by the Agency and the Project Participants and constitutes a valid and binding agreement of the parties thereto.

5. Interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2018 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the 2018 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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## APPENDIX G

### DEBT SERVICE REQUIREMENTS ON THE HYDROELECTRIC PROJECT BONDS

The following table shows the combined annual debt service required for the Hydroelectric Project Bonds to be Outstanding upon delivery of the 2018 Bonds. Principal amounts set forth in the table below include sinking fund redemptions.

Year Ended (July 1)	Outstanding Hydroelectric Project Bonds Debt Service <sup>(1)</sup>	2018 Bonds				Aggregate Annual Debt Service
		2018 Series A Bonds		2018 Series B Bonds		
		Principal	Interest	Principal	Interest	
2018	\$ 33,967,009	\$	\$	\$	\$	\$
2019	21,026,744					
2020	21,049,196					
2021	20,866,614					
2022	20,939,996					
2023	25,667,617					
2024	22,111,823					
2025	21,025,297					
2026	21,030,291					
2027	21,041,880					
2028	21,053,181					
2029	21,067,622					
2030	21,115,969					
2031	21,151,811					
2032	25,129,267					
	\$338,244,320	\$	\$	\$	\$	\$

<sup>(1)</sup> Excludes the 2008 Series C Bonds which are being refunded with the proceeds of the 2018 Bonds. Interest rate on the 2008 Series A Bonds is assumed to be the swap rate. Interest rate on the outstanding unhedged variable rate Hydroelectric Project Bonds is assumed to bear interest at 4.00% per annum.

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*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to NCPA, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2018 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the 2018 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that the 2018 Series B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds. See “TAX MATTERS.”*



**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS**

**\$68,875,000  
2018 Refunding Series A**

**\$1,340,000  
2018 Taxable Refunding Series B**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

***This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the 2018 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.***

Northern California Power Agency (“NCPA”) is offering \$68,875,000 of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and \$1,340,000 of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and together with the 2018 Series A Bonds, the “2018 Bonds”). The 2018 Bonds are being issued by NCPA pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as successor trustee (the “Trustee”) for the purpose of providing funds to refund NCPA’s Outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C and to pay costs of issuance of the 2018 Bonds. See “PLAN OF REFUNDING” herein.

The 2018 Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2018 Bonds, and individual purchases of the 2018 Bonds will be made in book-entry form only. Interest on the 2018 Bonds of each Series is payable on each January 1 and July 1, beginning on July 1, 2018. Principal is payable on July 1 of the years and in the amounts set forth on the inside cover page hereof. The 2018 Bonds of each Series may be purchased in authorized denominations of \$5,000 and any integral multiple thereof. Principal, premium, if any, and interest on the 2018 Bonds is payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM” hereto.

**The 2018 Bonds are not subject to optional redemption prior to maturity. The 2018 Bonds are subject to extraordinary redemption as described herein.**

THE 2018 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF NCPA PAYABLE SOLELY FROM THE TRUST ESTATE, AND SECURED SOLELY BY A PLEDGE AND ASSIGNMENT OF THE TRUST ESTATE, CONSISTING PRIMARILY OF THE NCPA REVENUES (AS DEFINED HEREIN) AND THE OTHER FUNDS PLEDGED BY NCPA UNDER THE INDENTURE. THE 2018 BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF NCPA. THE 2018 BONDS ARE NOT DEBTS, LIABILITIES OR OBLIGATIONS OF THE STATE OF CALIFORNIA, ANY PUBLIC AGENCY THEREOF (OTHER THAN NCPA), ANY MEMBER OF NCPA OR ANY PROJECT PARTICIPANT, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY OF THE FOREGOING (INCLUDING NCPA) IS PLEDGED FOR THE PAYMENT OF THE 2018 BONDS. NCPA HAS NO TAXING POWER.

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**MATURITY SCHEDULES**  
(see inside cover)

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The 2018 Bonds are offered when, as and if issued and delivered to the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to NCPA, and certain other conditions. Certain legal matters will be passed upon for NCPA by Jane E. Luckhardt, Esq., General Counsel to NCPA and by Spiegel & McDiarmid LLP, Washington, D.C., Washington, Counsel to NCPA. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright LLP, Los Angeles, California, Counsel to the Underwriters. It is expected that the 2018 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST) on or about April 4, 2018.

**Citigroup**

**Goldman Sachs & Co. LLC**

Dated: March 13, 2018



## MATURITY SCHEDULES

### NORTHERN CALIFORNIA POWER AGENCY HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS

**\$68,875,000**

#### 2018 Refunding Series A Bonds

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup></b>
2019	\$ 8,885,000	5.00%	1.42%	104.388	664845EN0
2020	10,730,000	5.00	1.55	107.569	664845EP5
2021	11,310,000	5.00	1.65	110.529	664845EQ3
2022	11,850,000	5.00	1.79	113.052	664845ER1
2023	11,855,000	5.00	1.91	115.339	664845ES9
2024	14,245,000	5.00	2.00	117.518	664845ET7

**\$1,340,000**

#### 2018 Taxable Refunding Series B

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup></b>
2019	\$1,340,000	2.35%	2.35%	100.000	664845EU4

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of NCPA, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

**NORTHERN CALIFORNIA POWER AGENCY**  
**651 Commerce Drive**  
**Roseville, California 95678**  
**Telephone: (916) 781-3636**

**NCPA Commissioners and Members**

Bob Lingl, Chairman.....Mayor, Lompoc	Roger Frith, Vice Chairman..... Councilmember, City of Biggs
Madeline Deaton ..... Commissioner, Public Utilities Board of the City of Alameda	Daniel Kenney .....Board Member, Plumas-Sierra Rural Electric Cooperative
Holly Gordon..... Sustainability Group Manager, San Francisco Bay Area Rapid Transit	Bob Ellis ..... Board Member, Truckee Donner Public Utility District
Gary Davidson.....Councilmember, City of Gridley	Brent Weaver ..... Councilmember, City of Redding
David Hagele.....Councilmember, City of Healdsburg	Bonnie Gore..... Vice Mayor, City of Roseville
Mark Chandler..... Mayor, Lodi	Teresa O'Neill ..... Councilmember, City of Santa Clara
Basil Wong.....Utility Director, Port of Oakland	Vacant.....City of Shasta Lake
Gregory Scharff.....Mayor, Palo Alto	Doug Crane.....Councilmember, City of Ukiah

**Management**

General Manager .....	Randy S. Howard
General Counsel .....	Jane E. Luckhardt, Esq.
Assistant General Manager, Finance and Administrative Services; Chief Financial Officer.....	Monty Hanks
Assistant General Manager, Legislative & Regulatory .....	Jane Dunn Cirrincione
Assistant General Manager, Power Management.....	David Dockham
Assistant General Manager, Generation Services.....	Ken Speer

**Project Participants**

Participant	Project Entitlement Percentage
Alameda	10.00%
Biggs	0.10
Gridley	1.06
Healdsburg	1.66
Lodi	10.37
Lompoc	2.30
Palo Alto	22.92
Roseville	12.00
Santa Clara	35.86
Ukiah	2.04
Plumas-Sierra Rural Electric Cooperative	1.69
	100.00%

**Special Services**

**Bond and Disclosure Counsel**  
Orrick, Herrington & Sutcliffe LLP  
Los Angeles, California

**Washington Counsel**  
Spiegel & McDiarmid LLP  
Washington, D.C.

**Auditor**  
Baker Tilly Virchow  
Krause, LLP  
Madison, Wisconsin

**Trustee**  
U.S. Bank National Association  
New York, New York

**Verification Agent**  
Grant Thornton LLP  
Minneapolis, Minnesota

**Financial Advisor**  
PFM Financial Advisors  
LLC  
Los Angeles, California

No dealer, broker, salesperson or any other person has been authorized by NCPA, the Project Participants or the Underwriters to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the 2018 Bonds and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of, the 2018 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the 2018 Bonds.

Statements contained in this Official Statement, which include estimates, forecasts or matters of opinion, are intended solely as such and are not to be construed as representations of fact. The information set forth herein has been furnished by NCPA, the Project Participants or other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) website.

U.S. Bank National Association accepts its duties as Trustee for the 2018 Bonds. Notwithstanding the foregoing, however, the Trustee has not reviewed this Official Statement and makes no representations as to the information contained herein, including, but not limited to, any representations as to the financial feasibility of NCPA or its Members, the Project or any related activities.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2018 BONDS THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2018 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CAUTIONARY STATEMENTS REGARDING  
FORWARD-LOOKING STATEMENTS IN  
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions “RATE REGULATION” and “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” in this Official Statement and in the description of each of the Significant Share Project Participant’s operations set forth in APPENDIX A hereto. Forward-looking statements in APPENDIX A and elsewhere in this Official Statement are subject to risks and uncertainties, including particularly those relating to natural gas costs and availability, wholesale and retail electric energy and capacity prices, federal and state legislation and regulations, competition and industry restructuring, and the economies of the service areas of the Project Participants.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. NCPA does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

NCPA maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2018 Bonds.

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## OFFICIAL STATEMENT

### NORTHERN CALIFORNIA POWER AGENCY HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS

**\$68,875,000**  
**2018 Refunding Series A**

**\$1,340,000**  
**2018 Taxable Refunding Series B**

## INTRODUCTION

*This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the 2018 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein will have the respective meanings assigned to them elsewhere in this Official Statement. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions.”*

### Purpose

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning (i) the Northern California Power Agency (“NCPA”); (ii) NCPA’s \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and together with the 2018 Series A Bonds, the “2018 Bonds”); and (iii) the eleven NCPA Members which have entered into the Third Phase Agreement (hereinafter defined) with NCPA (collectively, the “Project Participants”) relating to NCPA’s Hydroelectric Project Number One (the “Project”), including in particular the five principal Project Participants (the “Significant Share Project Participants”).

The 2018 Bonds are being issued by NCPA for the purpose of providing funds to refund NCPA’s Outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C (the “Refunded 2008 Series C Bonds”) and to pay costs of issuance of the 2018 Bonds. See “PLAN OF REFUNDING.”

### NCPA

NCPA is a joint exercise of powers agency formed under the Joint Exercise of Power Act (Cal. Gov. Code §§ 6500 et seq.) (the “Act”) and an Amended and Restated Northern California Power Agency Joint Powers Agreement (the “NCPA Joint Powers Agreement”) now among the City of Alameda (“Alameda”), the City of Biggs (“Biggs”), the City of Gridley (“Gridley”), the City of Healdsburg (“Healdsburg”), the City of Lodi (“Lodi”), the City of Lompoc (“Lompoc”), the City of Palo Alto (“Palo Alto”), the City of Redding (“Redding”), the City of Roseville (“Roseville”), the City of Santa Clara (“Santa Clara”), the City of Shasta Lake (“Shasta Lake”), the City of Ukiah (“Ukiah”), the City of Oakland acting by and through its Board of Port Commissioners (“Port of Oakland”), the Truckee Donner Public Utility District (“Truckee Donner”), and the San Francisco Bay Area Rapid Transit District (“BART”) as members, and the Plumas-Sierra Rural Electric Cooperative (“Plumas-Sierra”), as an associate member (herein collectively referred to as the “Members” and individually as a “Member”). The Project Participants and their Project Entitlement Percentages are shown on page (a) hereof. The Significant Share Project Participants, representing in aggregate over 90% in Project Entitlement Percentages, are the cities of Alameda, Lodi, Palo Alto, Roseville and Santa Clara.



## **Authority for Issuance**

The 2018 Bonds are being issued pursuant to the provisions of Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Part I of Division 2 of Title 5 of the Government Code of the State of California and under and in accordance with an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as successor trustee (the “Trustee”), the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the “Third Phase Agreement”), by and among NCPA and the Project Participants, and the Power Purchase Contract dated July 6, 1981, as amended and revised by the Revised Power Purchase Contract, dated as of March 1, 1985 (the “Power Purchase Contract”), by and between NCPA and Calaveras County Water District (“Calaveras”).

The 2018 Bonds and all Hydroelectric Project Number One Revenue Bonds Outstanding under the Indenture are referred to herein as the “Hydroelectric Project Bonds.”

## **The Project**

The Project consists of a 252.86 megawatt (“MW”) hydroelectric project (net capacity based on California Independent System Operator Masterfile for Collierville Powerhouse and Spicer Meadow Dam Powerhouse) and related facilities, described under the caption “THE PROJECT.” NCPA is entitled, under the Power Purchase Contract (i) to receive the electric output, and associated capacity, of the Project for 50 years from February 1982, with an option to purchase Project capacity and energy in excess of Calaveras’ requirements thereafter, subject to Federal Energy Regulatory Commission (“FERC”) approval, and (ii) to operate the generating facilities of the Project. In February 1990, the operating portions of the Project were declared substantially complete and commercially operable. The Project is primarily used to serve the Project Participants’ load requirements, and is secondarily used for load-following by NCPA, whereby the project output is used to balance the Project Participants’ load forecast deviations.

## **Third Phase Agreement**

Under the Third Phase Agreement, NCPA has agreed to provide, and each Project Participant has agreed to take or cause to be taken, the Project Participant’s Project Entitlement Percentage of the capacity and energy of the Project. The Project Participants pay for such capacity and energy on a cost-of-service basis. Each Project Participant has agreed to make payments for such capacity and energy solely from the revenues of, and as an operating expense of, such Project Participant’s electric system. Such payments must be made regardless of whether or not the Project is operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of Project output or the capacity and energy contracted for in whole or in part for any reason whatsoever. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS—Third Phase Agreement.”

## **Security and Sources of Payment for the 2018 Bonds**

The 2018 Bonds are special, limited obligations of NCPA. The 2018 Bonds are payable solely from, and secured solely by a pledge and assignment of, the Trust Estate, consisting primarily of the NCPA Revenues, and the other funds pledged by NCPA under the Indenture as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS.”

**The 2018 Bonds are not debts, liabilities or obligations of the State of California, any public agency thereof (other than NCPA), any Member of NCPA or any Project Participant and neither the faith and credit nor the taxing power of any of the foregoing (including NCPA) is pledged for the payment of the 2018 Bonds. NCPA has no taxing power.**

### **No Debt Service Reserve Account**

No debt service reserve account will be established to secure the 2018 Bonds. Amounts held in or credited to any other debt service reserve account established in connection with any other series of Outstanding Hydroelectric Project Bonds do not secure, and are not available for, the payment of the 2018 Bonds.

### **Risk Factors**

For a description of certain risks associated with the purchase of the 2018 Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS—Limitations on Remedies,” “RATE REGULATION,” “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” and “LITIGATION.”

### **Other Matters**

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given to it in such agreement or document. In preparing this Official Statement, NCPA has relied upon certain information relating to the Project Participants furnished to NCPA by the Project Participants.

Attached to this Official Statement is a summary of certain provisions of the Indenture. Copies of the Indenture, the Escrow Agreement, the Third Phase Agreement and the Continuing Disclosure Agreements are available for inspection at the offices of NCPA in Roseville, California, and will be available upon request and payment of duplication costs from the Trustee.

## **PLAN OF REFUNDING**

### **Prior Financing**

The 2008 Series C Bonds were originally issued in the aggregate principal amount of \$128,005,000 pursuant to the Indenture for the purpose of refinancing a portion of the costs of the Project. As of the date hereof, \$77,130,000 principal amount of the 2008 Series C Bonds remains Outstanding.

### **Refunding Plan**

The Refunded 2008 Series C Bonds consist of all of the \$77,130,000 principal amount of the 2008 Series C Bonds remaining Outstanding. The 2018 Bonds are being issued for the purpose of providing funds to redeem the Refunded 2008 Series C Bonds on or about July 1, 2018. The 2018 Bonds are also being issued to pay costs of issuance of the 2018 Bonds.

Pursuant to an Escrow Agreement (the “Escrow Agreement”), to be entered into by NCPA and U.S. Bank National Association, as Trustee, a portion of the proceeds of the 2018 Bonds, together with

certain other available funds, will be deposited into an escrow fund (the “Escrow Fund”) and will either be held as cash or will be used to purchase defeasance securities (the “Escrow Securities”) that will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid in accordance with their respective terms, and together with the cash held in the Escrow Fund, sufficient moneys will be available to pay accrued interest on the Refunded 2008 Series C Bonds to the redemption date and the redemption price (100.0% of the principal amount) of the Refunded 2008 Series C Bonds on the redemption date.

On the date of delivery of the 2018 Bonds, NCPA will receive a report from Grant Thornton LLP, verifying the adequacy of the cash deposited and held in the Escrow Fund, together with the maturing principal amounts of and interest earned on the Escrow Securities (if any), to pay when due the interest on the Refunded 2008 Series C Bonds to the redemption date and the redemption price of the Refunded 2008 Series C Bonds on the redemption date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

Upon such deposit, the Refunded 2008 Series C Bonds will no longer be deemed to be Outstanding under the Indenture, and all obligations of NCPA with respect to the Refunded 2008 Series C Bonds shall cease and terminate, except for the obligation of NCPA to cause the amounts due on the Refunded 2008 Series C Bonds to be paid from funds on deposit in the Escrow Fund.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2018 Bonds and other amounts are as follows:

	2018 Series A Bonds	2018 Series B Bonds	Total
<b>Sources of Funds</b>			
Principal Amount	\$68,875,000	\$1,340,000	\$70,215,000
Original Issue Premium	8,253,397	--	8,253,397
Transfer from Refunded 2008 Series C Bonds funds and accounts	947,687	16,438	964,125
<b>Total</b>	<b>\$78,076,084</b>	<b>\$1,356,438</b>	<b>\$79,432,522</b>
<b>Uses of Funds</b>			
Deposit to Escrow Fund	\$77,604,706	\$1,342,567	\$78,947,273
Costs of Issuance <sup>(1)</sup>	471,378	13,871	485,249
<b>Total</b>	<b>\$78,076,084</b>	<b>\$1,356,438</b>	<b>\$79,432,522</b>

<sup>(1)</sup> Costs of issuance include legal, financing and consulting fees, underwriters’ discount, fees of the verification agent, trustee and escrow agent, rating agency fees, printing costs and other miscellaneous expenses.

## OTHER OBLIGATIONS OF NCPA

Each NCPA project is separately financed. As of January 31, 2018, in addition to the \$322.4 million Hydroelectric Project Bonds Outstanding under the Indenture (of which \$77.130 million is being refunded by the 2018 Bonds), NCPA had outstanding approximately \$33.8 million Capital Facilities Revenue Bonds, \$28.8 million outstanding Geothermal Project Number 3 Revenue Bonds and \$353.3 million Lodi Energy Center Revenue Bonds. For further information on NCPA projects and related bond issues, see “OTHER NCPA PROJECTS.” Each Project Participant is also a direct or indirect participant in one or more of such other NCPA projects.

In 2004, NCPA entered into an interest rate swap agreement (the “2004 Swap Agreement”) with Citigroup Financial Products Inc. (“CFPI”) in an initial notional amount of \$85.16 million in anticipation of refunding \$85.87 million principal amount of NCPA’s then outstanding 1998 Bonds (the “1998 Bonds”). Certain of the 1998 Bonds were refunded with the issuance of NCPA’s Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series A (the “2008 Series A Bonds”) and 2008 Refunding Series B (Taxable) (the “2008 Series B Bonds”).

The 2008 Series A Bonds and the 2008 Series B Bonds are variable rate obligations secured by respective letters of credit. The existing letters of credit for the 2008 Series A Bonds and the 2008 Series B Bonds have been provided by The Bank of Montreal and have a scheduled expiration date of September 9, 2019. The reimbursement agreements for such letters of credit obligate NCPA to repay The Bank of Montreal for amounts drawn under the respective letter of credit. The interest rate payable by NCPA for unreimbursed draws under the letters of credit may be considerably higher than the interest rate on the 2008 Series A Bonds and the 2008 Series B Bonds and may be accelerated under certain circumstances. While NCPA may attempt in such event to refinance the 2008 Series A Bonds and 2008 Series B Bonds to avoid this additional debt burden, there can be no assurance that NCPA will have access to the debt markets.

Pursuant to the 2004 Swap Agreement, the floating rate interest payments that NCPA is obligated to make with respect to the 2008 Series A Bonds were converted into substantially fixed rate payments. In general, the terms of the 2004 Swap Agreement provide that, on a same-day net-payment basis determined by reference to a notional amount equal to the principal amount of the Outstanding 2008 Series A Bonds, NCPA will pay a fixed interest rate on the notional amount. In return, CFPI will pay a variable rate of interest under the 2004 Swap Agreement on a like notional amount. The agreement by CFPI to make payments under the 2004 Swap Agreement does not affect NCPA’s obligation to make payment of the 2008 Series A Bonds. Under certain circumstances, the 2004 Swap Agreement is subject to termination and NCPA may be required to make a substantial termination payment to the counterparty thereunder. Payments due from NCPA under the 2004 Swap Agreement, including any amounts payable upon early termination thereof, are payable from amounts on deposit in the General Reserve Account on a basis that is junior and subordinate to the payment of the Hydroelectric Project Bonds and are insured by National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation).

## **THE 2018 BONDS**

*The following is a summary of certain provisions of the 2018 Bonds. Reference is made to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.*

### **General**

The 2018 Bonds of each Series are being issued in the respective aggregate principal amounts indicated on the inside cover page of this Official Statement, will mature on July 1 in the years and in the amounts, and will bear interest at the rates per annum, as shown on the inside cover page of this Official Statement. The 2018 Bonds of each Series will be dated their date of delivery. Interest on the 2018 Bonds of each Series is payable on January 1 and July 1 of each year, commencing July 1, 2018 (calculated on the basis of a 360-day year comprised of twelve 30-day months).

The 2018 Bonds are being issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), such registered owner of 2018 Bonds being hereinafter referred to as the “Holder.” DTC will act as securities depository for the 2018 Bonds. Ownership interests in the 2018 Bonds may be purchased in book-entry form only. Ownership interests in the 2018 Bonds of each Series may be purchased in authorized

denominations of \$5,000 and any integral multiple thereof. Purchasers will not receive securities certificates representing their interests in the 2018 Bonds purchased. Payments of principal of, premium, if any, and interest on the 2018 Bonds is payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM.”

## **Redemption of 2018 Bonds**

### **No Optional Redemption**

The 2018 Bonds are not subject to optional redemption prior to their stated maturities.

### **Extraordinary Redemption**

The 2018 Bonds are subject to redemption prior to their stated maturity, at the option of NCPA, in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of money if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a redemption price equal to the principal amount thereof, plus unpaid accrued interest to the date fixed for redemption, without premium; provided that the option of NCPA to call the 2018 Bonds for redemption from insurance or condemnation proceeds will expire 90 days following the receipt of such insurance or condemnation proceeds.

### **Selection of 2018 Bonds for Redemption**

NCPA may select the Series of the 2018 Bonds, the maturities of the 2018 Bonds and the principal amount of each such maturity to be redeemed in its sole discretion. Whenever provision is made in the Indenture for the redemption of less than all of the 2018 Bonds of like maturity of any Series, the Trustee will select the 2018 Bonds to be redeemed from all 2018 Bonds of such Series and maturity subject to redemption and not previously called for redemption, at random in any manner which the Trustee in its sole discretion will deem appropriate and fair.

### **Notice of Redemption**

The Indenture requires the Trustee to give notice of the redemption of any 2018 Bonds by mailing a notice of redemption of such 2018 Bonds, postage prepaid, not less than 30 days before the redemption date, to the Holders of any 2018 Bonds or portions of 2018 Bonds which are to be redeemed, at their last address appearing upon the registry books. Among other things, such notice will state that on the redemption date there will become due and payable on each 2018 Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof in the case of 2018 Bonds to be redeemed in part only, together with unpaid accrued interest to the redemption date, and that on and after such date, interest thereon will cease to accrue and be payable. Receipt of such notice will not be a condition precedent to such redemption and failure so to receive such notice or any defect in such notice will not affect the validity of the proceedings for the redemption of 2018 Bonds. So long as the 2018 Bonds are in book-entry form, such notice of redemption by the Trustee to the Holders will be mailed only to DTC (or its nominee).

## SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS

### Pledge Effected by the Indenture

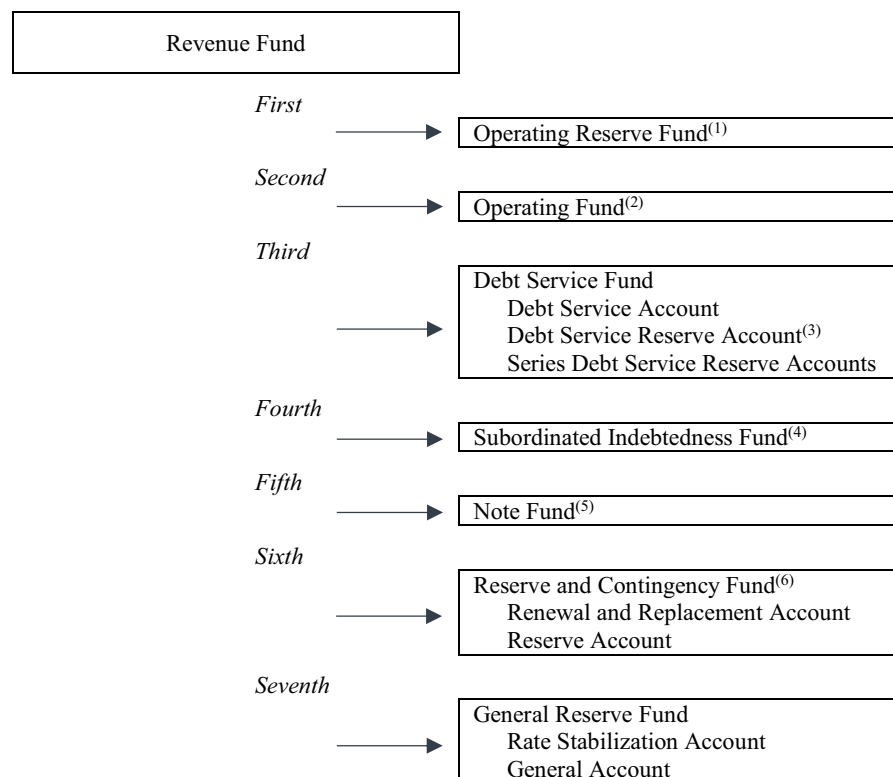
The 2018 Bonds are special, limited obligations of NCPA payable solely from, and secured solely by a pledge and assignment of, the following pursuant to the Indenture, which constitutes the Trust Estate: (a) subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, (i) the proceeds of the sale of the Hydroelectric Project Bonds, (ii) (a) all revenues, income, rents and receipts derived or to be derived by NCPA from or attributable to the Project or the Power Purchase Contract or to the payment of the costs of the Project received or to be received by NCPA under the Third Phase Agreement or the Power Purchase Contract or under any other contract for the sale by NCPA of the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof or the services or capacity thereof, (b) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Project, and (c) interest received or to be received on any moneys or securities (other than in the Construction Fund) held pursuant to the Indenture and required to be paid into the Revenue Fund established thereunder ("NCPA Revenues"), and (iii) all amounts on deposit in the Funds established by the Indenture, including the investments, if any, thereof to the extent held by the Trustee and (b) all right, title and interest of NCPA in, to and under the Third Phase Agreement and the Power Purchase Contract.

**The 2018 Bonds and the interest thereon are payable solely from the funds provided therefor under the Indenture and will not constitute a charge against the general credit of NCPA. The 2018 Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of NCPA or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any Member of NCPA or any Project Participant is pledged to the payment of the principal of, or interest on, the 2018 Bonds. NCPA has no taxing power. Neither the payment of the principal of, or interest on, the 2018 Bonds constitutes a debt, liability or obligation of the State of California or any public agency thereof (other than NCPA) or any Member of NCPA or any Project Participant. The Commissioners, directors, officers and employees of NCPA will not be individually liable on the 2018 Bonds or in respect of any undertakings by NCPA under the Indenture.**

The 2018 Bonds are payable from and secured by the Trust Estate on a parity basis with all other Hydroelectric Project Bonds Outstanding under the Indenture. As of January 31, 2018, there was \$322.4 million aggregate principal amount of Hydroelectric Project Bonds Outstanding under the Indenture, of which \$77.13 million are being refunded by the 2018 Bonds.

## Order of Application of NCPA Revenues

Pursuant to the Indenture, all NCPA Revenues received are to be deposited promptly in the Revenue Fund upon receipt thereof. Amounts in the Revenue Fund are to be paid monthly in the following order of priority for application therefrom as follows:



<sup>(1)</sup> To be maintained in such amount as recommended by a Consulting Engineer. The Consulting Engineer has recommended that such amount be set to \$0, provided that NCPA has established a common special reserve fund for the operating and maintenance expenses of the Project and the NCPA Geothermal Project in an amount not less than \$3,000,000. Such special reserve has been established.

<sup>(2)</sup> To be applied for the payment of NCPA Operating Expenses.

<sup>(3)</sup> The Debt Service Reserve Account is maintained in an amount equal to the Debt Service Reserve Requirement as defined in APPENDIX D. Amounts in the Debt Service Reserve Account are available to fund deficiencies in the Debt Service Account for Participating Bonds. The 2018 Bonds are Non-Participating Bonds and are not secured by amounts in the Debt Service Reserve Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS—No Debt Service Reserve Account for 2018 Bonds." NCPA's Outstanding Hydroelectric Project Number One Revenue Bonds, 1992 Refunding Series A are the only Participating Bonds. The 2018 Bonds, the 2008 Series A Bonds, the 2008 Series B Bonds, the 2008 Series C Bonds, and NCPA's Hydroelectric Project Number One Revenue Bonds, 2010 Refunding Series A, 2012 Refunding Series A, and 2012 Taxable Refunding Series B are not Participating Bonds. The Indenture provides that Future Bonds will be Participating Bonds unless otherwise provided in the Supplemental Indenture authorizing such Future Bonds. Future Bonds may be supported by amounts in a Series Debt Service Reserve Account established for such Future Bonds or may be issued with no debt service reserve. The 2018 Bonds are being issued with no debt service reserve.

<sup>(4)</sup> To be applied to the payment of Subordinated Indebtedness under the Indenture. There is currently no Subordinated Indebtedness Outstanding under the Indenture.

<sup>(5)</sup> To be applied to the payment of Notes. There are currently no Notes Outstanding under the Indenture.

<sup>(6)</sup> Amounts in the Renewal and Replacement Account (currently \$0) are to be applied to the costs of Capital Improvements. The Reserve Account is to be maintained amount as recommended by the Consulting Engineer. Amounts in the Reserve Account, if any, are to be applied to the costs of Capital Improvements not funded from the Renewal and Replacement Account, to the payment of extraordinary operating and maintenance costs of the Project and to contingencies. Amounts in the Reserve and Contingency Fund, if any (currently \$0) are available to fund deficiencies in Operating Fund or Debt Service Fund.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for further discussion of certain of the terms and provisions of the Indenture relating to the application of NCPA Revenues.

### **NCPA Rate Covenant**

Pursuant to the Indenture, NCPA has covenanted, at all times, to establish and collect rates and charges with respect to the Project to provide NCPA Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of all of the following: (i) NCPA Operating Expenses, (ii) Aggregate Debt Service, (iii) all other required deposits to any Funds under the Indenture, and (iv) all other charges or other amounts whatsoever payable out of NCPA Revenues during such Fiscal Year. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Rate Covenant.”

### **No Debt Service Reserve Account for 2018 Bonds**

No debt service reserve account will be established to secure the 2018 Bonds.

Pursuant to the Indenture, certain prior Series of Hydroelectric Project Bonds were secured by, and all future Series of Hydroelectric Project Bonds other than Hydroelectric Project Bonds authorized by a Supplemental Indenture that provides that such Hydroelectric Project Bonds are not “Participating Bonds” will be secured by, the Debt Service Reserve Account. The Indenture provides that a Supplemental Indenture authorizing a Series of Hydroelectric Project Bonds may provide that such Hydroelectric Project Bonds are not Participating Bonds (all such Hydroelectric Project Bonds being referred to as “Non-Participating Bonds”) and may be secured by a Series Debt Service Reserve Account or may be issued with no debt service reserve. Pursuant to the Twenty-Fourth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture, the 2018 Bonds are not Participating Bonds and will be issued with no debt service reserve. Amounts on deposit in any Series Debt Service Reserve Account for any Series of Non-Participating Bonds shall be used and withdrawn as provided in the Supplemental Indenture of Trust authorizing the issuance of such Non-Participating Bonds. Amounts on deposit in the Debt Service Reserve Account secure only Participating Bonds and do not secure in any manner the 2018 Bonds. Amounts on deposit in any Series Debt Service Reserve Account for any other Series of Non-Participating Bonds do not secure in any manner the 2018 Bonds.

See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Debt Service Reserve Fund.”

### **Additional Hydroelectric Project Bonds**

NCPA may issue Hydroelectric Project Bonds under and secured by the Indenture to refund bonds previously issued and Outstanding under and secured by the Indenture and may, although it does not currently expect to, issue Additional Bonds to finance Capital Improvements to the Project. For further information, see “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Additional Bonds” and “— Refunding Bonds.”

### **Third Phase Agreement**

***Project Participants’ Take-or-Pay Obligation.*** The Third Phase Agreement authorizes NCPA to fix charges thereunder equal to the amounts anticipated to be needed to provide capacity and energy from the Project, including but not limited to debt service, operation, maintenance and replacement costs, a reasonable reserve for contingencies, and all other costs of the Project. The Third Phase Agreement further provides that, to the extent that the funds provided thereunder and described in the preceding sentence are



not sufficient for such purposes, the Project Participants will pay an amount equal to their Project Entitlement Percentage of debt service on bonds, notes and other evidences of indebtedness (including an applicable percentage of the 2018 Bonds), reserves therefor, and all other payments required to be made under the Indenture and the Power Purchase Contract, whether or not the Project is completed, operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of Project output or the power and energy contracted for in whole or in part for any reason whatsoever.

***Operating Expense.*** Each Project Participant will make payments under the Third Phase Agreement solely from the Revenues of, and as an operating expense of, its electric system. Nothing in the Third Phase Agreement prohibits any Project Participant from using any other funds and revenues to satisfy the provisions thereof.

***Project Participants' Rate Covenant.*** Each Project Participant agrees to establish and collect fees and charges for electric capacity and energy furnished through facilities of its electric system sufficient to provide Revenues adequate to meet its obligations under the Third Phase Agreement and to pay any and all other amounts payable from or constituting a charge and lien upon any or all such Revenues.

***Increase in Non-defaulting Project Participants' Original Project Entitlement Percentage.*** Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Third Phase Agreement, and except as sales and transfers are made pursuant thereto, the Third Phase Agreement provides that the Project Entitlement Percentage of each non-defaulting Project Participant will be automatically increased for the remaining term of the Third Phase Agreement, pro rata with those of the other non-defaulting Project Participants thereunder; provided, however, that the sum of such increases for any non-defaulting Project Participant will not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage.

***Transfer, Sale or Assignment.*** Each Project Participant has the right to make transfers, sales and/or assignments of its interests in Project capacity and energy and rights thereto; provided that no such transfer, sale or assignment shall adversely affect the tax-exempt status of interest on Hydroelectric Project Bonds issued under the Indenture. No such transfer, sale or assignment shall relieve the Project Participant of its obligations under the Third Phase Agreement. No Project Participant shall transfer its electric system unless the Project Participant provides assurance that its obligations under the Third Phase Agreement will be promptly and adequately met, including providing sufficient moneys for such purpose if no other adequate assurance is available.

## **Limitations on Remedies**

The rights of the owners of the 2018 Bonds are subject to the limitations on legal remedies against cities and other public agencies in the State. Additionally, enforceability of the rights and remedies of the owners of the 2018 Bonds, and the obligations incurred by the NCPA and the Project Participants, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2018 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## **NORTHERN CALIFORNIA POWER AGENCY**

### **Background**

NCPA is a joint exercise of powers agency formed under the Act and the NCPA Joint Powers Agreement now among Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Oakland (acting by and through its Board of Port Commissioners), Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, Ukiah, Truckee Donner, and BART as members, and Plumas-Sierra, as an associate member (herein collectively referred to as the “Members” and individually as a “Member”).

Under the terms of the NCPA Joint Powers Agreement entered into by all Members, NCPA possesses the general powers to acquire, purchase, generate, transmit, distribute and sell electrical capacity and energy. Specific powers include the power to enter into contracts, acquire and construct electric generating facilities, set rates, issue revenue bonds and notes and acquire property by eminent domain.

The Member Services Agreements, dated as of February 12, 1981, and the Facilities Agreement, dated as of September 22, 1993 and which has superseded the Member Services Agreements, provide for the development of all projects undertaken by NCPA in three separate phases: (i) the initial phase of general investigation funded by NCPA’s general fund; (ii) the second phase whereby Members of NCPA electing to participate in the project execute a project agreement to provide for the cost of development of the project (now referred to as an “NCPA Project”); and (iii) the third phase during which all remaining aspects, including financing, construction and operation of the NCPA Project are undertaken.

Members of NCPA have no financial or other responsibility or liability associated with the acquisition, construction, maintenance, operation or financing of any NCPA project pursuant to the NCPA Joint Powers Agreement. Members become obligated for payments with respect to a NCPA project only as participants with respect to such project as set forth in an agreement with NCPA separate from the NCPA Joint Powers Agreement.

NCPA has supplied many services to its Members in the past and expects to continue to do so in the future. NCPA has been instrumental in litigating and negotiating with Pacific Gas and Electric Company (“PG&E”), the California Independent System Operator (the “ISO”) and the Western Area Power Administration of the federal government (“Western”) to keep wholesale power and transmission and other ancillary services rates at levels which have resulted in substantial savings when compared to rates sought by each of those suppliers. It is anticipated that NCPA will continue to litigate and/or negotiate on behalf of its Members to maintain rates at levels which will result in continued advantage to its Members.

NCPA’s audited financial statements for the fiscal years ended June 30, 2017 and 2016 are attached as APPENDIX B.

### **Organization and Management**

NCPA’s governing body (the “Commission”) is composed of one representative from each Member, each such representative being designated a Commissioner. The Commission is given the general management of the affairs, property and business of NCPA and is vested with all powers of NCPA. Under the NCPA Joint Powers Agreement, associate Members do not have a voting seat on the Commission, except as may be provided in a project agreement.

The management of NCPA is responsible for various areas of administration and planning of NCPA’s operations and affairs. The overall management is under the direction of NCPA’s General Manager, who serves at the discretion of the Commission. NCPA is organized into four separate divisions:

(i) generation services, (ii) power management, (iii) legislative and regulatory, and (iv) administrative services.

Set forth below is a brief biography of each of NCPA's senior managers.

RANDY S. HOWARD, General Manager, was appointed General Manager of NCPA in January 2015. Prior to accepting the position at NCPA, Mr. Howard was the Senior Assistant General Manager of the Power System at Los Angeles Department of Water and Power ("LADWP"). Mr. Howard has held previous LADWP positions as Executive Director of Customer Services, Director of Power System Planning and Development, and the Chief Compliance Officer in the Power System Executive Office. Mr. Howard is currently leading NCPA forward with several major strategic initiatives to address member issues and opportunities. Mr. Howard presents frequently before governance bodies, including the NCPA Board, and local, State and federal agencies on issues of importance to utilities. Mr. Howard has held many previous engineering and customer service management positions at LADWP. Mr. Howard has an undergraduate degree in Electrical Engineering from California State University, Sacramento and a Masters degree in Business Administration from Pepperdine University.

JANE E. LUCKHARDT, Esq., General Counsel, joined NCPA on May 1, 2017. Ms. Luckhardt received her Juris Doctorate from Stanford Law School, and her Bachelor of Science degree in Construction Management from California Polytechnic State University, San Luis Obispo, California. Prior to joining NCPA, Ms. Luckhardt was a partner at the boutique energy law firm of Day Carter Murphy LLP and previously at Downey Brand, LLP, where she served in several leadership roles including Assistant to the Managing Partner, Executive Committee Member and Practice Group Leader for the Energy, Land Use and Mining Practice Group. Ms. Luckhardt also serves as the Vice President of the Power Association of Northern California, an energy trade group located in San Francisco, California. Ms. Luckhardt writes and speaks on issues facing the energy industry for energy trade groups and at legal conferences.

MONTY HANKS, Assistant General Manager, Finance/Administrative Services, Chief Financial Officer received his Masters degree in Business Administration and Bachelor of Science in Business Administration (Finance concentration) from California State University Sacramento. Mr. Hanks has over 20 years of financial experience, including experience working with an electric, water, wastewater and solid waste utilities. Before joining NCPA in February 2017, Mr. Hanks was employed by the City of Roseville for 15 years serving in the role of Finance Director. At NCPA, Mr. Hanks oversees the Administrative Services division which includes finance, accounting, power settlements, information technology, human services, risk management and facilities management.

JANE DUNN CIRRINCIONE, Assistant General Manager, Legislative and Regulatory, received a Masters degree in Public Administration from the University of Southern California, and a Bachelor of Science degree in Political Science from the University of Santa Clara in Santa Clara, California and the London School of Economics. Ms. Cirrincione has over 30 years of experience in the energy and environmental policy arena. Prior to joining NCPA, she was a Senior Government Relations Representative for the American Public Power Association ("APPA") in Washington, D.C. APPA is the national trade association representing the country's over 2,000 public power systems. Before joining APPA, she was the Director of Legislative Programs for the National Hydropower Association, representing all sections of the U.S. hydroelectric industry. She also spent several years on Capitol Hill as a Legislative Assistant for Congressman Don Edwards working on environmental and wildlife issues impacting the San Francisco Bay. Before moving to Washington, D.C., she worked for the U.S. Fish and Wildlife Service at the Sacramento National Wildlife Refuge. Ms. Cirrincione was the 2006 recipient of the Robert E. Roundtree Rising Star Award recognizing future leaders of public power systems.

DAVID DOCKHAM, Assistant General Manager, Power Management, has worked in the electric utility industry since 1982 on a broad range of utility industry projects, activities and issues. Mr. Dockham's experience includes contract development and negotiation, engineering design, system planning, policy and procedure development, public presentations to boards, commissions and industry work groups; and participation in regional and state level policy and technical working groups. From 2001 through 2007, Mr. Dockham managed NCPA's activities and interactions with the California Independent System Operator ("ISO") and associated regulatory proceedings on behalf of the NCPA's Members utilizing services under the Second Amended and Restated NCPA Metered Subsystem Aggregation Agreement and the NCPA-PG&E Interconnection Agreement. He currently manages planning, contracts, fuel purchases, and pooling arrangements for NCPA. Mr. Dockham has a Bachelor of Science degree in Electrical and Electronic Engineering from California State University, Sacramento, a Masters degree in Business Administration from the University of California, Davis and is a registered Professional Engineer in the State of California.

KEN SPEER, Assistant General Manager, Generation Services, has over 35 years of experience in the generation resource management field, having also managed significant generation facilities for the City of Santa Clara (Silicon Valley Power) and PG&E. Mr. Speer also served as the Director of Capital Investment for Duke Energy North America, where he oversaw the capital investment program for the company's California-based assets. Mr. Speer has a Bachelor of Science degree in Mechanical and Nuclear Engineering from the University of California, Berkeley, and is a Registered Mechanical Engineer.

### **NCPA Power Pool**

NCPA operates a power pool that includes the following Members: Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Plumas Sierra, the Port of Oakland and Ukiah (each, an "NCPA Pool Member"). The ten NCPA Pool Members' service areas are interconnected to the ISO-controlled grid. NCPA operates a central dispatch facility (the "Central Dispatch Center") at NCPA's headquarters. The Central Dispatch Center balances loads and resources pursuant to the Third Amended and Restated NCPA Metered Subsystem Aggregation Agreement (the "MSSA"), as such may be amended from time to time, with the ISO (as described below) for the ten NCPA Pool Members, and Santa Clara. The Central Dispatch Center separately coordinates with Roseville to schedule Roseville's entitlement to the Project output across the ISO-controlled grid as requested by Roseville. The Central Dispatch Center also monitors and controls load and voltage levels of the Project, and enters into buy and sell transactions with other utilities throughout the western United States and Canada and regulates various hydroelectric facilities in coordination with the ISO to maintain a safe and reliable interconnected system.

NCPA operates according to the terms and conditions of the ISO tariff and the MSSA, the original form of which was approved by FERC in 2002 and as has been amended and restated as needed from time to time to conform to applicable market rules established by the ISO and FERC. The MSSA identifies operational terms and conditions that vary from the ISO tariff, largely allowing NCPA Members to continue to operate their respective systems as vertically integrated utilities by generally self-providing for resources and services otherwise procured through the ISO's markets. In conjunction with the execution of the MSSA, NCPA and PG&E are parties to an Interconnection Agreement (the "NCPA-PG&E Interconnection Agreement") that provides for the terms and conditions for connecting NCPA resources and member loads to the ISO-controlled grid (or PG&E wholesale transmission system), where such ISO-controlled grid facilities are owned by PG&E and transferred to ISO operational control through a Transmission Control Agreement between PG&E and the ISO.

Santa Clara has separate agreements for the services provided under the MSSA and NCPA-PG&E Interconnection Agreement. See "APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS—CITY OF SANTA CLARA."

## **Wholesale Power Trading**

NCPA trades in the Western wholesale electricity markets to maximize the value of its transmission and generation assets and to minimize its cost of power supply for its Members. NCPA has engaged in wholesale market transactions since 1984. While there have from time to time been bankruptcies among participants in those markets, NCPA claims against those bankruptcy estates have all been resolved and NCPA does not have any additional financial exposure due to past bankruptcies in the electric utility industry. See “LITIGATION—California Energy Market Dysfunction, Refund Dispute and Related Litigation.”

In addition to the wholesale energy market services NCPA supplies to its Members, NCPA also provides a variety of wholesale energy market services, including wholesale power trading, to certain non-Member customers. Currently, NCPA provides various scheduling, operating, and portfolio management services to Merced Irrigation District, Placer County Water Agency, Pioneer Community Energy, and, beginning in mid-2018, East Bay Community Energy. Such services are provided on a fee-for-service basis.

## **Investment of NCPA Funds**

All funds of NCPA (except bond proceeds which are invested pursuant to the indenture under which such bonds are issued) are invested in accordance with NCPA’s investment policy and guidelines (the “Investment Policy”) as authorized by Sections 53600 et seq. of the Government Code of the State of California. The Investment Policy and monthly activity reports are approved by the NCPA Commission.

The following securities, if and to the extent the same are at the time legal and in compliance with the applicable bond covenants and agreements for investment of NCPA’s funds, are authorized investments under the Investment Policy: (i) securities of the U.S. Government, or its agencies, (ii) certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies, (iii) negotiable certificates of deposit, (iv) bankers acceptances, (v) Local Agency Investment Fund (State Pool) demand deposits, (vi) repurchase agreements, (vii) passbook savings account demand deposits, (viii) municipal bonds, (ix) commercial paper, (x) medium term corporate notes, and (xi) California Asset Management Program (CAMP).

The Investment Policy provides the following guidelines, among others. All rated securities must be rated by a nationally recognized statistical rating organization (NRSRO) as “A” or its equivalent or better. All certificates of deposit must mature within one year. All collateralized certificates of deposit must mature within one year. Certificates of deposit with a face value in excess of \$100,000 will be collateralized by Treasury Department securities or first mortgage loans. The Treasury bills or notes must be at least 110% of the face value of the certificate of deposit collateralized in excess of the first \$100,000. The value of first mortgages must be at least 150% of the face value of the certificate of deposit balance secured in excess of the first \$100,000. The portfolio will be diversified with holdings from at least several of the major eligible market sectors. Except for obligations issued or guaranteed by the U.S. Government, federal agencies or Government-sponsored corporations and the Local Agency Investment Fund, no more than 10% of an NCPA construction project or of the NCPA operating funds portfolio will be invested in the securities of any one issuer. Unless otherwise restricted, all holdings will be of sufficient size and held in issues which are actively traded to facilitate transactions at a minimum cost and accurate market valuation. Buying and selling securities before settlement or the use of reverse repurchase agreements for speculative purposes is not authorized. A reverse repurchase agreement may be used only in infrequent circumstances and only to prevent a material loss that would otherwise result from the sale of an investment for liquidity purposes. Any reverse repurchase agreements must be specifically reported to the Commission along with the reasons therefor on a timely basis.

The Investment Policy may be changed at any time at the discretion of the Commission subject to the State law provisions relating to authorized investments. Any exception to the Investment Policy must be formally approved by the Commission. There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of NCPA with respect to investments will not change.

## THE HYDROELECTRIC PROJECT

The Project consists of (a) three diversion dams, (b) the 246.86-MW Collierville Powerhouse, (c) the Spicer Meadow Dam with a 6.0-MW powerhouse, and (d) associated tunnels located essentially on the North Fork Stanislaus River in Alpine, Tuolumne and Calaveras Counties, California, together with required transmission and related facilities.

The Project, with the exception of certain transmission facilities, is owned by Calaveras and is licensed by FERC, pursuant to a 50-year License (Project No. 2409) issued in 1982 to Calaveras. Pursuant to the Power Purchase Contract, NCPA (i) is entitled to the electric output, including capacity, of the Project until February 2032, (ii) managed the construction of the Project, and (iii) operates the generating and recreational facilities of the Project. Under a separate FERC-issued license with an expiration date coterminous with the Project No. 2409 license (Project No. 11197), NCPA holds the license and owns the 230 kV Collierville-Bellota and the 21 kV Spicer Meadows-Cabbage Patch transmission lines for Project No. 2409. NCPA also has a separate FERC license for Project No. 11563 (Upper Utica Project), which consists of three storage reservoirs that mainly feed the New Spicer Meadow Reservoir. This license expires in 2033. *Northern California Power Agency*, 104 F.E.R.C. ¶ 62,163 (2003). After the present FERC License for Project No. 2409 expires in the year 2032, NCPA has the option to continue to purchase Project capacity and energy during a subsequent license renewal period. It is estimated that the price will be significantly less than the comparable alternatives at that time. The purchase option includes all capacity and energy which is surplus to Calaveras' needs for power within the boundaries of Calaveras County.

As with any hydroelectric generation project, the operation of the Project is determined by consideration of its storage capacity, hydrology conditions, and available stream flows and requirements. The Project has a 104-year record (1913 to 2017) of storage and stream flows. Based upon the record, the Project's average production is estimated to be 470 GWh annually. The Project is optimized together with NCPA's other resources as determined by NCPA, to economically meet the load requirements of the respective Project Participants. The load-following characteristics of the Project gives NCPA a great degree of flexibility in meeting the hourly and daily variations which occur in the Project Participants' loads. The net Project generation for the previous ten fiscal years is as follows:

Fiscal Year Ended June 30	Total Net Generation (GWh)
2008	296
2009	377
2010	533
2011	852
2012	463
2013	268
2014	197
2015	164
2016	397
2017	945

NCPA financed the Project through the issuance of Hydroelectric Project Number One Revenue Bonds, of which approximately \$322.4 million aggregate principal amount was outstanding as of January 31, 2018. See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of the Significant Share Project Participants with respect to the Project.

NCPA has sold the energy and capacity of the Project to the Project Participants pursuant to a “take-or-pay” power sales contract, which require payments to be made whether or not the project is completed or operable. Each purchaser is responsible under the power sales contract for paying its entitlement share in the Project of all of NCPA’s costs of the Project, including debt service on the aforementioned bonds as well as a “step-up” of up to 25% in the event of the unremedied default of another Project Participant.

Biggs and Gridley have transferred their entitlement shares of the Project output to Santa Clara. Each Project Participant remains obligated for all payments due from such Project Participant under the Third Phase Agreement, in the event moneys received from transferees pursuant to such arrangements are insufficient to satisfy all payments. Redding, Truckee Donner, Port of Oakland, Shasta Lake and BART, which are Members of NCPA, are not Project Participants, and have no financial or other responsibility or liability associated with the acquisition, construction, maintenance, operation or financing of the Project.

NCPA has estimated the average cost per kWh of power generated from the Project to be approximately \$0.20 cents/kWh in 2017-18 (based on the current water year conditions). The average cost per kWh of power generated from the Project over the prior five fiscal years is shown in the following table:

Fiscal Year	Average Cost of Power (cents/kWh)
2012-13	\$0.18
2013-14	0.26
2014-15	0.33
2015-16	0.13
2016-17	0.06

## THE PROJECT PARTICIPANTS

### General

The Project Participants and their Project Entitlement Percentages are shown on page (a) of this Official Statement.

The governing body of each Project Participant has approved the Third Phase Agreement. The California Public Utilities Code authorizes the municipal Project Participants to “acquire...any public utility,” including the supply of light and power. In furtherance of such powers, a municipal corporation “may acquire...rights of every nature...when necessary to supply the municipality, or its inhabitants or any portion thereof, with the service desired.”

Members of NCPA have no financial or other responsibility or liability associated with the acquisition, construction, maintenance, operation or financing of a particular project other than as project participants with respect to such project as set forth in the related third phase agreement.

## **Descriptions of the Significant Share Project Participants**

The five Project Participants with the largest Project Entitlement Percentages are Alameda (10.00%), Lodi (10.37%), Palo Alto (22.92%), Roseville (12.00%) and Santa Clara (35.86%), which, in the aggregate, comprise over 90% of the Project. None of the remaining Project Participants has a Project Entitlement Percentage in excess of 3%. Alameda, Lodi, Palo Alto, Roseville, and Santa Clara are sometimes referred to herein as the “Significant Share Project Participants.” Brief descriptions of the Significant Share Project Participants, their service areas, existing power supply resources, customers, energy sales and revenues and expenses are set forth in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS.”

### **Electric Systems**

Each Project Participant owns and operates an electric system for distribution of electric power and energy together with the general plant necessary to conduct its business. The electric systems of some of the Project Participants are among the oldest electric utilities in operation in California and some predate the existence of PG&E. The electric systems were founded during the period from 1887 to 1937. The Project Participants are all experienced in operating electric distribution systems.

All of the Project Participants provide, through NCPA projects, for a portion of their own power needs. In addition, Alameda, Healdsburg, Lodi, Lompoc and Ukiah obtain a portion of their power needs from Western. Biggs, Gridley, Palo Alto, Plumas-Sierra and Roseville are also wholesale customers of Western and obtain a larger portion of their power needs from that source. Roseville also derives a portion of its power from its own generating facility. Santa Clara receives part of its power requirements from Western, part from PG&E and part from other power agencies, the power markets and its own generating projects. NCPA also purchases power from the market for certain of its Members (the Project Participants, exclusive of Santa Clara and Roseville) for periods of up to 30 days and for periods of up to five years (under separate project agreements) for Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah. Delivery of all such power is made over the ISO controlled grid, Western transmission facilities, the California-Oregon Transmission Project (“COTP”) or combinations of those three transmission facilities.

### **Service Areas**

The municipal Project Participants provide retail electric service within their service areas pursuant to the authority of the Constitution of the State of California, Article XI, Section 9. Under California law, the municipal Project Participants have authority to acquire, construct, establish, enlarge, improve, maintain, own and operate electric distribution systems. Plumas-Sierra provides electric service pursuant to its Articles and Bylaws.

The retail customers of the municipal Project Participants are located within their respective city boundaries and environs. Plumas-Sierra serves rural areas in Plumas, Lassen and Sierra Counties in California and in Washoe Township in Washoe County, Nevada.

## **OTHER NCPA PROJECTS**

Set forth below is a brief description of the NCPA resources in addition to the Project. Each such resource is financed under a separate agreement with the Members participating in such resource. No Member not a party to such agreement has any obligation to make payments in connection with such resources.



Participating Members occasionally make short-term and long-term assignments of entitlement rights to NCPA resources. Such assignment would not impact the underlying project participant obligations contained in the related agreement relating to such NCPA resource and each project participant remains obligated for all payments due from such project participant in the event moneys received from transferees pursuant to such arrangements are insufficient to satisfy all payments.

### **Lodi Energy Center Project**

NCPA owns and operates a natural gas-fired, combined-cycle power generation plant located in the City of Lodi, San Joaquin County, California (the “Lodi Energy Center”). The electric generation components (the “Power Island”) of the Lodi Energy Center consists of the following components: (1) one natural gas-fired Siemens STGS-5000F combustion turbine-generator (“CTG”), with an evaporative cooling system and dry low-NOx combustors to control air emissions; (2) one 3-pressure heat recovery steam generator (“HMG”), (3) a selective catalytic reduction (“SCR”) and carbon monoxide (CO) catalyst to further control NOx and CO emissions, respectively; (4) one Siemens SST-900RH condensing steam turbine generator (“STG”); (5) one natural gas-fired auxiliary boiler; (6) one 7-cell draft evaporative cooling tower; and (7) associated support equipment.

The Lodi Energy Center plant is capable of operating at 302 MW (it has been permitted to operate at this level and it has arranged for the equipment necessary to operate at this level) but is limited to 280 MW of firm capacity under the terms of the transmission interconnection agreement and full output of the unit as available on the transmission system with the ISO and PG&E. PG&E has notified NCPA that PG&E intends to complete reconductoring work on the transmission line limiting the LEC Project Participants’ (as defined below) ability to claim the full capacity for resource adequacy requirements from the Lodi Energy Center in 2018 (actual production from the facility has not been significantly affected by this limitation). In 2016, the Lodi Energy Center achieved net generation of 1,077 GWh compared to 1,668 GWh in 2015. The decrease from 2016 to 2015 was due to a return to normal hydroelectric conditions. In 2015, California experienced one the most significant droughts in California and a result natural gas plants operate at higher output levels to make up for the loss of hydroelectric generation. In fiscal year ended June 30, 2016, California returned to normal rainfall amounts and the natural gas generation decreased accordingly. Fiscal year ended June 30, 2017, LEC output was 300 GWh compared to the 1,077 GWh for fiscal year ended June 30, 2016. The drop in generation is directly attributable to the increase in PG&E gas transportation costs. NCPA negotiated a special rate for gas transmission for LEC which went into effect fiscal year ending June 30, 2018. LEC has been running as expected since the new rate went into effect.

Pursuant to a Lodi Energy Center Power Sales Agreement (the “LEC Power Sales Agreement”), by and among NCPA and (i) the NCPA Member project participants: Biggs, Gridley, Healdsburg, Lodi, Lompoc, Plumas-Sierra, Santa Clara, Ukiah and BART; and (ii) the non-NCPA Member project participants: the City of Azusa, the Modesto Irrigation District, the Power and Water Resources Pooling Authority and the California Department of Water Resources (such entities other than NCPA, collectively the “LEC Project Participants”), NCPA agreed to construct and operate the Lodi Energy Center and has sold the capacity and energy of the Lodi Energy Center to the thirteen LEC Project Participants, in accordance with their respective generation entitlement shares to the capacity and energy of the Lodi Energy Center. Each LEC Project Participant is responsible for the payment of its respective share of the costs of construction of the Lodi Energy Center. In order to provide funding for a portion of the costs of the Lodi Energy Center, in June 2010, NCPA issued two series of revenue bonds, its \$254.995 million Lodi Energy Center Revenue Bonds, Issue One, issued on behalf of eleven of the thirteen participants in the Lodi Energy Center (being all of the above-named LEC Project Participants other than the Modesto Irrigation District and the California Department of Water Resources), of which \$233.4 million is outstanding as of January 31, 2018, and its \$140.765 million Lodi Energy Center Revenue Bonds, Issue Two, issued on behalf of the California Department of Water Resources, of which \$119.9 million is outstanding as of January 31, 2018.

See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A – SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of Lodi and Santa Clara with respect to the Lodi Energy Center Project. The Modesto Irrigation District provided its own financing for its share of the estimated costs of construction of the Lodi Energy Center.

The Lodi Energy Center is operated and maintained by NCPA under the general direction of the LEC Project Participants pursuant to the LEC Power Sales Agreement and the Lodi Energy Center Project Management and Operations Agreement among NCPA and the LEC Project Participants.

### **Geothermal Project**

NCPA has developed a geothermal project (the “Geothermal Project”) located on federal land in certain areas of Sonoma and Lake Counties, California (the “Geysers Area”). In addition to the geothermal leasehold, wells, gathering system and related facilities, the Geothermal Project consists of two electric generating stations (Plant 1 and Plant 2), each with two 55 MW (nameplate rating) turbine generator units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells. NCPA formed two not-for-profit corporations controlled by its Members to own the generating plants of the Geothermal Project. NCPA manages the Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the Geothermal Project.

As noted above, the Geothermal Project consists of two operating electric generating stations (Plant 1 and Plant 2), where Plant 1 contains two 55 MW (nameplate rating) turbine generator units, and Plant 2 contains one 52.73 MW turbine generator unit. Plant 1 and Plant 2 were originally developed and operated as separate projects referred to as “Geothermal Project Number 2” and “Geothermal Project Number 3,” respectively. Plant 1 and Plant 2 are now operated together as the Project pursuant to the terms of the Amended and Restated Geothermal Operating Agreement.

Steam for NCPA’s geothermal plants comes from lands in the Geysers Area, which are leased by NCPA from the federal government. NCPA operates these steam-supply areas. Operation of the geothermal plants at high generation levels, together with high steam usage by others in the same area, resulted in a decline in the steam production from the steam wells at a rate greater than expected. As a result, by April 1988, for the purpose of slowing the decline in the steam field capability, NCPA changed its steam field production from base-load to load-following and reduced average annual generation. These changes were effective in reducing the decline in steam production.

NCPA entered into agreements with other geothermal operators in the Geysers Area to finance and construct the Southeast Geysers Effluent Pipeline Project, which was completed in September 1997 and began operating soon thereafter. The 26-mile pipeline collects waste-water from Lake County Sanitation District treatment plants at Clearlake and Middletown and delivers the waste water to NCPA and the other Geysers steam field operator for injection into the steam field. In 2017, NCPA received approximately 55% of the waste-water for reinjections from this effluent pipeline.

NCPA has also implemented and continues to implement various operating strategies and modifications to further reduce the rate of decline in steam production. NCPA has modified all of the steam turbines and the associated steam collection system to enable generation with lower pressure steam and increased conversion efficiencies of the available steam resource.

NCPA financed the Geothermal Project with Geothermal Project Number 3 Revenue Bonds, of which \$28.8 million were outstanding as of January 31, 2018. Each of the Significant Share Project Participants, together with Biggs, Gridley, Healdsburg, Lompoc, Ukiah and Plumas Sierra, along with non-NCPA Member Turlock Irrigation District, participate in the Geothermal Project. See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of the Significant Share Project Participants with respect to the Geothermal Project.

Average annual generation of the Geothermal Project was approximately 103 MW gross (“MWG”) for calendar year (“CY”) 2017. Based on current operating protocols and forecasted operations, after CY 2017, both the average and peak capacity are expected to continue to decrease, reaching approximately 99.9 MW in CY 2018 and 75.4 MWG by CY 2039. Under terms of the federal geothermal leasehold agreements, which became effective August 1, 1974, the leasehold had a 10-year primary term with provision for renewal as long thereafter as geothermal steam is produced or utilized, but not longer than 40 years; however, in 2013, NCPA renewed the leasehold. At the expiration of that period, if geothermal steam is still being produced, NCPA has preferential right to renew the leasehold for a second term. The leasehold also requires NCPA to remove its leasehold improvements including the geothermal plants and steam gathering system when and if NCPA abandons the leasehold. These decommissioning costs are currently estimated to total approximately \$59.3 million. NCPA has been collecting monies to pay the expected decommissioning costs since 2007 and holds \$16.2 million in a reserve for such purpose as of June 30, 2017. Collections towards future decommissioning costs are expected to be approximately \$1.8 million for fiscal year 2017-18.

### **Geysers Transmission Project**

In order to meet certain obligations required of NCPA to secure transmission and other support services for the Geothermal Project, NCPA has undertaken a geysers transmission project (the “Geysers Transmission Project”) with the Geysers Transmission Project participants. The Geysers Transmission Project includes (i) a co-tenancy interest in PG&E’s 230 kV line from Castle Rock Junction in Sonoma County to the Lakeville Substation (the “Castle Rock to Lakeville Line”), (ii) additional firm transmission rights in the Castle Rock to Lakeville Line and (iii) the Central Dispatch Facility.

NCPA financed the Geysers Transmission Project through the issuance of Transmission Project Number One Revenue Bonds, which bonds were retired as of August 15, 2010. Alameda, Lodi, Palo Alto and Roseville, together with Biggs, Gridley, Healdsburg, Lompoc, Ukiah and Plumas Sierra, are participants in the Geysers Transmission Project.

### **Capital Facilities Project**

The NCPA Capital Facilities Project, known as Combustion Turbine Project Number Two, currently consists of one power generating station, Unit One, with a design rating of 49.9 MW located in the City of Lodi. Such power generating station consists of a single natural gas-fired steam injected gas turbine (STIG), generator, and required auxiliary and electrical interconnection systems. NCPA financed the Capital Facilities Project with Capital Facilities Revenue Bonds, of which approximately \$33.6 million were outstanding as of January 31, 2018. The Cities of Alameda, Lodi, Lompoc and Roseville are the project participants in the Capital Facilities Project. See “Indebtedness” for each of the Significant Share Project Participants in “APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS” for a discussion of the obligations of each of Alameda, Lodi and Roseville with respect to the Capital Facilities Project.

Unit One is economically dispatched to meet the project participants' load, depending on the amount of generation available from NCPA's hydroelectric project and prices of alternative electric energy supplies, to meet other NCPA Members' load or to sell power to third parties depending on natural gas prices and electric energy prices.

### **Combustion Turbine Project Number One**

The Combustion Turbine Project Number One (the "Combustion Turbine Project") originally consisted of five combustion turbine units, each nominally rated 25 MW, with two units located in each of Roseville and Alameda and one in Lodi. Sale of the two units located in Roseville to the City of Roseville was effective on September 1, 2010.

The Combustion Turbine Project provides capacity that is economically dispatched during the peak load period to the extent permitted by air quality restrictions and (ii) to be used to meet the certain capacity reserve requirements (e.g., resource adequacy requirements). This resource provides the capacity below current spot market prices for capacity but as is typical of this type of technology, the average cost for power per kWh of power delivered to the participants in the Combustion Turbine Project is comparatively expensive.

NCPA financed the Combustion Turbine Project through the issuance of Combustion Turbine Project Number One Revenue Bonds, which bonds were retired as of August 15, 2010. Alameda, Lodi, Roseville and Santa Clara, together with Healdsburg, Lompoc, Ukiah and Plumas-Sierra, are participants in Combustion Turbine Project Number One.

### **Natural Gas Supply Contracts**

NCPA, on behalf of the project participants of Combustion Turbine Project Number One and of the Capital Facilities Project's Unit One, has entered into a Master Transaction Confirmation that is appended to and made part of a Base Contract for Sale and Purchase of Natural Gas (the "Consolidated Natural Gas Agreement"), effective on October 30, 2012, with EDF Trading North America, LLC ("EDF"). The Consolidated Natural Gas Agreement provides gas supply and management services, including the following:

- Supply of spot market gas for the full daily output of Combustion Turbine Project Number One and Unit One of the Capital Facilities Project (approximately 35,136 MMBtu/day); and
- Scheduling, nomination, balancing and settlement services for NCPA gas supplies from third parties.

NCPA also has entitlement rights to natural gas pipeline capacity of approximately 2,743 MMBtu/day sourced at AECO (Alberta) and sinking at PG&E Citygate (California). The four pipeline segments that are included in the contiguous pipeline entitlement include pipeline contained in the following natural gas systems: NOVA, Foothills, GTN, and CTG. NCPA's natural gas pipeline rights are managed by Mercuria Energy America, Inc., pursuant to an Asset Management Agreement for Pipeline Transport Capacity dated January 1, 2015. For release of such natural gas pipeline to Mercuria Energy America, Inc., NCPA is paid the value of the unused pipeline capacity by the pipeline manager.

In addition, NCPA and EDF entered into an agreement to provide the gas supply and the nomination, imbalance and settlement services for NCPA's Lodi Energy Center, which became effective on September 1, 2016. See "— Lodi Energy Center Project" above.

## **Power Purchase and Other Contracts**

***Seattle City Light Exchange Agreement.*** NCPA, on behalf of Healdsburg, Palo Alto, Ukiah, Lodi and Roseville, has negotiated a seasonal exchange agreement with Seattle City Light for 60 MW of summer capacity and energy and a return of 46 MW of capacity and energy in the winter. Deliveries under the agreement began June 1, 1995. NCPA has provided notice to terminate the agreement to Seattle City Light effective on May 31, 2018. Effective May 31, 2008, Healdsburg, Palo Alto and Roseville assigned their participation percentages to Santa Clara.

***Henwood Power Purchase Agreement.*** NCPA, on behalf of Alameda, entered into a power purchase agreement with Henwood Associates, Inc for 440 kW of capacity and energy. The energy source for the facility is hydroelectric and the facility meets the qualifying facilities requirements, established by FERC. The facility output, which varies with hydrological conditions, has averaged about 2,000 megawatt hours (“MWhs”) per year. Deliveries under the agreement began February 1, 2010 and will terminate on January 31, 2030.

***BART Services Agreement.*** NCPA provides power supply and scheduling services to BART pursuant to a Single Member Services Agreement which was executed on December 1, 2005 (as amended from time to time). Under this agreement, NCPA procures power to meet BART’s power supply needs utilizing Commission approved Edison Electric Institute and WSPP Inc. Purchase Agreements.

***Market Purchase Program.*** NCPA, on behalf of Alameda, BART, Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah may enter into supply agreements for terms of up to five years utilizing Commission approved Edison Electric Institute and WSPP Inc. Purchase Agreements. Procurement terms and conditions are governed by a Market Purchase Program agreement between NCPA and the participating Members listed in the preceding sentence. Purchase amounts are limited to 115% of each participating members forecast net open position associated with the period of the procurement. The Program was approved by the NCPA commission on July 26, 2007.

***Natural Gas Program.*** NCPA, on behalf of Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah may enter into gas supply agreements using competitive bids submitted in response to a NCPA Request For Proposals (“RFP Process”), or (ii) through direct purchases from the State of California Department of General Services Natural Gas Services Program. Procurement terms and conditions are governed by a Natural Gas Program agreement between NCPA and the participating Members identified in the preceding sentence. Purchases are subject to limits as may be changed from time to time as outlined in the NCPA Energy Risk Management Policy and/or Regulations. The Natural Gas Program was approved by the NCPA commission on March 24, 2011.

***Customer Services Agreement.*** NCPA, pursuant to individual Services Agreement, supplies a variety of wholesale energy market services to non-member customers, including, but not limited to, scheduling services, operating services, and portfolio management services. NCPA is currently providing non-member services to the Merced Irrigation District, Placer County Water Agency, Pioneer Community Energy, and East Bay Community Energy.

## **RATE REGULATION**

Each Project Participant and NCPA sets rates, fees and charges for electric service. The authority of the Project Participants or NCPA to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the California Public Utilities Commission (“CPUC”) and presently neither the CPUC nor any other regulatory authority of the State of California nor FERC approves such rates and charges. Although the retail rates of the Project Participants

and NCPA are not subject to approval by any federal agency, the Project Participants and NCPA are subject to certain ratemaking provisions of the federal Public Utility Regulatory Policies Act of 1978 (“PURPA”) and Sections 211-213 of the Federal Power Act (“FPA”). It is possible that future legislative and/or regulatory changes could subject the rates and/or service areas of the Project Participants or NCPA to the jurisdiction of the CPUC or to other limitations or requirements.

FERC could potentially assert jurisdiction over rates of licensees of hydroelectric projects and customers of such licensees under Part I of the Federal Power Act, although it has not as a practical matter exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. If it did assert such jurisdiction, the result might have some significance for NCPA and its Project Participants.

Under Sections 211, 211A, 212 and 213 of the FPA, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at FERC-approved rates. In addition, the Energy Policy Act of 2005 expanded FERC’s jurisdiction to require municipal utilities that sell more than eight million MWhs of energy per year to pay refunds under certain circumstances for sales into organized markets. To date, neither NCPA nor any of the Project Participants meet this threshold requirement.

The California Energy Commission (the “CEC”) is authorized to evaluate rate policies for electric energy as related to the goals of the Energy Resources Conservation and Development Act and to make recommendations to the Governor, the Legislature and publicly owned electric utilities.

## **FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

The following regulatory programs affect NCPA, each Project Participant, and the electric utility industry and should be considered when evaluating the Project and considering an investment in the 2018 Bonds. NCPA cannot predict at this time whether any additional legislation or rules will be enacted which will affect the Project’s operations, and if such laws or rules are enacted, what the costs to NCPA and the Project Participants might be in the future because of such action.

### **California Climate Change Policy Developments**

State regulatory agencies such as the California Air Resources Board (“CARB”) and the CEC are pursuing a number of regulatory programs designed to reduce greenhouse gas (“GHG”) emissions and encourage or mandate renewable energy generation. The following is a summary of certain programs. See also “Environmental Regulation and Permitting Factors” below.

*GHG Regulations.* In September 2006, then-Governor Schwarzenegger signed into law the California Global Warming Solutions Act of 2006 or AB 32 (the “Global Warming Solutions Act”). This law requires a cut in GHG emissions from within the State by 2020 in order to reduce such emissions back to 1990 levels, which represents a reduction of approximately 25% Statewide. In September 2016, Governor Brown signed into law an amendment to the Global Warming Solutions Act, or SB 32, that requires a cut in GHG emissions from within the State by 2030 in order to reduce such emissions to 40% below 1990 levels.

CARB implemented the Global Warming Solutions Act through regulations (the “Cap-and-Trade Regulations”) that imposed aggregate emissions limitations on the electricity generation industry in California and allocates the aggregate emissions limit through the distribution of allowances, or emission credits.

The Cap-and-Trade Regulations require all regulated entities to obtain and submit to CARB compliance instruments (allowances and/or offsets) with respect to GHG emissions relating to its State generation activities, as well as for imported electricity from dedicated out-of-state resources. In addition, NCPA may indirectly bear compliance costs for independent generators that must purchase allowances for their generation.

NCPA and the Project Participants, like other electric utilities, receives administrative allocations of allowances for some of their expected GHG emissions. Entities that emit GHGs at levels above those for which they receive administrative allocations, if any, must purchase the additional allowances they require at the CARB auctions or from other covered entities with surplus allowances.

In July 2017, CARB issued Board Resolution 17-21, which directs CARB staff to consider requiring all electric distribution utilities to consign all administratively allocated allowances to auction. Currently, the investor-owned utilities are required to consign their allowances to CARB's auctions, as well as Publicly-owned utilities ("POUs") whose generation accesses the California Independent System Operator ("ISO") Balancing Authority. POUs served by non-ISO Balancing Authorities have the option of placing their allowances to their compliance account to cover emissions from their generating stations and/or consigning a portion of allowances to CARB's auctions.

In July 2017, CARB adopted amendments to the Cap-and-Trade Regulations, which included revised allowance allocations to electrical distribution utilities from 2021 to 2030. Project Participants are expected to receive more than \$400 million in proceeds from the sale of these allowances, which will substantially minimize the impact from CARB's requirement to purchase allowance on Project Participants' finances and operations.

In July 2017, Governor Brown signed into law AB 398 to extend the state's Cap-and-Trade Regulation from 2021 to 2030. The bill cleared both houses with a 2/3 supermajority vote, which protects the legislation from certain legal challenges. Under AB 398, CARB is directed to address the following: establish a price ceiling, offer nontradeable allowances at two price containment points below the price ceiling, transfer current vintages unsold for more than 24 months to the allowance price containment reserve, evaluate and address allowance overallocation concerns, set industry assistance factors for allowance allocation, and establish allowance banking rules. AB 398 was passed in conjunction with two companion bills: AB 617, which strengthens the monitoring of criteria air pollutants and toxic air contaminants in local communities, and ACA 1, which establishes the Greenhouse Gas Reduction Reserve Fund. CARB expects to initiate a public rulemaking process in early 2018 to amend the Cap-and-Trade Regulation to reflect the requirements of AB 398.

*GHG Emissions Performance Standard and Financial Commitment Limits.* Pursuant to SB 1368 (Chapter 598, Statutes of 2006), the CEC adopted a GHG emissions performance standard ("EPS") for electric generating facilities of 1,100 pounds of CO<sub>2</sub> per MWh for "covered procurements" by POUs. SB 1368 also prohibits POUs from making any "long-term financial commitment" in connection with "baseload generation" that does not satisfy the EPS. Generally, a "long term financial commitment" is any new or renewed power purchase agreement with a term of five years or more, the purchase of an interest in a new power plant or any investment, other than routine maintenance, in an existing power plant that extends the life of the plant by more than five years or results in an increase in its rated capacity. "Baseload generation" means a power plant that is intended to operate at an annualized capacity factor of 60 percent or more.

*2030 GHG Emissions Targets.* SB 350 requires CARB, in consultation with the CPUC and the CEC, to establish 2030 GHG emission targets for each electric utility in the state. CARB will establish a process for setting such targets in early 2018. At present, these targets are non-binding, and primarily

intended to help the state measure progress toward the 2030 statewide goal outlined in SB 32. The targets, however, are expected to be an input to the development of the Integrated Resource Plans that are required of the State's 16 largest POU, which include the four largest NCPA member systems (Santa Clara, Roseville, Redding, and Palo Alto).

*Energy Procurement and Efficiency Reporting.* SB 1037, signed by then Governor Schwarzenegger in September 2005. It requires that each POU, including the Project Participants, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction, and renewable resources that are cost effective, reliable and feasible. SB 1037 also requires each POU to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. Each of the Project Participants is in compliance with such reporting requirements.

Further, Assembly Bill 2021 ("AB 2021"), signed by then Governor Schwarzenegger on September 29, 2006, requires that POUs establish, report, and explain the basis of the annual energy efficiency and demand reduction targets by June 1, 2007 and every three years thereafter for a ten-year horizon. Assembly Bill 2227 extended the reporting timeframe from three to four years. The information obtained from the POUs is being used by the CEC to present progress made by the State to double energy efficiency savings in electricity and natural gas final end uses by 2030, to the extent doing so is cost effective, feasible, and does not adversely impact public health and safety, as prescribed in SB 350.

*California Renewable Portfolio Standard.* California's legislature and executive branch have been active in promoting increasingly stringent renewable energy procurement requirements since 2002. Early efforts established a standard of 20% of renewable electricity generation by 2017. Since then, both legislative and executive branch initiatives have raised that standard in multiple phases.

On April 12, 2011, Governor Brown signed into law the California Renewable Energy Resources Act, or SBX 1-2. SBX 1-2 established procurement targets for three compliance periods to be implemented by the procurement plan: 20% of the utility's retail sales were to be procured from eligible renewable energy resources by December 1, 2013; 25% by December 31, 2016; and 33% by December 31, 2020.

In October 2015, Governor Brown signed into law SB 350, which requires NCPA and the Project Participants to make reasonable progress each year to ensure it achieves 40% of retail sales from eligible renewable energy resources by December 31, 2024, 45% of retail sales from eligible renewable energy resources by December 31, 2027, and 50% of retail sales from eligible renewable energy resources by December 31, 2030.

*Renewable Energy Policy Development.* The State Legislature is considering the development of a Clean Energy Standard for electric utilities, which will require California to meet 100% of its procurement requirements with zero carbon resources by 2045. SB 100 is the vehicle for this effort and will be debated further during the 2018 legislative session. The outcome could have a material impacts on NCPA and Project Participant operations.

*Integrated Resource Plans (IRP).* SB 350 requires that all POUs with demand greater than 700 gigawatt hours to develop an IRP at least once every five years, no later than January 1, 2019. Four NCPA members are subject to this requirement (Santa Clara, Roseville, Redding, and Palo Alto). Each member is well positioned to complete its IRP within the required timeline. As required in the statute, all IRPs will be submitted to the CEC, including information outlined in the CEC's POU IRP Guidelines that were finalized in August 2017.



## **Environmental Regulation and Permitting Factors**

*General.* Numerous environmental laws and regulations affect NCPA's facilities and operations. NCPA monitors its compliance with laws and regulations and reviews its remediation obligations on an ongoing basis. The following topics highlight some of the major environmental compliance issues affecting NCPA:

*Regulatory Actions Under the Clean Air Act.* The United States Environmental Protection Agency (the "EPA") regulates GHG emissions under existing law by imposing monitoring and reporting requirements, and through its permitting programs. Like other air pollutants, GHGs are regulated under the Clean Air Act through the Prevention of Significant Deterioration ("PSD") Permit Program and the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of a major stationary source and requires best available control technologies ("BACT") to control emissions at a facility. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document and the permit process provides for review of the documents by the EPA, state agencies and the public. GHGs from major natural gas-fired facilities are regulated under both permitting programs through performance standards imposing efficiency and emissions standards.

On October 23, 2015, the EPA published the Clean Power Plan and final regulations for (1) carbon pollution standards for new, modified, and reconstructed power plans, and (2) carbon pollution emission guidelines for existing electricity utility generating units. The total national emissions reduction goal under the Clean Power Plan targets an average of a 32 percent reduction from 2005 levels by 2030, with incremental interim goals for the years from 2022 through 2029. The Clean Power Plan allows states multiple options for measuring reductions and establishes different reduction goals depending upon the regulatory program set forth in the state plan.

The Clean Power Plan is being challenged in the United States Circuit Court of Appeals for the District of Columbia. The United States Supreme Court stayed implementation of the Clean Power Plan on February 9, 2016 for a period of time until the D.C. Circuit renders a decision and the Supreme Court concludes any proceedings brought before it. Due to the stay, states were not required to submit initial plans by the original September 2016 deadline. The D.C. Circuit has continued to hold the case in abeyance and has been requiring EPA to submit 30-day status updates.

On October 16, 2017, the Federal Register published EPA's proposal to repeal the Clean Power Plan, under the premise that it exceeds EPA's statutory authority under Section 111 of the Clean Air Act.

On December 28, 2017, the Federal Register published an Advanced Notice of Proposed Rulemaking to consider proposing a new GHG emission limit rule from existing generating units. Under the new version of the proposed rule, EPA will have to determine whether to set a common efficiency standard for the coal fleet or write guidance for states to set their own standards for individual plants based on age and technology. If the effort moves down this path, NCPA and Project Participants would likely be unaffected by this proceeding since its focus is on coal.

## **Energy Regulatory Factors**

### *Regulatory Impact on the California Energy Market*

Any electricity sales or purchases NCPA makes in the wholesale energy markets operated by the ISO are subject to the ISO tariff, which is a FERC-jurisdictional tariff. ISO's tariff includes rules governing

how sellers may bid electricity (i.e., offer for sale) into the energy markets and rules governing market power mitigation of sellers. ISO regularly proposes changes to its tariff, subject to FERC approval. Additionally, FERC can—and does—order changes to ISO’s tariff if FERC (on its own initiative or prompted by a complaint) determines that ISO’s tariff is unjust, unreasonable, or unduly discriminatory. Such regulatory changes can impact prices for electricity and capacity.

During portions of 2000 and 2001, shortly after ISO’s energy markets were first established, wholesale electricity prices were highly volatile and subject to market manipulation. That market dysfunction resulted in deterioration of credit ratings of many market participants and the bankruptcy of Pacific Gas & Electric Company. ISO’s energy markets have since been redesigned, and Congress has established mechanisms for policing wholesale markets. Price volatility has since decreased compared to the 2000-2001 period.

In addition to regulatory changes, electricity prices in the State depend on a variety of factors that affect the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of climate and other clean energy related legislation and regulations, fuel costs and availability, weather effects on customer demand, transmission congestion, the strength of the economy in the State and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest).

Neither NCPA nor the Project Participants is able to predict future reforms to the electric utility industry or the impact on such entities of recent reforms and proposals.

## **ISO Markets**

The California Independent System Operator (“ISO”) markets are subject to continued change in response to FERC orders, the increased integration of intermittent renewable resources, changing environmental constraints, the ongoing efforts to combat market manipulation and evolving reliability requirements. California ISO Tariff changes related to these and other issues are currently under discussion in California ISO stakeholder processes and in ongoing FERC proceedings. In most cases, these proposals are not sufficiently final in order to determine their likely impact on NCPA or the Project Participants. However, the following issues may have significant impacts on NCPA, the Project Participants or electric utilities generally:

***Increased Integration of Renewables.*** As part of the effort to integrate increased levels of intermittent renewable resources into the grid, the ISO has proposed an array of changes to existing markets and to the resource adequacy structure that assures that sufficient resources are available to the markets. These proposals could affect the value of energy sold and purchases in the wholesale markets.

***Resource Adequacy Requirements.*** Resource Adequacy requirements apply to NCPA and its members, including the Project Participants, to ensure that market participants have contracted for sufficient amounts of the right types of capacity to be available in the markets. To the extent that a load serving entity (“LSE”) fails to procure sufficient capacity resources to meet its loads, it is subject to payment of ISO procurement costs of replacement capacity. To the extent that a shortfall cannot be attributed to a specific LSE, the costs will be spread as part of market uplift charges. These risks apply in the same manner to all LSEs. Due to the increased integration of renewables, discussed above, the ISO is contemplating what could be significant changes to the resource adequacy framework, with the potential for impacts on market participant costs. It is still too early to assess the potential impacts on NCPA. Although it does not appear that ISO is considering proposing a centralized capacity market at this time, proposals from others are occasionally made.

***Transmission Access Charge Review.*** The ISO has undertaken a review of its Transmission Access Charge, with a view to potentially changing the methodology used for allocating transmission costs. Although it is too early to predict what the impacts might be on market participants, any change of this nature has the potential to affect NCPA members.

***Extension of Day Ahead Markets to Energy Imbalance Market.*** ISO has announced its intention to propose changes to the Energy Imbalance Market (EIM) structure that would extend the ISO's day ahead market into the EIM, rather than leaving it as only a real time market. While these proposals have not yet been published, much less analyzed, such a change has the impact to affect prices paid in the ISO markets.

## **Changing Laws and Requirements**

On both the state and federal levels, legislation is introduced frequently that would have the effect of further regulating environmental impacts relating to energy, including the generation of energy using conventional and unconventional technologies. Issues raised in recent legislative proposals have included implementation of energy efficiency and renewable energy standards, addressing transmission planning, siting and cost allocation to support the construction of renewable energy facilities, cyber-security legislation that would allow FERC to issue interim measures to protect critical electric infrastructure, a federal cap-and-trade program to reduce GHG emissions, and renewable energy incentives that could provide grants and credits to municipal utilities to invest in renewable energy infrastructure. It is possible that the 115th Congress (2017-18) and the California Legislature (2017-18 session) will pass legislation addressing similar issues.

Neither NCPA nor any Project Participant is able to predict at this time whether any of these or other legislative proposals will be enacted into law and, if so, the impact they may have on the operations and finances of such entities or on the electric utility industry in general.

## **Constitutional Limitations on Taxes and Fees**

In addition to state and federal legislation, citizen initiatives in the State can lead and have led to substantial restrictions upon governmental agencies, both in terms of raising revenue and management of governmental entities generally. Articles XIII C and XIII D of the State's constitution (and subsequent amendments to Article XIII C enacted by Proposition 26) provided limits on the ability of governmental agencies, including the Project Participants, to increase certain fees and charges. Such articles were adopted pursuant to measures qualified for the ballot pursuant to the State's constitutional initiative process.

Alameda and Palo Alto, two of the Significant Share Project Participants, are currently engaged in litigation filed against the respective city, generally alleging that the annual transfer of funds from the electric utility to the city's general fund is an unauthorized tax for purposes of Article XIII C of the California Constitution in violation of Proposition 26. See "APPENDIX A—SELECTED INFORMATION RELATING TO THE SIGNIFICANT SHARE PROJECT PARTICIPANTS—CITY OF ALAMEDA—Litigation" and "—CITY OF PALO ALTO—Litigation."

From time to time other initiative measures could be adopted by State voters, which may place limitations on the ability of NCPA and/or the Project Participants to raise rates or otherwise affect revenues.

## **Other General Factors**

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities, and

the level of utilization of generation and transmission facilities. In addition to the factors discussed elsewhere herein, such factors include, among others:

- Effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements;
- Changes resulting from conservation and demand-side management programs on the timing and use of energy;
- Effects on the integration and reliability of the power supply from the increased usage of renewables;
- Changes resulting from a national energy policy;
- Effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions and strategic alliances of competing electric and natural gas utilities and from competitive transmitting of less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;
- The repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities;
- Increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- “Self-generation” or “distributed generation” (such as microturbines, fuel cells, and solar installations) by industrial and commercial customers and others;
- Issues relating to the ability to issue tax-exempt obligations, including restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission line service from transmission projects financed with outstanding tax-exempt obligations;
- Effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- Changes from projected future load requirements;
- Increases in costs and uncertain availability of capital;
- Shifts in the availability and relative costs of different fuels (including the cost of natural gas and coal);
- Financial difficulties, including bankruptcy, of fuel suppliers and/or renewable energy suppliers;
- Changes in the electric market structure for neighboring electric grids such as the new energy imbalance market operated by the California ISO;

- Sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the State;
- Inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;
- Other legislative changes, voter initiatives, referenda and statewide propositions;
- Effects of changes in the economy, population and demand of customers in the Project Participants' service areas;
- Effects of possible manipulation of the electric markets;
- Acts of terrorism or cyberterrorism; and
- Natural disasters or other physical calamities, including but not limited to, earthquakes.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility.

## **LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2018 Bonds, or in any way contesting or affecting the validity of the 2018 Bonds or any proceedings of NCPA taken with respect to the issuance or sale thereof.

Upon the basis of information presently available, NCPA and its General Counsel believe that there is no litigation pending or threatened against NCPA which will materially adversely affect the Project or the respective sources of payment for the 2018 Bonds.

### **Market Redesign**

Most of the matters being contested at FERC or being discussed in California ISO stakeholder processes involving NCPA or the Project Participants concern the current operation or potential changes to the ISO market. For a discussion of potential changes in the ISO market, see "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—ISO Markets."

### **California Energy Market Dysfunction, Refund Dispute and Related Litigation**

Following the 1998 operation of the ISO and the California Power Exchange (the "PX"), the deregulated electricity and natural gas markets in California became increasingly dysfunctional, with very high prices in 2000-2001, resulting in the eventual bankruptcy of the PX, PG&E (and others) and a number of orders from FERC. The IOUs—PG&E, Southern California Edison Company ("Edison") and San Diego Gas & Electric Company ("SDG&E")—and the State of California and the CPUC have been pursuing claims for refunds against all sellers into the market, including NCPA and other power-producing municipally owned utilities ("MOUs"), including Santa Clara.

Those claims for refunds against varying groups of sellers have been pursued in a number of *fora* since early Fall, 2000, and have been through numerous FERC proceedings, state and federal court decisions, and the U.S. Supreme Court. Some of those claims are still being pursued both at FERC and in the Courts of Appeal. While NCPA considered the claims against it to be lacking in legal merit, NCPA entered into a settlement with the plaintiffs which provides the terms of a final resolution of all of these claims and of the bankruptcy claims held by NCPA against PG&E and the PX. The settlement agreement was approved by FERC on April 29, 2010. That approval by FERC was the last regulatory step necessary to resolve these disputes between those parties in their entirety, as well as a separate lawsuit filed by the State of California. The state court proceeding against NCPA was dismissed with prejudice on May 20, 2010.

The proceedings at FERC and in the Court of Appeals remain ongoing, but the remaining parties to those proceedings have not asserted any claims against NCPA. NCPA continues to monitor the proceedings to protect its interests.

### **Other Proceedings**

NCPA is involved in various other state court proceedings incidental to its operations. Based on its review of those proceedings with its General Counsel, NCPA believes that the ultimate aggregate liability, if any, resulting from those proceedings will not have a material adverse effect on its financial position.

### **RATINGS**

Moody's Investors Service and Fitch Ratings have assigned to the 2018 Bonds the ratings of "Aa3" and "AA-," respectively. Such ratings reflect only the views of such organizations and are not a recommendation to buy, sell or hold the 2018 Bonds. Explanations of the significance of such ratings may be obtained only from the respective organizations at: Moody's Investors Service, 1 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that either rating will continue for any given period or that it will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. NCPA undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2018 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

### **UNDERWRITING**

Citigroup Global Markets Inc., on behalf of itself and Goldman Sachs & Co., LLC (the "Underwriters"), has agreed to purchase the 2018 Series A Bonds from NCPA at a price of \$76,966,592.93 (which reflects the \$68,875,000.00 par amount of the 2018 Series A Bonds, plus original issue premium of \$8,253,396.95, and less an Underwriters' discount of \$161,804.02) and to purchase the 2018 Series B Bonds from NCPA at a price of \$1,336,852.01 (which reflects the \$1,340,000.00 par amount of the 2018 Series B Bonds less an Underwriters' discount of \$3,147.99), subject to certain conditions set forth in the Contract of Purchase between NCPA and the Underwriters.

The Underwriters may offer and sell the 2018 Bonds to certain dealers and others at prices lower than the offering prices or at yields higher than the offering yields stated on the inside cover page. The offering prices and yields may be changed from time to time by the Underwriters. The Contract of Purchase for the 2018 Bonds provides that the Underwriters will purchase all of the 2018 Bonds, if any are purchased,

the obligation to make such purchases being subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for NCPA for which they received or will receive customary fees and expenses. Citigroup or an affiliate thereof serves as an interest rate swap provider to NCPA and as the remarketing agent for certain of NCPA's variable rate bonds.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of NCPA.

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC (the "Financial Advisor") has assisted NCPA with various matters relating to the planning, structuring and delivery of the 2018 Bonds. The Financial Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Financial Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Financial Advisor will receive compensation from NCPA contingent upon the sale of the delivery of the 2018 Bonds.

### **TAX MATTERS**

#### **2018 Series A Bonds**

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to NCPA ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2018 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

2018 Series A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Series A Bonds. NCPA has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2018 Series A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2018 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2018 Series A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2018 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2018 Series A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2018 Series A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2018 Series A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2018 Series A Bonds. Prospective purchasers of the 2018 Series A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2018 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of NCPA or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. NCPA has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2018 Series A Bonds ends with the issuance of the 2018 Series A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend NCPA or the Beneficial Owners regarding the tax-exempt status of the 2018 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than NCPA and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which NCPA legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2018 Series A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2018 Series A Bonds, and may cause NCPA or the Beneficial Owners to incur significant expense.



## 2018 Series B Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the 2018 Series B Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Series B Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix F hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2018 Series B Bonds that acquire their 2018 Series B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2018 Series B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the 2018 Series B Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their 2018 Series B Bonds pursuant to this offering for the issue price that is applicable to such 2018 Series B Bonds (i.e., the price at which a substantial amount of the 2018 Series B Bonds are sold to the public) and who will hold their 2018 Series B Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a 2018 Series B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a 2018 Series B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2018 Series B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2018 Series B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2018 Series B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the 2018 Series B Bonds in light of their particular circumstances.

## **U.S. Holders**

*Interest.* Interest on the 2018 Series B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the 2018 Series B Bonds is less than the amount to be paid at maturity of such 2018 Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2018 Series B Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of 2018 Series B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

2018 Series B Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a 2018 Series B Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such 2018 Series B Bond.

*Sale or Other 2018 Series B Disposition of the 2018 Series B Bonds.* Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by NCPA) or other disposition of a 2018 Series B Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2018 Series B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2018 Series B Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the 2018 Series B Bond (generally, the purchase price paid by the U.S. Holder for the 2018 Series B Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such 2018 Series B Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the 2018 Series B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the 2018 Series B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

*Defeasance of the 2018 Series B Bonds.* If NCPA defeases any 2018 Series B Bond, the 2018 Series B Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the 2018 Series B Bond.

*Information Reporting and Backup Withholding.* Payments on the 2018 Series B Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the 2018 Series B Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the 2018 Series B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2018 Series B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the

TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### ***Non-U.S. Holders***

*Interest.* Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act,” payments of principal of, and interest on, any 2018 Series B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to NCPA through stock ownership and (2) a bank which acquires such 2018 Series B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the 2018 Series B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

*Disposition of the 2018 Series B Bonds.* Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “FATCA,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by NCPA or a deemed retirement due to defeasance of the 2018 Series B Bond) or other disposition of a 2018 Series B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by NCPA) or other disposition and certain other conditions are met.

*U.S. Federal Estate Tax.* A 2018 Series B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that, at the time of such individual’s death, payments of interest with respect to such 2018 Series B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

*Information Reporting and Backup Withholding.* Subject to the discussion below under the heading “FATCA,” under current U.S. Treasury Regulations, payments of principal and interest on any 2018 Series B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the 2018 Series B Bond or a financial institution holding the 2018 Series B Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

### ***Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders***

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2018 Series B Bonds and sales proceeds of 2018 Series B Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain “passthru” payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of 2018 Series B Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of 2018 Series B Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

## **CONTINUING DISCLOSURE**

### **General**

NCPA and the Significant Share Project Participants have each agreed, pursuant to Continuing Disclosure Agreements with the Trustee, to provide to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) a copy of their respective annual audited financial statements, as well as certain operating data relating to the Project and the Significant Share Project Participants’ respective electric systems. Such audited financial statements are required to be prepared in accordance with generally accepted accounting principles. NCPA will provide to the MSRB through the EMMA System such Project information and its financial statements (unaudited if audited financial statements are not then available) within 180 days after the end of its fiscal year, and each Significant Share Project Participants will provide to the MSRB through the EMMA System their respective financial statements (unaudited if audited financial statements are not then available) and operating data relating to their respective electric systems within 210 days after the end of their respective fiscal years. If unaudited financial statements are provided, audited financial statements will be provided as soon as available. In addition, NCPA has agreed to give timely notice to the MSRB through the EMMA System, of the occurrence of certain enumerated events. These agreements have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “APPENDIX E – PROPOSED FORMS OF CONTINUING DISCLOSURE AGREEMENTS.”

A review of NCPA’s and the Significant Share Project Participants’ compliance with prior continuing disclosure undertakings during the last five years indicates that:

(1) NCPA did not file certain project operating data for Fiscal Year 2013 that it had covenanted to provide in prior undertakings until approximately 342 days after the date required for such filing. In

addition, NCPA did not timely file specified event notices for certain rating changes and did not file specified event notices for rating changes of certain insured bonds resulting from changes in the bond insurer's credit rating.

(2) In certain instances, Alameda filed its annual continuing disclosure report after the date required for such filing and/or filed a report which omitted certain information Alameda had covenanted to provide in prior undertakings. Specifically, Alameda's annual reports for Fiscal Years 2013 and 2014 in connection with its electric system obligations, including in connection with bonds issued by NCPA, were not filed, or were not filed with all required information, until ranging from approximately 16 days to up to approximately 303 days after the respective dates required for such filings. Annual reports (and required prospective budgets) in connection with other City of Alameda obligations for Fiscal Years 2012 and 2013 were not filed, or were not filed with all required information, until, in some instances, more than two years after the date required for such filing. In addition, Alameda did not always provide rating change notices in a timely manner, and did not provide, in a timely manner after the annual filing dates, any notices of the failure to provide annual financial information.

(3) For Fiscal Year 2015, the financial and operating data to be filed as part of Lodi's continuing disclosure annual report in connection with certain of Lodi's obligations, including in connection with NCPA bonds and Lodi's direct electric system obligations, was not filed until approximately 9 to 14 days after the date required for certain of such filings. For Fiscal Year 2013, Lodi's annual continuing disclosure filing, when filed in January 2014, was approximately 27 days after the date required for one issue of Lodi electric system obligations. Lodi's Fiscal Year 2013 annual report when filed was also not properly associated on EMMA with the CUSIPs for all applicable issues of other City of Lodi obligations. In addition, in 2013 and 2014, on several occasions, Lodi failed to make "significant event" filings with respect to changes in the ratings of bond insurers of certain electric system and other City of Lodi obligations, as well as upgrades of the underlying ratings for certain obligations.

(4) In certain instances, Palo Alto's filed its annual continuing disclosure report after the date required for such filing and/or filed a report which omitted certain information Palo Alto had covenanted to provide in prior undertakings. Specifically, Palo Alto's annual filings for Fiscal Years 2013, 2014, 2015, 2016 and 2017 in connection with certain outstanding utility revenue bonds of Palo Alto omitted certain information relating to the top ten customers of its gas system. For Fiscal Years 2013 and 2015, certain information required in connection with an issue of assessment district bonds of Palo Alto was not filed until approximately 124 days and 229 days, respectively, after the date required for such filings. For Fiscal Years 2014, 2015 and 2016, Palo Alto's annual report was not properly associated (or not properly initially associated) on EMMA with the CUSIPs for certain general obligation bonds of Palo Alto, and its annual report for Fiscal Year 2013 was not properly associated with one issue of NCPA bonds. In 2016, in connection with the economic defeasance of portions of certain bonds, the filing of the notices of such defeasance was not timely; about a month after the event.

(5) The annual reports required for Fiscal Years 2013 and 2015 for certain of Roseville's then-outstanding obligations were not filed, or were not filed with all required information, until up to 552 days after the dates required for such filings. The Audited Financial Statements of Roseville for Fiscal Years 2012 and 2013 for certain of Roseville's then-outstanding obligations were filed up to 921 days after the dates required for such filings. Roseville has not in a timely manner filed all significant event notices, including, but not limited to, notices of changes in the ratings of certain then-outstanding obligations resulting from changes in ratings to the bond insurers who insured such obligations or the underlying ratings for such obligations.

(6) Santa Clara's annual continuing disclosure report for Fiscal Year 2013, while timely filed, was not associated with one issue of NCPA Bonds.

(7) Finally, all filings made by NCPA and each of the Significant Share Project Participants have not always been associated, or associated by the required filing deadline, with all CUSIPs for each of the related outstanding obligations.

NCPA and the Significant Share Project Participants (as applicable) believe they have made corrective filings to address the known instances during the last five years of past delayed or failure to file annual reports, omissions of required information and/or rating changes to be filed under their respective prior continuing disclosure undertakings (except with respect to certain bonds or other obligations that are no longer outstanding) and are currently in compliance in all material respects with such prior continuing disclosure undertakings.

### **City of Alameda Settlement with Securities and Exchange Commission**

In connection with an Offer of Settlement by the City of Alameda dated June 27, 2016, and an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order of the United States Securities and Exchange Commission dated August 24, 2016 (the “SEC Order”), the City of Alameda has undertaken to:

(i) Within 180 days of the entry of the SEC Order, establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, including the designation of an individual or officer at Alameda responsible for ensuring compliance by Alameda with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training.

(ii) Within 180 days of the entry of the SEC Order, comply with existing continuing disclosure undertakings, including updating past delinquent filings if Alameda is not currently in compliance with its continuing disclosure obligations.

(iii) For good cause shown, the Securities and Exchange Commission (“SEC”) staff may extend any of the procedural dates relating to the Alameda’s undertakings. Deadlines for procedural dates are to be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

(iv) Disclose in a clear and conspicuous fashion the terms of the settlement in any final official statement for an offering by Alameda within five years of the institution of the SEC’s proceedings.

(v) Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The SEC staff may make a reasonable request for further evidence of compliance, and Alameda has agreed to provide such evidence. The certification and supporting material shall be submitted to certain specified SEC personnel no later than the one-year anniversary of an institution of the SEC’s proceedings.

(vi) Cooperate with any subsequent investigation by the SEC regarding the false statement(s) and/or material omission(s), including the roles of individuals and/or other parties involved.

Alameda has established procedures to ensure compliance with their continuing disclosure undertakings in the future for Alameda and for all entities that are created or controlled by Alameda; and,

as stated above, has made remedial filings of all delinquent or missing information in its prior undertakings for issues currently outstanding. Alameda fully intends to comply with all other requirements of the SEC Order.

### **APPROVAL OF LEGAL PROCEEDINGS**

The issuance of the 2018 Bonds is subject to the approval of legality of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to NCPA. Certain legal matters will be passed upon for NCPA by Jane E. Luckhardt, Esq., General Counsel to NCPA, and by Spiegel & McDiarmid LLP, Washington, D.C., Washington Counsel to NCPA. Orrick, Herrington & Sutcliffe LLP is acting as disclosure counsel to NCPA in connection with the 2018 Bonds. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Los Angeles, California.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

On the date of delivery of the 2018 Bonds, NCPA will receive a report from Grant Thornton LLP verifying the adequacy of the cash deposited and held in the Escrow Fund, and the maturing principal amounts of and interest earned on the Escrow Securities initially deposited in the Escrow Fund (if any), to pay when due the interest on the Refunded 2008 Series C Bonds to the redemption date and the redemption price of the Refunded 2008 Series C Bonds on the redemption date.

### **INDEPENDENT AUDITORS**

The combined financial statements of Northern California Power Agency and Associated Power Corporations as of and for the year ended June 30, 2017 have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report. Baker Tilly Virchow Krause, LLP has not been engaged to perform and has not performed, since the date of its report included therein, any procedures on the financial statements addressed in such report. Baker Tilly Virchow Krause, LLP has also not performed any procedures relating to this Official Statement. The combined financial statements of NCPA and Associated Power Corporations, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated October 19, 2016, expressed an unmodified opinion on those combined statements.

### **INCLUSION BY SPECIFIC REFERENCE**

When delivered by the Underwriters, in their capacity as such, this Official Statement shall be deemed to include by specific reference all documents previously provided to the Municipal Securities Rulemaking Board (through EMMA) by NCPA or a Significant Share Project Participant with respect to its electric system to the extent that statements in such documents are material to the offering made hereby. Any statements in a document included by specific reference herein shall be modified or superseded for purposes of this Official Statement to the extent that it is modified or superseded by statements contained in this Official Statement or in any other subsequently provided document included by specific reference herein.

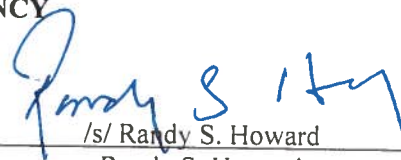
### **MISCELLANEOUS**

This Official Statement includes descriptions of the terms of the 2018 Bonds, the Indenture, the Escrow Agreement, the Third Phase Agreement, the Continuing Disclosure Agreements, certain other agreements and certain provisions of state and federal legislation. Such descriptions do not purport to be complete and all such descriptions and references thereto are qualified in their entirety by references to each such document, copies of which may be obtained from NCPA or, during the period of the offering, from the Underwriters.

Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

**NORTHERN CALIFORNIA POWER  
AGENCY**

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



/s/ Randy S. Howard

Randy S. Howard  
General Manager



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**APPENDIX A**

**SELECTED INFORMATION RELATING TO THE  
SIGNIFICANT SHARE PROJECT PARTICIPANTS**

The following information has been supplied by the respective Project Participants, and includes selected historical operating data and data taken from their electric system balance sheets. Neither NCPA nor any Project Participant makes any representation as to the accuracy or completeness of this information with respect to any other Project Participants.

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## **CITY OF ALAMEDA**

### **Introduction**

The City of Alameda (“Alameda”) is a charter city in the State of California. Alameda is an island community of 22.8 square miles located across the bay from San Francisco and to the west of the City of Oakland. Alameda was incorporated in 1854.

Alameda provides electric utility service through its Bureau of Electricity. The Alameda Bureau of Electricity began operation in 1887. The Bureau of Electricity did business as “Alameda Power & Telecom” beginning in 1999. On January 26, 2009, the name was changed to “Alameda Municipal Power.” The Alameda electric utility was the first municipal electric utility in California and is one of the oldest in the nation.

Alameda Municipal Power serves the entire area of the City of Alameda and has about 86.1 pole miles of overhead distribution lines and 178.1 circuit miles of underground distribution lines, 6.8 pole miles of overhead transmission lines, 1.9 circuit miles of underground transmission lines and 5,470 streetlights. During the fiscal year 2016-17, it served an average of 34,648 customers, comprised of an average of approximately 30,495 residential customers, an average of approximately 3,776 commercial and industrial customers and an average of approximately 377 public authority and other customers, with a peak demand of approximately 63.7 MW.

Alameda joined NCPA in 1968, is a participant in most NCPA projects, and has procured other power supply resources independently. In addition, NCPA has developed electric scheduling, dispatch and transmission capabilities that are utilized in the provision of Alameda Municipal Power’s electric utility services. All of Alameda Municipal Power’s rights to electric energy, capacity, environmental attributes and transmission are scheduled by NCPA. Alameda participates in the NCPA power pool. See “NORTHERN CALIFORNIA POWER AGENCY—NCPA Power Pool” in the front part of this Official Statement.

From June 2001 until November 21, 2008, Alameda also provided cable television and internet services through its telecommunications system. On November 18, 2008, the City Council of the City of Alameda unanimously authorized the sale of the telecommunications business line effective November 21, 2008. See “Condensed Operating Results and Selected Balance Sheet Information – *Interfund Transfers*” below.

Only the revenues of the Alameda electric system will be available to pay amounts owed by Alameda under the Third Phase Agreement.

Alameda Municipal Power is under the policy control of the Alameda Public Utilities Board, in accordance with the Alameda City Charter. The Public Utilities Board consists of four commissioners appointed by the Mayor with concurrence of the City Council, and the City Manager of the City (as an ex-officio member), who may not hold any office on the Board.

Pursuant to the Alameda City Charter, the Alameda Public Utilities Board has the power to control and manage the electric system, including the power to set rates for the services of the electric system. The Public Utilities Board establishes goals and policies, approves major purchases and creates the framework for local control of the utility.

Alameda Municipal Power’s main office is located at 2000 Grand Street, Alameda, California 94501, (510) 748-3901. For more information about Alameda and its electric system, contact Nicolas

Procos, General Manager at the above address and telephone number. A copy of the most recent comprehensive annual financial report of Alameda Municipal Power (the “Annual Report”) is available on Alameda Municipal Power’s website at <http://www.alamedamp.com>. The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.

## Power Supply Resources

The following table sets forth information concerning Alameda’s power supply resources and the energy supplied by each during the fiscal year ended June 30, 2017.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
POWER SUPPLY RESOURCES  
For the Fiscal Year Ended June 30, 2017**

<b>Source</b>	<b>Capacity Available (MW)<sup>(1)</sup></b>	<b>Actual Energy (MWh)</b>	<b>% of Total Energy</b>
Purchased Power <sup>(2)</sup> :			
Western	15.4	57,523.2	16.0%
High Winds Project	10.0	22,062.3	6.1
Landfill Gas Projects <sup>(3)</sup>	12.8	44,166.4	12.3
Graeagle	0.4	2,786.6	0.8
NCPA			
Geothermal Plant 1 <sup>(3)</sup>	8.4	-	0.0
Geothermal Plant 2 <sup>(3)</sup>	8.4	-	0.0
Hydroelectric Project	25.3	92,297.2	25.7
Combustion Turbine Project No. 1 & 2	24.9	3,686.6	1.0
Market Purchases for REC Sales <sup>(3)</sup>	0.0	179,461.1	49.9
Other Purchases/Sales (net)	0.0	(42,516.5)	(11.8)
Total Capacity and Total Purchased Energy	105.6	359,466.8	100.0%
Less Line Losses	-	(15,551.8)	(4.3)
Alameda’s Capacity and Retail Sales Requirements	63.7	343,915.0	95.7%

(1) Available non-coincident capacity.

(2) Entitlements, firm allocations and contract amounts.

(3) Renewable generation from the geothermal units and one landfill unit is sold within their RECs and replaced with market purchase generation.

Source: Alameda Municipal Power.

In the fiscal year ended June 30, 2017, Alameda’s average cost of power for 343.77 GWh of energy sales was 7.16 cents per kWh, and its average cost of power for the 359.47 GWh purchased was 6.85 cents per kWh.

## Purchased Power

**Western.** Alameda has power purchase agreements with the Western Area Power Administration (“Western”) that continue through December 31, 2024. Alameda’s Western power is assigned to NCPA

for scheduling and delivery to Alameda. Power purchased under these agreements is generated by the Central Valley Project (“CVP”), a series of federal hydroelectric facilities in Northern California operated by the United States Bureau of Reclamation (the “Bureau”).

On October 5, 2000, Alameda signed a 20-year Base Resource agreement with Western with initial service beginning January 1, 2005. Service under the Western contract will continue through December 31, 2024, with Alameda receiving a “slice of the system” allocation from Western. Alameda’s allocation is currently 1.08075% of the CVP output. Power provided to Alameda under the Western contract is on a take-or-pay basis; Alameda is obligated to pay its share of Western costs whether or not it receives any power.

**Other Purchases.** Alameda has also entered into certain other power purchase agreements: (i) a power purchase agreement with PPM Energy, Inc. (now Iberdrola Renewables, Inc.) for power supplied from the Highwinds Project in Solano County, California under which Alameda Municipal Power receives 6.17% (approximately 10 MW of the 162 MW project) until June 30, 2028; (ii) five long-term power purchase agreements for power supplied by multiple existing and proposed generating facilities utilizing combustible gaseous emissions from landfills located in or near the San Francisco Bay area, under which (a) Alameda has received approximately 3.5 MW of baseload power from two facilities since early 2006, approximately 5.2 MW of baseload output from two additional facilities since 2009, and approximately 1.9 MW of baseload power from a fifth facility since 2009; and (b) Alameda will receive an additional 10 MW of power from Silicon Valley Power during the months of January, February, October, November, and December beginning January 2018 through December 2027. In addition, Alameda makes short-term market purchases as necessary to meet its native load requirements.

Generally, Alameda has entered into power purchase agreements solely or primarily for use within its own system.

### **Joint Powers Agency Resources**

**NCPA.** Alameda does not independently own any generation assets but, in addition to power purchased from Western and others, Alameda is a participant in most NCPA projects. Alameda has purchased from NCPA a 10.00% entitlement share in the Hydroelectric Project. Alameda has purchased from NCPA a 19.00% entitlement share in the Capital Facilities Project. Alameda has purchased from NCPA a 21.820% entitlement share in the Combustion Turbine Project Number One. Alameda has purchased from NCPA a 16.8825% entitlement share in the Geothermal Project. Alameda has purchased from NCPA a 30.36% entitlement share in the Geysers Transmission Project. For a description of such resources, see “THE HYDROELECTRIC PROJECT” and “OTHER NCPA PROJECTS” in the front part of this Official Statement. For each of these NCPA projects in which Alameda participates, Alameda is obligated to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the project, as well as its share of the operation and maintenance expenses of the project. See also “Indebtedness; Joint Powers Agency Obligations” below.

Through NCPA, Alameda also participates in certain power purchase agreements entered into by NCPA, including a power purchase agreement with Henwood Associates, Inc. to purchase 100% of the power produced by the Graeagle Hydroelectric Project, a small 440 kW hydroelectric project (replacing a prior agreement under which Alameda received 50% of the project output). The energy source for the facility is hydroelectric and the facility meets the qualifying facilities requirements established by FERC. The facility output, which varies with hydrological conditions, has averaged about 2,000 MWh per year. Deliveries under the agreement began on February 1, 2010 and will terminate on January 31, 2030. See also “OTHER NCPA PROJECTS” in the front part of this Official Statement.

***TANC California-Oregon Transmission Project.*** Alameda, together with fourteen other northern California cities and districts and one rural electric cooperative, is a member, or associate member, of a California joint powers agency known as the Transmission Agency of Northern California (“TANC”). TANC, together with the City of Redding, California (“Redding”), Western, two California water districts and PG&E (collectively, the “COTP Participants”) own the California–Oregon Transmission Project (the “COTP”), a 339 mile long, 1,600 MW, 500 kV transmission project between southern Oregon and central California. The COTP was placed in service on March 24, 1993, at a cost of approximately \$430 million. In April 2008, TANC purchased the COTP transmission assets (approximately 121 MW) of Vernon Light & Power of the City of Vernon, California (“Vernon”), one of the original owners of the COTP. Alameda did not participate as an acquiring TANC Member for an additional share of the purchased assets from Vernon.

TANC financed its interest in the COTP through the issuance of California-Oregon Transmission Project Revenue Bonds and commercial paper notes, of which approximately \$208.4 million principal amount of revenue bonds was outstanding as of January 31, 2018. See “Indebtedness; Joint Powers Agency Obligations” below.

Pursuant to Project Agreement No. 3 for the COTP (the “TANC Agreement”), TANC has agreed to provide to Alameda and 12 other members of TANC (the “TANC Member-Participants”) a participation percentage of TANC’s entitlement of COTP transfer capability. In return, each TANC Member-Participant has severally agreed to pay TANC a corresponding percentage of TANC’s share of the COTP construction costs, including debt service on TANC’s outstanding revenue bonds and other obligations issued by TANC to finance its ownership share of the COTP. A TANC Member-Participant’s obligations to make payments to TANC are not dependent upon the operation of the COTP and are not subject to reduction. Upon an unremedied default by one TANC Member-Participant in making a payment required under the TANC Agreement, the nondefaulting TANC Member-Participants are required to increase pro-rata their participation percentage by the amount of the defaulting TANC Member-Participant’s entitlement share, provided that no such increase can result in a greater than 25% increase in the participation percentage of the nondefaulting TANC Member-Participants.

Pursuant to the TANC Agreement, Alameda is obligated to pay 1.2274% of TANC’s COTP operating and maintenance expenses and 1.33% of TANC’s COTP debt service (on bonds other than TANC’s 2009 Series A Bonds on which it is obligated for 1.4496% of debt service) and is entitled to 1.2274% of TANC’s share of COTP transfer capability (approximately 17 MW net of third-party layoffs of TANC) on an unconditional take-or-pay basis. Alameda’s share of annual operating and maintenance expenses and debt service for the COTP is approximately \$0.7 million per year. See, however, “—COTP Long-Term Layoff” below.

To utilize the full transfer capability of the COTP and the Intertie (described below) on a firm basis between the Pacific Northwest and California, it is necessary to coordinate the operation of all three transmission lines. The Pacific AC Intertie (the “Intertie”) is a two line system which, like the COTP, connects California utilities with those in a Pacific Northwest. The Intertie lines are owned by certain of the California investor-owned utilities and Western and are operated by the California Independent System Operator (the “CAISO”). Rate schedules are on file with FERC to accomplish this coordination. The three-line system comprised of the COTP and the Intertie is collectively referred to as the California-Oregon Intertie (“COI”).

The COTP became a part of the Sacramento Municipal Utility District Western balancing authority area effective December 1, 2005, the operations of which were subsequently transferred to the Balancing Authority of Northern California. As a result, the TANC Member-Participants are able to

undertake direct scheduling of the COTP within the control area substantially free of the CAISO tariff, charges, congestion and encumbrances.

***TANC Tesla–Midway Transmission Service.*** The southern physical terminus of the COTP is near PG&E’s Tesla Substation near Tracy, California. The COTP is connected to Western’s Tracy and Olinda Substations. PG&E provides TANC and its members with 300 MW of firm bi-directional transmission capacity in its transmission system between its Tesla Substation and its Midway Substation near Buttonwillow, California (the “Tesla Midway Transmission Service”) under a long-term agreement known as the South of Tesla Principles. Alameda’s share of Tesla Midway Service is 6.0 MW. Alameda may utilize its full allocation of Tesla–Midway Transmission Service for firm and non-firm power transactions when economic to do so and if available.

***COTP Long-Term Layoff.*** Due to situational and economic changes in value of power deliveries over the COTP, Alameda and six other TANC members laid off their participation shares in the COTP to other TANC members for a period of 25 years with the option to extend for an additional five years upon all parties’ approval. TANC has provided an enabling agreement which became effective on July 1, 2014. The agreement transfers the use and associated rights of Alameda’s project participation shares to the receiving parties. The receiving parties agree to pay the debt service and operating and maintenance costs associated with those shares and an additional value payment after the debt service is retired. Under the agreement, Alameda would continue to be a member of TANC and would continue to be ultimately responsible for its allocated share of the costs of the COTP in the event of a default by a receiving party during the term of the agreement.

## **Energy Efficiency and Conservation; Renewable Resources**

State laws enacted in 2005 and 2006 require publicly-owned utilities (“POUs”), such as Alameda Municipal Power, in procuring energy, to first implement all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible, and to provide annual reports to customers and to the California Energy Commission (the “CEC”) describing their investment in energy efficiency and demand reduction programs. Assembly Bill 2021, which became law in 2007, requires investor-owned utilities (“IOUs”) and POUs to identify energy efficiency potential and establish annual efficiency targets so that the State can meet the goal of reducing total forecasted electricity consumption by 10% over the ten years.

Alameda Municipal Power has a full portfolio of public benefits programs, addressing four areas of concentration: low income assistance programs, renewable energy production, advanced electric technology demonstration, research and development, as well as energy efficiency programs. It has continually funded new renewable resources including geothermal, wind, landfill gas, and hydroelectric generation.

Alameda Municipal Power has had energy efficiency programs in place since the 1990s. These energy efficiency programs focus on the unique end-uses in Alameda with its coastal climate, and the resulting lack of air conditioning load. Alameda Municipal Power offers energy efficiency programs for all of its customer classes and has established an aggressive target for reducing future consumption by nearly 12% during the next ten years.

Alameda’s renewables portfolio consists of its share of NCPA’s geothermal and hydroelectric projects as well as power purchase agreements for the purchase of landfill-gas-to-energy, wind, and additional hydroelectric generation. All of this generation is considered California-eligible renewable generation with the exception of generation from large (>30 MW) hydroelectric facilities. In the absence

of REC sales to CDWR/Shell, AMP's renewable percentage would have been 75.4% in 2017 and 82.4% in 2018.

### **Future Power Supply Resources**

Alameda is currently investigating options to meet future resources requirements in an environmentally beneficial manner including additional renewable resources and energy efficiency savings.

### **Interconnections, Transmission and Distribution Facilities**

Alameda's electric system is interconnected with the system of PG&E at two PG&E substations. Alameda owns facilities for the distribution of electric power within the city limits of Alameda, which includes approximately 8.70 miles of 115 kV power lines, approximately 258.6 miles of 12 kV distribution lines (approximately 67% of which are underground) and fourteen substations. Alameda's electric system experienced approximately 0.35 minutes of outage time per customer in fiscal year 2016-17.

### **Forecast of Capital Expenditures**

Alameda's current five-year capital plan for electric facilities contemplates capital expenditures in the following years and amounts:

#### **CITY OF ALAMEDA ALAMEDA MUNICIPAL POWER ESTIMATED CAPITAL EXPENDITURES**

<b>Fiscal Year Ended June 30,</b>				
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$9,927,000	\$5,454,000	\$3,756,000	\$5,559,000	\$3,410,000

*Source:* Alameda Municipal Power.

The capital expenditures are for distribution system improvements and extensions, the underground conversion program, the addition of Automated Metering Infrastructure (AMI), additions for new loads, community solar, replacements and maintenance, computer equipment and software and vehicles. Alameda anticipates funding the majority of such costs from current year revenues and designated reserves.

### **Insurance**

As a member of the California Joint Powers Risk Management Authority ("CJPRMA") and the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), Alameda carries both liability and property coverage in excess of self-insurance at varying levels. Through CJPRMA, Alameda carries \$40 million in general liability coverage subject to a \$500,000 self-insured retention. As a member of CJPRMA, Alameda is a participant in both the vehicle physical damage and property programs. Alameda carries physical damage coverage for vehicles worth \$25,000 or more, subject to a \$10,000 deductible. With respect to the property and boiler and machinery coverage, Alameda carries "all risk" (excluding flood and earthquake) replacement cost coverage for both real and personal property,



subject to a \$25,000 deductible. Finally, Alameda carries workers' compensation coverage with statutory limits, in excess of a \$350,000 self-insured retention through LAWCX.

## **Employees**

As of June 30, 2017, approximately 86 City of Alameda employees were assigned specifically to the Alameda electric utility. Effective February 23, 2014, AMP's management personnel are represented by the Electric Utility Professionals of Alameda ("EUPA") instead of the Management and Confidential Employees Association ("MCEA"). Non-management personnel are represented either by the International Brotherhood of Electrical Workers ("IBEW") or the Alameda City Employees Association ("ACEA"). The current Memoranda of Understanding with each of EUPA, ACEA and IBEW expires in December 2018. There have been no strikes or other work stoppages at the City of Alameda, including Alameda Municipal Power, since the early 1970s.

Retirement benefits to City of Alameda employees, including those assigned to Alameda Municipal Power, are provided through the City of Alameda's participation in the California Public Employees Retirement System ("CalPERS"), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating plan members. Employees of the City assigned to Alameda Municipal Power participate in the CalPERS Miscellaneous Plan. CalPERS determines contribution requirements for the plan using a modification of the Entry Age Normal Method. Under this method, the City of Alameda's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute the contribution requirements are also used to compute the actuarial accrued liability. Assembly Bill 340, the Public Employee's Pension Reform Act ("PEPRA"), implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA.

CalPERS uses the market related value method of valuing the plan's assets. An investment rate of return of 7.65% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis within twenty years.

The City of Alameda's total employers' contributions for the three fiscal years 2014-15 through 2016-17 were as follows: fiscal year 2014-15, \$3,506,145 (of which \$1,016,782 was contributed by the electric utility); fiscal year 2015-16, \$4,527,506 (of which \$1,312,978 was contributed by the electric utility); and fiscal year 2016-17, \$5,265,991 (of which \$1,631,011 was contributed by the electric utility). The City of Alameda made these contributions as required, together with certain additional immaterial amounts required as a result of the payment of employee compensations. As of June 30, 2015 (the most recent actuarial data available), the entry age accrued liability for the Miscellaneous Plan (in which City of Alameda employees assigned to Alameda Municipal Power participate) was \$259,979,219, the actuarial value of assets was \$189,573,478, resulting in an unfunded liability of \$70,405,741, with a funded ratio of 73%. The portion of the net pension liability allocable to Alameda Municipal Power employees is \$21,006,196.

In addition, the City of Alameda provides certain post-employment benefits other than pensions ("OPEB") to City employees, including those assigned to the Alameda Municipal Power, who retire from the City and receive a CalPERS pension through its participation in the CalPERS medical and dental

benefits program. Contribution requirements of the postemployment benefit are based on pay-as-you-go financing. The City's annual required contribution of the employer ("ARC") was determined as part of a January 1, 2015 actuarial valuation using the Entry Age Normal Actuarial Cost Method. This is a projected benefit cost method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) a 4.0% investment rate of return; and (b) a healthcare cost trend of declining annual increases ranging from 7-7.2% initially to 5%. The actuarial methods and assumptions use techniques that "smooth" the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revisions at least biannually, as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability as of June 30, 2017 is being amortized using a 19-year closed amortization period using the level of payroll method. Assumption changes, plan changes and gains or losses are being amortized using a 15-year closed period. For the fiscal years 2014-15, 2015-16 and 2016-17, the City of Alameda contributed 34%, 84% and 41%, respectively, of the annual OPEB cost of \$8,010,000 (fiscal year 2014-15), \$10,373,000 (fiscal year 2015-16) and \$10,869,882 (fiscal year 2016-17), respectively. Amounts contributed for such fiscal years were as follows: fiscal year 2014-15, \$2,999,333 (of which \$57,708 was contributed by the electric utility); fiscal year 2015-16, \$8,730,060 (of which \$57,708 was contributed by the electric utility); and fiscal year 2016-17, \$4,498,616 (of which \$57,996 was contributed by the electric utility). As of January 1, 2015, the entry age actuarial accrued liability for the health care benefits plan was \$113.16 million, the actuarial value of assets was \$177,000, resulting in an unfunded liability of \$112.99 million.

Additional information regarding the City of Alameda's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at <http://www.cityofalamedaca.gov>.

## Service Area

The largest employers in Alameda as of June 30, 2017 are as follows:

### CITY OF ALAMEDA 2016-17 LARGEST EMPLOYERS

Employer	Business	Number of Employees
Penumbra	Med. Device Developer/Manufacturer	1,071
Alameda Unified School district	Public School	1,044
VF Outdoor	Clothing Design/Manufacturer	783
Alameda Hospital	Health Care/Hospital	727
Oakland Raiders	Sports Team	595
Abbott Diabetes Care	Med. Device Developer/Manufacturer	531
City of Alameda	Local Government	522
Kaiser Foundation Health Plan	Health Care/Clinic	425
Safeway Store	Grocery Store	418
Cost Plus Corporate Headquarters	Business Administration	412

Source: City of Alameda Finance Department.

The following table reflects the five-year history of building permit valuation for the City:

**CITY OF ALAMEDA  
BUILDING PERMITS AND VALUATIONS  
Calendar Years 2013 through 2017  
(dollars in thousands)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Permit Valuation					
New Single-family	\$ 545	\$ 6,952	\$ 44,541	\$41,239	\$15,528
New Multi-family	0	11,899	32,982	18,341	11,586
Res. Alterations/Additions	20,806	21,590	23,892	22,674	19,490
Total Residential	<u>\$21,351</u>	<u>\$40,441</u>	<u>\$101,415</u>	<u>\$82,254</u>	<u>\$46,604</u>
New Commercial	\$ 1,959	\$24,391	\$ 6,547	\$12,249	\$ 832
New Industrial	162	0	0	43,077	0
New Other Comm.	1,152	1,149	8,802	2,739	48,271
Alterations/Additions	15,795	16,638	24,005	40,936	28,876
Total Nonresidential	<u>\$19,068</u>	<u>\$42,178</u>	<u>\$39,354</u>	<u>\$99,001</u>	<u>\$77,979</u>
New Dwelling Units					
Single Family	1	18	141	141	53
Multiple Family	0	79	136	87	63
Total	<u>1</u>	<u>97</u>	<u>277</u>	<u>228</u>	<u>116</u>

Source: Construction Industry Research Board.

The five-year history of assessed valuations in Alameda is as follows:

**CITY OF ALAMEDA  
TOTAL ASSESSED VALUATIONS  
(Fiscal Years 2012-13 through 2016-17)**

<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
\$9,423,046,773	\$9,949,194,280	\$10,531,584,610	\$11,155,282,233	\$11,858,309,875

Source: City of Alameda Finance Department.

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Shown below is certain population data for the City of Alameda, the County of Alameda and the State of California:

**CITY OF ALAMEDA, COUNTY OF ALAMEDA,  
STATE OF CALIFORNIA POPULATION  
(1970-2010 as of April 1; 2011-2017 as of January 1)**

	<u>City of Alameda</u>	<u>County of Alameda</u>	<u>State of California</u>
1970	70,968	1,071,446	19,971,069
1980	63,852	1,105,379	23,668,562
1990	73,979	1,276,702	29,760,021
2000	73,713	1,443,939	33,873,086
2010	74,736	1,557,749	37,253,956
2011	74,081	1,521,157	37,427,946
2012	74,640	1,532,137	37,668,804
2013	75,126	1,548,681	37,984,138
2014	76,413	1,578,891	38,340,074
2015	75,961	1,574,497	39,032,444
2016	79,277	1,627,865	39,296,476
2017	79,928	1,647,704	39,536,653

*Sources:* U.S. Bureau of Census and California State Department of Finance.

## Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Alameda in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Alameda taken with respect to the Third Phase Agreement.

***Zachary Ginsburg, on behalf of himself, and others similarly situated v. City of Alameda et al.***  
***Alameda Superior Court Case No. RG15791428.*** On October 29, 2015, Zachary Ginsburg filed a petition for writ of mandate and complaint in the Superior Court for the State of California, County of Alameda, alleging that electric rates charged by Alameda Municipal Power represent an “illegal tax” under the provisions of Proposition 26, a 2010 ballot measure. An appellate decision earlier in 2015, *Citizens for Fair REU Rates v. City of Redding*, 182 Cal. Rptr. 3d 722 (Feb. 19, 2015), had held that in certain circumstances, electric rates that were used to fund payments by a city-owned electric utility to a City’s General Fund could constitute a “tax” subject to provisions of the California Constitution that would require voter approval. Plaintiff alleges that because AMP made certain transfers to the City’s General Fund without voter approval, he and a class of all AMP customers who paid for electricity from October 2012 through the present are entitled to “tax refunds.” Plaintiff also complains that differences between the rates charged to commercial users and residential users are an alleged illegal cross-category subsidy in favor of commercial users. After Plaintiff filed a Second Amended Verified Petition on March 15, 2016, the City filed its answer, denying the allegations and stating its affirmative defenses, on April 26, 2016.

The California Supreme Court has granted review of the *City of Redding* matter, and the matter is fully briefed and awaiting oral argument. The City moved to stay the *Ginsburg* matter, and the Court granted the stay on December 9, 2016. No trial date or date for hearing on whether a class should be certified has yet been set.

Present lawsuits and claims concerning Alameda's electric system are incidental to the ordinary course of operations of the electric system and are largely covered by Alameda's self-insurance program. In the opinion of Alameda Municipal Power's management and, with respect to such litigation, the Alameda City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position of Alameda Municipal Power.

## **Rates and Charges**

Alameda Municipal Power has the exclusive jurisdiction to set electric rates within its service area by action of the Alameda Public Utilities Board. These rates are not subject to review by any state or federal agency.

Alameda's fiscal year 2016-17 average rate per kWh sold for all electric service is estimated to be 16.19 cents per kWh. The average rate per kWh sold for residential service in fiscal year 2016-17 is estimated to be 16.96 cents. The average rates for commercial service are estimated to be 20.28 cents per kWh. Alameda's average rate for municipal and public authority service for fiscal year 2016-17 is estimated at 19.23 cents per kWh. In general, the rate adjustment for fiscal year 2016-17 was designed to increase revenue in each service category by 1.1 cents per kWh. Currently, Alameda management estimates that Alameda's electric rates are approximately 24.41% below those in the surrounding area on average.

The following table presents a recent history of Alameda's rate changes. Alameda also imposes a solar surcharge in conjunction with its electric rates which is applied to fund its photovoltaic incentive programs as required by Senate Bill 1 (the California Solar Initiative).

### **CITY OF ALAMEDA ALAMEDA MUNICIPAL POWER ELECTRIC RATE CHANGES**

<b>Date</b>	<b>Percent Change (Average)</b>
July 1, 2010	3.75%
July 1, 2011	3.85
July 1, 2012	3.25
July 1, 2013	3.25
July 1, 2014	2.00
July 1, 2015	4.60
July 1, 2016	5.00
July 1, 2017	5.00

*Source:* Alameda Municipal Power.

## **Largest Customers**

Alameda's ten largest electric customers in terms of kWh sales for the fiscal year ended June 30, 2017 accounted for 21.32% of total kWh sales and 20.46% of total revenues. The largest customer accounted for 4.17% of total kWh sales and 3.87% of total revenues. The smallest of the ten largest customers accounted for 1.32% of total kWh sales and 1.23% of revenues.

## Customers, Sales, Revenues and Demand

The average numbers of customers, kWh sales, revenues derived from sales by classification of service and peak demand during the five fiscal years 2012-13 through 2016-17, are listed below.

### CITY OF ALAMEDA ALAMEDA MUNICIPAL POWER ELECTRIC CUSTOMERS, SALES, REVENUES AND DEMAND

	Fiscal Years Ended June 30,				
	2013	2014	2015	2016	2017
Number of Customers:					
Residential	30,260	30,293	30,307	30,377	30,495
Commercial Small	3,781	3,786	3,834	3,735	3,764
Commercial Medium	9	12	8	8	12
Public Authority	331	363	361	363	362
Other	24	28	15	11	15
Total Customers	34,405	34,482	34,525	34,494	34,648
Kilowatt-Hour Sales:					
Residential	135,924,914	131,209,422	125,431,220	125,831,929	126,850,402
Commercial Small	176,259,228	175,075,476	174,257,771	176,575,883	172,520,353
Commercial Medium	35,487,830	31,951,900	26,587,830	31,490,040	30,127,960
Public Authority	12,585,314	12,537,513	12,809,590	12,375,517	11,428,198
Other	3,186,846	3,138,994	3,116,374	2,546,494	2,838,825
Total kWh sales	363,444,132	353,913,305	342,202,785	348,819,863	343,765,738
Revenues from Sale of Energy:					
Residential	\$ 18,781,411	\$ 18,974,096	\$ 18,849,656	\$ 19,869,104	\$ 21,510,126
Commercial Small	24,967,214	25,554,219	25,660,869	27,071,358	27,177,335
Commercial Medium	4,552,958	4,088,510	3,435,518	4,278,240	4,366,885
Public Authority	1,779,313	1,859,914	2,047,549	1,973,689	1,958,154
Other	623,308	660,902	797,198	1,028,631	913,248
Total Revenues from Sale of Energy	\$ 50,704,204	\$ 51,137,641	\$ 50,790,790	\$ 54,221,022	\$ 55,925,748
Peak Demand (kW)	68,100	69,308	63,372	64,283	63,738

Source: Alameda Municipal Power.

## Indebtedness; Joint Powers Agency Obligations

As of January 31, 2018, Alameda had outstanding obligations under an Installment Sale Agreement, dated as of August 1, 2010 (the "Electric System Installment Sale Agreement"), by and between the Alameda Public Financing Authority and Alameda Municipal Power, in the aggregate principal amount of \$25,290,000, the installment payments payable by Alameda under which are payable from and secured solely by a pledge of and lien on net revenues of the electric system of Alameda Municipal Power. These obligations are subordinate to the payments required to be made with respect to Alameda's obligations to NCPA and TANC as described below.

As previously discussed, Alameda participates in certain joint powers agencies, including NCPA and TANC. Obligations of Alameda with respect to TANC and NCPA constitute operating expenses of Alameda payable prior to any of the payments required to be made by Alameda's under the Electric System Installment Sale Agreement described above. The agreements with NCPA and TANC are on a

“take-or-pay” basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain “step up” provisions obligating Alameda to pay a share of the obligations of a defaulting participant. Alameda’s participation and share of debt service obligation (without giving effect to any “step up” provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES  
(Dollar Amounts in Millions)  
(As of January 31, 2018)**

	<u>Outstanding Debt<sup>(1)</sup></u>	<u>Alameda’s Participation<sup>(2)</sup></u>	<u>Alameda’s Share of Outstanding Debt<sup>(1)</sup></u>
NCPA			
Geothermal Project	\$ 28.8	16.8825%	\$ 4.9
Hydroelectric Project	322.4	10.0000	32.2
Capital Facilities Project Unit One	33.8	19.0000	6.4
 TANC - SOT	 2.6	 2.1040	 0.1 <sup>(3)</sup>
TOTAL *	<u>\$387.6</u>		<u>\$43.6</u>

\* Columns may not add to totals due to independent rounding.

(1) Principal only. Does not include obligation for payment of interest on such debt.

(2) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant’s original participation.

(3) Alameda’s actual payments represent approximately 10.26% of outstanding debt service as a result of credit to non-participating members with respect to portion of debt obligation.

Source: Alameda Municipal Power.

For the fiscal year ending June 30, 2017, Alameda estimates its payment obligations for debt service on its joint powers agency debt obligations to be approximately \$10.1 million and for the fiscal year ending June 30, 2018, Alameda estimates its payment obligations for debt service on its joint powers agency debt obligations to be approximately \$10.3 million. A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated joint powers agency members (a corresponding amount of which proportionate to its

debt service obligations to such joint powers agency could be due from Alameda). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Alameda).

### **Transfers to the General Fund**

The Alameda City Charter provides that Alameda Municipal Power transfer to the City General Fund certain excess earnings of the Electric System after payment of bond interest and sinking fund requirements and operating expenses (exclusive of depreciation) and certain amounts authorized to be retained by the Alameda Municipal Power from earnings of the Electric System, all as defined in and provided pursuant to the terms of the City Charter. In the absence of such transfer of excess earnings as determined under the City Charter, the Public Utilities Board has authorized by resolution certain contributions from the Electric System to the City General Fund in accordance with the provisions of the City Charter.

The following table sets out the transfers from the Electric System Alameda Municipal Power's General Fund for the five fiscal years 2012-13 through 2016-17.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
TRANSFERS TO THE GENERAL FUND  
(Dollar Amounts in Thousands)**

<b>Fiscal Year</b>	<b>Transfer Amount</b>
2013	\$2,800,000
2014	2,800,000
2015	2,800,000
2016	2,800,000
2017	2,800,000

*Source: Alameda Municipal Power.*

In November 2016, a ballot measure was approved to allow Alameda Municipal Power to transfer \$3,700,000 annually to the City General Fund, beginning in Fiscal Year 2018 and to transfer responsibility for the maintenance and repairs of the streetlights to the Public Works Department.

Litigation has been filed challenging the transfer to the City General Fund, see "Litigation" above.

### **Significant Accounting Policies**

Alameda's most recent Component Unit Financial Statements for the fiscal years ended June 30, 2017 and 2016 were audited by Vavrinek, Trine, Day & Company, LLP, Pleasanton, California, in accordance with generally accepted auditing standards. The audited financial statements contain opinions that the financial statements present fairly the financial position of Alameda Municipal Power. The reports include certain notes to the financial statements which are not described herein. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available upon request from the City of Alameda, Alameda Municipal Power, 2000 Grand Street, Alameda, California



94501 and from their website at *www.AlamedaMP.com*. It is the policy of Alameda Municipal Power to periodically bid, select and retain independent auditors.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Alameda Municipal Power's operations are accounted for as an Enterprise Fund. Enterprise funds are used by municipalities to account for operations which are financed and operated similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods and services to the public on a continuing basis be recovered primarily through user charges.

Alameda Municipal Power's accounting records and financial statements are on the accrual basis and are substantially in accordance with the Uniform System of Accounts for Class A and B Electric Utilities prescribed by the FERC, as required by the Alameda City Charter.

#### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of operating results and selected balance sheet information of Alameda's electric utility for the five fiscal years 2012-13 through 2016-17. The information for the fiscal years ended June 30, 2013 through June 30, 2017 was prepared by Alameda on the basis of its audited financial statements for such years. The historical debt service coverage ratios have been calculated in accordance with Alameda's Electric System Installment Sale Agreement.

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**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CONDENSED OPERATING RESULTS AND SELECTED BALANCE SHEET INFORMATION**

	Fiscal Years Ended June 30				
	2013	2014	2015	2016	2017
Electric System Revenues					
Sales of Electricity	\$50,704,204	\$51,137,641	\$50,790,790	\$54,221,022	\$55,925,748
REC & C&T Sales	1,444,095	1,355,947	1,390,534	1,852,516	3,159,383
Other Revenues <sup>(1)</sup>	4,283,423	6,938,783	6,824,069	6,363,950	5,071,175
Total Electric System Revenues	\$56,431,722	\$59,432,371	\$59,005,393	\$62,437,488	\$64,156,306
Operation and Maintenance Costs					
Purchased Power <sup>(2)(3)</sup>	\$28,544,844	\$28,196,783	\$27,517,599	\$29,781,270	\$28,201,607
Energy Efficiency, Solar and Other	1,241,434	1,086,966	1,605,608	1,684,963	1,504,629
Operations & Maintenance	3,871,957	4,097,223	4,328,813	4,573,500	4,674,307
Customer Service, Information Systems	2,005,147	2,074,830	2,113,922	2,226,364	2,170,617
Administrative & General	6,114,615	6,032,512	6,115,467	7,732,884	7,425,117
Customer Relations	628,344	499,294	531,550	540,214	530,544
Jobbing Sales Expense	239,946	718,904	202,796	315,472	993,580
Balancing Account Adjustment	2,318,595	(1,897,439)	(660,241)	1,010,084	1,425,636
Total Operation and Maintenance Costs <sup>(4)</sup>	\$44,964,882	\$40,809,073	\$41,755,514	\$47,864,751	\$46,926,037
Net Revenues	\$11,466,840	\$18,623,298	\$17,249,879	\$14,572,737	\$17,230,269
Rate Stabilization Fund Transfers	(\$4,283,423)	(\$6,938,783)	(\$6,824,069)	(\$6,363,950)	(\$5,071,175)
Use of Reserves	156,736	134,636	1,411,438	2,281,580	1,020,393
Adjusted Annual Net Revenues	\$7,340,153	\$11,819,151	\$11,837,248	\$10,490,367	\$13,179,487
Debt Service	2,753,097	2,747,479	2,712,637	2,640,325	2,631,044
Debt Service Coverage <sup>(5)</sup>	2.67	4.30	4.36	3.97	5.01
Amount Available After Debt Service	\$4,587,056	\$9,071,672	\$9,124,611	\$7,850,042	\$10,548,443

**Selected Balance Sheet Information:  
(in thousands)**

Unrestricted Cash & Investments <sup>(6)</sup>	\$50,095	\$45,581	\$42,094	\$41,909	\$39,422
Rate Stabilization Fund Balance <sup>(7)</sup>	4,283	11,222	16,505	20,583	24,633
Net Plant in Service	34,285	38,052	35,669	38,470	36,275
Construction Work in Progress	1,878	46	4,519	1,736	6,452
Electric Utility Plant-Net	36,163	38,097	40,188	40,206	42,727
Outstanding Electric System Debt <sup>(7)</sup>	\$28,947	\$28,749	\$27,590	\$26,460	\$25,290

(1) Other Revenues includes operating and non-operating sources such as solar surcharge, interest income, lease income, account establishment, reconnection and late fees, jobbing sales and other miscellaneous items.

(2) Includes purchased power costs and payments to NCPA and TANC.

(3) Purchased Power costs reflect inclusion of prior year budget settlements from NCPA.

(4) Excluding Payments in lieu of taxes and depreciation.

(5) Adjusted Annual Net Revenues divided by debt service.

(6) Includes General Reserve balance held at NCPA. See also "Available Reserves" below.

(7) Includes renewable energy credit sales and cap and trade auction sales placed into reserve for Rate Stabilization Fund.

Source: Alameda Municipal Power.

**Interfund Transfers.** During the fiscal year 2008-09, \$1,095,614 in interfund transfers (*i.e.* no repayment expected) from the Electric System enterprise fund to the telecommunications system enterprise fund were recorded for expenses due to the sale of the Alameda's telecommunications system on November 21, 2008. During the fiscal year 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, and 2016-17, additional interfund transfers from the Electric System enterprise fund to the telecommunications system enterprise fund amounted to \$2,734,279, \$2,929,410, \$987,222, \$206,429,

581,343, 574,818, and 2,190,23 respectively, for expenses. In June 2016, Alameda Municipal Power made the final payment to the City of Alameda for \$2.2 million terminating the telecommunications enterprise fund. See “Litigation” above.

***Available Reserves.*** As of June 30, 2017, the balance in cash and equivalents available at Alameda Municipal Power was \$22,482,833. In addition, Alameda had available in reserve accounts held by NCPA an additional \$3,138,623 as of such date.

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## **CITY OF LODI**

### **Introduction**

The City of Lodi (“Lodi”) is a general law city in the State of California incorporated in 1906. Lodi is located in the San Joaquin Valley of California, 35 miles south of the State capital of Sacramento, and 90 miles east of San Francisco. Lodi’s boundaries encompass approximately 13.98 square miles.

Lodi provides electric utility service through an electric utility department. The legal responsibilities and powers of the electric utility department, including the establishment of rates and charges, are exercised through the five-member Lodi City Council. Three members of the City Council will start being elected by-districts effective November 2018. The last two seats will transition to by-district elections in 2020 to accommodate the existing staggered four year terms. The Lodi electric utility department is under the direction of the Electric Utility Director who is appointed by the City Manager.

Lodi joined NCPA at its founding in 1968. Lodi participates in several NCPA generation projects and member service programs. In addition, Lodi is an NCPA Pool Member and NCPA’s Central Dispatch Center in Roseville provides real-time dispatching and scheduling of most available resources to serve Lodi’s electric load.

The electric system serves the entire area of the City of Lodi (approximately 13.98 square miles) and has approximately 131 miles of overhead lines and over 123 miles of underground lines. During the fiscal year ended June 30, 2017, the Lodi electric system served 26,152 customers, comprised of 22,870 residential customers, 3,112 commercial/industrial customers and 170 other customers. On July 24, 2006, an all-time, historical high peak demand of 140.4 MW was reached.

Only the revenues of the Lodi electric system will be available to pay amounts owed by Lodi under the Third Phase Agreement.

The Lodi electric department’s main office is located at 1331 South Ham Lane, Lodi, California 95242, (209) 333-6762. For more information about Lodi and its electric system, contact Elizabeth Kirkley, Electric Utility Director, at the above address and telephone number. A copy of the most recent comprehensive annual financial report of the City of Lodi (the “CAFR” or “Annual Report”) is available on Lodi’s website at <http://www.lodi.gov>. The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.

### **Power Supply Resources**

The following table sets forth information concerning Lodi’s power supply resources and the energy supplied by each during the fiscal year ended June 30, 2017.

**CITY OF LODI**  
**ELECTRIC UTILITY DEPARTMENT**  
**POWER SUPPLY RESOURCES**  
**For the Fiscal Year Ended June 30, 2017**

<b>Source</b>	<b>Capacity Available (MW)<sup>(1)(4)</sup></b>	<b>Actual Energy (MWh)</b>	<b>% of Total Energy</b>
Purchased Power <sup>(2)</sup> :			
Western	7.2	34,137	7.7%
NCPA			
Geothermal Project	11.5	83,576	19.0
Hydroelectric Project	26.2	95,710	21.7
Combustion Turbine Project No. 1	9.5	1,721	0.4
Capital Facilities, Unit One	19.6	1,836	0.4
Lodi Energy Center	26.6	28,554	6.5
Contracts and Exchanges <sup>(3)</sup>	37.3	195,483	44.3
Total	137.8	441,017 <sup>(4)</sup>	100.0%
Total Capacity and Energy Sold at Wholesale	N/A	3,355	
Lodi System Requirement for Retail Load <sup>(5)</sup>	128.7	437,662	

(1) Source: NCPA Annual Resource Adequacy Filings.

(2) Entitlements, firm allocations and contract amounts.

(3) Includes participation in Astoria 2 Solar Project, Seattle City Light Exchange, and purchases procured on behalf of Lodi through NCPA, including through NCPA's Market Purchase Program.

(4) Includes exchanges and line losses.

(5) NCPA All Resources Bill.

Source: City of Lodi.

In the fiscal year ended June 30, 2017, Lodi's average cost of power delivered to the Lodi electric system was 8.5 cents per kWh.

### **Purchased Power**

**Western.** Lodi is a party to the Contract for Electric Service Base Resource contract with the Western Area Power Administration (the "Base Resource Contract"), which is set to expire on December 31, 2024, under which Lodi takes delivery of 0.569% share of the base resource output of the Central Valley Project ("CVP"). The CVP consists of a series of federal hydroelectric facilities located and interconnected in Northern California. The amount of energy delivered to Lodi under the Base Resource Contract is subject to hydrology variability and water storage levels within the CVP. The Base Resource Contract is structured as a take-or-pay basis; whereby Lodi is obligated to pay its share of Western's costs whether or not it receives any power. Base Resource energy is scheduled for delivery to Lodi by NCPA. For the fiscal year ended June 30, 2017, the average melded cost of delivered power under the Base Resource Contract was approximately \$27.04 per MWh.

**Other Purchases.** Lodi has a 25 MW participation share in the Capacity and Energy Exchange Agreement between NCPA and Seattle City Light (the "SCL Exchange Agreement"), pursuant to which energy is exchanged between the parties based on seasonal requirements. The amount of energy received by Lodi during fiscal year 2016-17 is reflected in the Contracts and Exchanges figures listed in the table above. Energy received under the SCL Exchange Agreement is transmitted to Lodi using CAISO

transmission. The SCL Exchange is set to expire on May 31, 2018. Other power purchases for fiscal year 2016-17, as reflected in the Contracts and Exchanges figures listed in the table above, are associated with short-term purchases. NCPA transacts and schedules daily and hourly (spot) power purchases and sales to balance and serve Lodi's native load requirements.

### **Joint Powers Agency Resources**

**NCPA.** Lodi does not independently own any generation assets but, in addition to power purchased from Western and others, Lodi is a participant in various NCPA projects. Lodi has a 10.37% project participation entitlement share of the North Fork Stanislaus River Hydroelectric Development Project. Lodi has a 39.5% project participation entitlement share of the Combustion Turbine Project Number Two Steam Injection Gas Turbine Project. Lodi has a 14.56% project participation entitlement share of the Geothermal Generating Unit 2 Project, and a 6.0% project participation entitlement share of the Geothermal Generating Project Number 3, which are jointly operated as a single project pursuant to the Amended and Restated Geothermal Operating Agreement. Lodi has a 20.61% entitlement share in the Geysers Transmission Project, pursuant to which NCPA, on behalf of Lodi, delivers output from the geothermal generating assets pursuant to the Agreement of Cotenancy in the Castle Rock Junction-Lakeville 230-kV Transmission Line. Lodi has a 13.39% project participation entitlement share in the Combustion Turbine Project Number One (exclusive of the portion acquired by the City of Roseville). Lodi has a 9.5% generation entitlement share in NCPA's Lodi Energy Center Project. For a description of such resources, see "THE PROJECT" and "OTHER NCPA PROJECTS" in the front part of this Official Statement. For each of these NCPA projects in which Lodi participates, Lodi is obligated pursuant to contract to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the projects, as well as its share of all operation and maintenance expenses of the projects. See also "Indebtedness; Joint Powers Agency Obligations" below.

**TANC California – Oregon Transmission Project.** Lodi is a member of the Transmission Agency of Northern California ("TANC") and has executed certain agreements to acquire a participation percentage share of TANC's entitlement of the California-Oregon Transmission Project ("COTP") transfer capability. Lodi participated in the acquisition of an increased share of transfer capability of the COTP in connection with the acquisition by TANC in April 2008 of the COTP transmission assets of the City of Vernon, California ("Vernon"), one of the original owners of the COTP, which acquisition was financed by TANC through the issuance of additional TANC debt (the "Vernon acquisition debt"). Lodi has a participation share of 26.7 MW of TANC's entitlement to transfer capability of the COTP and is responsible for 1.92% of TANC's COTP operating and maintenance expenses and 1.89% of TANC's COTP debt service (non-Vernon) and 2.62% of the Vernon acquisition debt. See "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

On April 2, 2014, the Lodi City Council approved a 25-year layoff of Lodi's 26.7 MW share of COTP transfer capability, effective July 1, 2014, whereby Lodi and all of the TANC Members who are in the balancing authority area of the California Independent System Operator Corporation ("CAISO") will lay off their interests to certain other COTP participants (*i.e.*, Modesto Irrigation District ("MID"), Turlock Irrigation District ("TID") and Sacramento Municipal Utility District ("SMUD")) (subject to certain rights of Lodi and the other layoff entities to recall, and certain rights of MID, TID, and/or SMUD to return, up to 50% of their respective shares of the entitlement amount laid off). In exchange for their respective increased right to use of COTP transfer capability, MID and SMUD will pay Lodi's (and the other layoff entities') current allocated share of COTP costs. This layoff arrangement does not change Lodi's membership status in TANC and does not relieve Lodi of its obligations under the TANC Agreement in the event of any default in payment by an acquiring party. See also "Indebtedness; Joint Powers Agency Obligations" below.

***TANC Tesla–Midway Transmission Service.*** TANC and certain TANC Members have arranged for Pacific Gas & Electric Company (“PG&E”) to provide TANC and its members with 300 MW of firm bi-directional transmission capacity on its transmission system between its Midway Substation near Buttonwillow, California, and its Tesla Substation near Tracy, California, near the southern physical terminus of the COTP (the “Tesla–Midway Transmission Service”) under an agreement known as the South of Tesla Principles. Lodi’s share of this Tesla–Midway Transmission Service is 6.21 MW. Lodi has utilized its full allocation of Tesla–Midway Transmission Service for firm and non-firm power transactions in the past. See “CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC Tesla-Midway Transmission Service*” for a further description of the Tesla-Midway Transmission Service.

## **Renewable Resources**

Lodi expects to procure, either on its own or through NCPA, a renewable power resource portfolio that satisfies applicable State requirements, the main provisions of which are currently contained in the California Renewable Energy Resources Act (“SBX1 2”), the Clean Energy and Pollution Reduction Act of 2015 (“SB 350”), and the California Global Warming Solutions Act of 2006 (the “GWSA”). See “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments” in the front part of this Official Statement. Lodi’s current renewable power resources include geothermal, solar and small hydro.

With its existing power resources, participation in a new solar energy project (described below), and historic carryover, Lodi anticipates meeting its Renewable Portfolio Standard (“RPS”) requirements through 2021.

The Astoria 2 Solar Project, which reached commercial operation on December 9, 2016, is a 75 MW photovoltaic plant developed by Recurrent Energy, located in the southeastern portion of Kern County. Lodi entered into a power purchase agreement with Recurrent Energy for a 13.3333%, or 10 MW, share of the output of the Astoria 2 Solar Project, which is enough energy to meet approximately 7% of Lodi’s retail load.

The contract term for the Astoria 2 Solar Project is 20 years. Energy from this project qualifies as Portfolio Content Category 1 energy under RPS. Combined with existing generation resources and historic carryover, this project will enable Lodi to meet its RPS obligations through 2021.

The cost of power from the Astoria 2 Solar Project is fixed at \$63/MWh for the 20-year life of the project. The price is only paid for energy actually delivered. Lodi does not have any ownership interest in the project and will not incur any capital expenditures related to the project.

The Antelope Expansion Phase 1 Solar Facility (“Antelope Expansion Project”), which is expected to reach commercial operation on December 31, 2021, is a 51 MW photovoltaic plant developed by Antelope Expansion 1B, LLC, located in the City of Lancaster, Los Angeles County, California. NCPA, on behalf of Lodi and other NCPA members, entered into a power purchase agreement with Antelope Expansion 1B, LLC for a 33.78%, or 17 MW, share of the output of the Antelope Expansion Project. Lodi has a 58.82%, or 10 MW, project participation percentage share of the Antelope Expansion Project.

The contract term for the Antelope Expansion Project is 20 years. Energy from this project will qualify as Portfolio Content Category 1 energy under RPS. The output produced from the project will contribute to Lodi’s compliance with RPS obligations beyond the 2020 compliance period.

The cost of power from the Antelope Expansion Project is fixed at \$39.00/MWh for the 20-year life of the project. The price is only paid for energy actually delivered. Lodi does not currently have any ownership interest in the project, and as such will not incur any capital expenditures related to the project.

### **Future Power Supply Resources**

Based upon its current forecasted sales growth, resource mix and market prices, Lodi believes its annual balance-of-month, day-ahead, and hour-ahead purchases will be less than 25% of total energy requirements for the next two years. Lodi's interest in multiple NCPA generation projects provides substantial capacity toward covering Lodi's net short position in the event that market prices rise above the respective unit's cost of production. Lodi has developed medium-term hedging strategies to reduce volatility associated with market purchases and the seasonal nature of its loads and resources. In addition, due to the long lead time in acquiring certain resources, including renewable resources, Lodi, through NCPA, continues to consider additional projects that might be included in its resource mix in coordination with NCPA and other NCPA members.

### **Energy Efficiency and Conservation**

Since 1998, Lodi has maintained a public benefits program as required by State law, a component of which is demand-side management (commonly referred to as energy efficiency and conservation). Under this program, Lodi offers customers rebates to incentivize investment in energy efficient products and improvements, including insulation, replacement windows, improvements to air duct systems, high-efficiency air conditioners, heat pumps, attic and whole-house fans, refrigeration efficiency improvements, EnergyStar appliances, web-enabled smart thermostats, pump/motor/process equipment improvements and lighting retrofits.

Lodi also provides energy education for residential and non-residential customers, including on-site energy audits, and hosts a number of programs to promote energy education and customer outreach. As part of its education and customer outreach efforts, Lodi provides a school-based energy efficiency education program for 6th grade elementary school students, offers free energy efficiency measures through its direct install program and is a sponsor of the annual NorCal Science Festival.

Lodi utility customers continue to be positively impacted by one or more of Lodi's public benefits programs, either in the form of a direct utility rebate or via one of its outreach and educational programs.

### **Interconnections, Transmission and Distribution Facilities**

Lodi's electric system is interconnected with the system of PG&E (three 60 kV lines). Lodi owns facilities for the distribution of electric power within the city limits of Lodi, which includes approximately 14 miles of 60 kV power lines, approximately 240 miles of 12 kV distribution lines (approximately 51% of which are underground) and four substations. Lodi's system experiences approximately 45.6 minutes of outage time per customer per year.

### **Forecast of Capital Expenditures**

Lodi's five-year capital projection for the electric facilities contemplates potential capital expenditures for substation upgrades, streetlight improvements, ongoing overhead and underground maintenance, and related system reliability projects. In addition, the California Independent System Operator (CAISO) in its 2017-18 Transmission Planning Process has identified a project, the Lockeford-Lodi Area 230 kV Development, which is needed to solve thermal overload and voltage issues on the 60 kV network between Pacific Gas and Electric Company's (PG&E) Lockeford Substation and Lodi's



Industrial Substation. The CAISO is recommending a double-circuit 230 kV line from the PG&E Lockeford Substation to a new 230/60 kV substation to be built by Lodi. The estimated in-service date is 2023. The cost to Lodi will be approximately \$25 million, which is expected to be funded by bond financing. The project is anticipated to realize a cost savings of approximately \$4 million annually by eliminating the low voltage transmission access charge. Final approval of the project will be decided at the next CAISO Board Meeting scheduled for March 21 and 22, 2018. Lodi anticipates funding its capital costs from rate revenues, special development fees and possible new debt issuance as required. Over the next five years, total capital expenditures are estimated to range from \$15 million to \$40 million depending on the actual projects undertaken and their timing.

## **Employees**

As of July 1, 2017, 51 full-time City of Lodi employees were assigned specifically to the electric utility department. Contract/temporary employees are hired as necessary. Substantially all of the non-management Lodi personnel assigned to the electric utility department are represented by the International Brotherhood of Electrical Workers, Union 1245 (“IBEW”). The City’s contract with IBEW expired on December 31, 2017. Negotiations are ongoing and IBEW workers continue to provide service to Lodi Electric under the terms of the prior agreement. Despite the lack of agreement, the labor management relationships remains strong. There have been no strikes or other union work stoppages at the City of Lodi, including the electric utility department.

Retirement benefits to City of Lodi employees, including those assigned to the electric utility department, are provided through the City of Lodi’s participation in the California Public Employees’ Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. Participants are required to contribute a percentage (7% for employees assigned to the electric utility department) of their annual covered salary. The City of Lodi’s contribution rate for current service (normal cost) and the Unfunded Accrued Liability (UAL) payment to make up for shortfalls in the pension system are determined by annual actuarial calculations based on the benefit formula and the number of employees and their respective salary schedules. For the fiscal year ending June 30, 2018, the Citywide contribution to the CalPERS miscellaneous plan (of which all electric utility employees are members) was budgeted to be \$1,511,420 in Normal Cost and \$2,898,420 in UAL. The Normal Cost is based on the City’s assumption for payroll expense, and the UAL is set by CalPERS. For the Electric Utility’s share of such contributions, the budgeted amounts for the Normal Cost share was \$393,050 and for the UAL was \$755,390. The contribution requirements of plan members and the City are established and may be amended by CalPERS. Assembly Bill 340, the Public Employee’s Pension Reform Act (“PEPRA”), implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA. As of February 15, 2018, there are 14 PEPRA members in the electric utility and 37 classic members. As more PEPRA members are hired in the future, the Normal Cost should be reduced. Because the UAL is tied to current shortfalls in the pension system it is not directly impacted by the hiring of PEPRA members. Beginning July 1, 2018, CalPERS will begin phasing in a reduction in the discount rate (assumed rate of return on investments) used to determine agency contributions. The discount rate is being reduced from 7.5% to 7.0% as follows:

<b>Valuation Date</b>	<b>Fiscal Year for Required Contribution</b>	<b>Discount Rate</b>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.25%
June 30, 2018	2020-21	7.00%

The impact of each reduction will be phased in over five years, with the full impact realized in the 2024-25 fiscal year. The City of Lodi anticipates total pension costs approximately doubling as compared to the current fiscal year during this time. To address the issue, the City has adopted a Pension Stabilization Policy (PSP) and created a Pension Stabilization Fund (PSF). As of December 31, 2017, \$5,229,493 was set aside in the PSF, an Internal Revenue Service Section 115 (c) trust fund established for the purposes of paying future pension liabilities. The PSP requires 100% of General Fund reserves in excess of the 16% General Fund reserve target be deposited into the PSF, and all other funds invest a proportional share based on the budgeted pension obligations in that fiscal year. Based on this policy, an additional \$4,318,481 will be invested into the PSF before the end of fiscal year ending June 30, 2018. The PSP remains in effect until the funded status of the City's two pension plans for Miscellaneous and Safety employees are at a combined 80% funded status when considering the Market Value of Assets at CalPERS and in the PSF. As of the June 30, 2016 actuarial report, the funded status for the Miscellaneous Plan was 68.4%, Safety plan was 58.3% and combined plans was 63.4%. As of December 31, 2017, the combined funded status when considering the PSF assets increases to 64.8%. Based on fiscal year ending June 30, 2018 combined normal cost and UAL pension payments, the electric utility is responsible for approximately 11.1% of the total pension liability for the City. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

Additional information regarding the City of Lodi's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at <http://www.lodi.gov>.

### **Service Area**

Lodi is located in the San Joaquin Valley, adjacent to State Highway 99, between the City of Stockton, 10 miles to the south, and the City of Sacramento, 35 miles to the north. The local economy is diverse among residential, agricultural, commercial and industrial sectors.

Lodi is a worldwide agricultural shipping center for the San Joaquin Valley. The surrounding prime agricultural land is a major producer of wine grapes.

The City's employment base is diverse with industry that includes agribusiness, biotechnology, distribution, food and beverage product manufacturing, general service, government, health care, heavy manufacturing, and wine-based tourism and lodging.

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The largest employers in Lodi as of June 30, 2017 are as follows:

**CITY OF LODI  
LARGEST EMPLOYERS**

<b>Employer</b>	<b>Business</b>	<b>Number of Employees</b>
Lodi Unified School District	Education	3,026
Pacific Coast Producers	Canning	1,630
Lodi Health Hospital	Healthcare	1,384
Blue Shield	Healthcare	858
Walmart	Retail	487
TreeHouse	Specialty Food	485
City of Lodi	Government	393
Farmers & Merchants Bank	Banking	335
Costco	Retail	237
Target	Retail	142

*Source:* City of Lodi, City Manager's Office.

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A five-year history of assessed valuations in Lodi is as follows:

**CITY OF LODI  
ASSESSED VALUATIONS  
For Fiscal Years 2012-13 through 2016-17  
(Dollar Amounts in Thousands)**

<b>Fiscal Year</b>	<b>Land</b>	<b>Improvements</b>	<b>Personal Property</b>	<b>Total</b>	<b>Less Exemptions</b>	<b>Net Assessed Value</b>
2012-13	\$1,227,969	\$3,445,328	\$300,290	\$4,973,587	\$327,783	\$4,645,804
2013-14	\$1,364,401	\$3,443,266	\$321,741	\$5,129,408	\$324,439	\$4,804,969
2014-15	\$1,469,347	\$3,610,391	\$338,312	\$5,418,050	\$326,833	\$5,091,217
2015-16	\$1,601,581	\$3,736,867	\$309,861	\$5,648,309	\$331,562	\$5,316,747
2016-17	\$1,711,208	\$3,854,604	\$294,457	\$5,860,269	\$334,485	\$5,525,784

*Source:* San Joaquin County Auditor-Controller's Office.

The following chart indicates the growth in the population of the City of Lodi, the County of San Joaquin and the State of California since 1970.

**CITY OF LODI, COUNTY OF SAN JOAQUIN,  
STATE OF CALIFORNIA POPULATION ESTIMATES  
(1970–2010 as of April 1; 2011–2017 as of January 1)**

	<b>City of Lodi</b>	<b>County of San Joaquin</b>	<b>State of California</b>
1970	28,691	291,073	19,971,069
1980	34,850	343,500	23,668,562
1990	51,900	477,700	29,760,021
2000	57,011	563,598	33,873,653
2010	62,134	685,306	37,253,956
2011	62,519	691,818	37,536,835
2012	62,678	698,412	37,881,357
2013	62,747	704,727	38,238,492
2014	62,922	712,046	38,572,211
2015	63,143	723,985	38,915,880
2016	63,396	735,677	39,189,035
2017	64,058	746,868	39,523,613

*Source:* U.S. Bureau of Census and California State Department of Finance.

## **Litigation**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Lodi in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Lodi taken with respect to the Third Phase Agreement.

There is no litigation pending, or to the knowledge of Lodi, threatened, questioning the existence of Lodi, or the title of the officers of Lodi to their respective offices. There is no litigation pending, or to the knowledge of Lodi, threatened, questioning or affecting in any material respect the financial condition of Lodi's electric system.

Present lawsuits and other claims against Lodi's electric system are incidental to the ordinary course of operations of the electric system and are largely covered by Lodi's self insurance program. In the opinion of Lodi's management and the Lodi City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position of Lodi.

## **Rates and Charges**

Lodi has the exclusive jurisdiction to set electric rates within its service area. These rates are not subject to review by any State or federal agency.

Lodi's fiscal year 2016-17 average rate per kWh for residential service was 17.8 cents. Lodi's fiscal year 2016-17 average rate for commercial and industrial service was 14.3 cents per kWh. Lodi's fiscal year 2017-18 average rate per kWh for residential service is projected to be 18.5 cents. Lodi's fiscal year 2017-18 average rate for commercial and industrial service is projected to be 14.9 cents per kWh.

The following table presents a recent history of Lodi's rate increases since 2013. The last base rate increase took effect July 1, 2017.

### **CITY OF LODI ELECTRIC UTILITY DEPARTMENT RATE CHANGES**

<b>Effective Date</b>	<b>Percent Change</b>
December 2017	Elimination of Solar Surcharge
July 2017	Average 2% increase across all rate classes Electric Vehicle rate restructure replacing minimum charge with customer charge; aligning energy charges with residential rates City rate restructure replacing minimum charge with customer charge
November 2016	Residential rate restructure replacing minimum charge with customer charge; reduction to 3 energy tiers; Mobile home park rate restructure replacing minimum charge with customer charge and reducing pad discount; reduction to 3 energy tiers
September 2015	Extended Economic Development rates
January 2015	Average 5% increase across all rate classes
July 2013	Established Electric Vehicle and Industrial Equipment Charging Rates

*Source:* City of Lodi.

In addition, Lodi has a public hearing scheduled for March 7, 2018 to consider introduction of an ordinance revising non-residential electric rates as it relates to power factor adjustments.

The Lodi City Council reviews electric system rates periodically and makes adjustments as necessary. All customers pay rates in accordance with the standard rate tariffs published in the Lodi Municipal Code.

Lodi implemented an Energy Cost Adjustment ("ECA") in August 2007. The purpose of the ECA is to recover market power costs due to the fluctuations in power market conditions and energy sales. The ECA is reviewed monthly and is either increased or decreased as market conditions and energy sales change. The historic, average ECA is listed below.

**CITY OF LODI**  
**ENERGY COST ADJUSTMENTS**  
**For Fiscal Years 2012-13 through 2016-17**

<b>Fiscal Year</b>	<b>ECA (\$/kWh)</b>
2012-13	0.0051
2013-14	0.0082
2014-15	0.0057
2015-16	0.0064
2016-17	0.0056

**Largest Customers**

The ten largest customers of Lodi's electric system in terms of kWh sales, as of June 30, 2017, accounted for 28% of total kWh sales and 33% of revenues. The largest customer accounted for 5.5% of total kWh sales and 5.9% of total revenues.

**Lodi's Operations Since Industry Restructuring**

Since the deregulation of the California energy markets, Lodi has implemented revenue enhancements, cost containment measures and changes in operating procedures to help mitigate financial risks associated with changes in market power costs. See "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Energy Regulatory Factors – *Developments in the California Energy Market.*" These actions include:

- **Energy Cost Recovery.** Implemented an Energy Cost Adjustment (ECA) for all customers. This rate action guarantees coverage of bulk power purchase costs. See "Rates and Charges" above.
- **Risk Management Program.** Lodi established an Energy Risk Management Policy. Consistent with the policy Lodi has established guidelines which provide a time and price triggered tier approach to closing open positions as long as 5 years into the future. The table below illustrates this approach:

<b>Month</b>	<b>Covered Position As % of Forecasted Load</b>				
0 designates current month	>60 <sup>th</sup>	60 <sup>th</sup>	50 <sup>th</sup> -Median	25 <sup>th</sup>	<25 <sup>th</sup>
1-3	80-85%	85-90%	90%	90%	90%
3+	80-85%	85%	85-90%	90%	90%
6+	70-75%	75-80%	80-85%	85-90%	90%
9+	60-65%	65-70%	70-75%	75-80%	80%
12+ months	60-65%	65-70%	70-75%	75-80%	80%

The Energy Risk Management Policy applies to all aspects of Lodi's wholesale procurement and sales activities, long-term contracting associated with energy supplies, and associated financing related to generation, transmission, transportation, storage, Renewable Energy Credits (RECs), Greenhouse Gas (GHG) offsets, Resource Adequacy (RA) capacity, ancillary services and participation in Joint Powers Agencies (JPAs).

## Customers, Sales, Revenues and Demand

The number of customers, kWh sales, revenues derived from sales by classification of service and peak demand during the five fiscal years 2012-13 through 2017-18, are listed below.

### CITY OF LODI ELECTRIC UTILITY DEPARTMENT CUSTOMERS, SALES, REVENUES AND DEMAND<sup>(1)</sup>

	Fiscal Years Ended June 30,				
	2013	2014	2015	2016	2017
Number of Customers:					
Residential	22,369	22,547	22,355	22,459	22,870
Commercial	2,902	2,898	3,264	3,296	3,071
Industrial	39	38	40	44	41
Other	246	250	253	213	170
Total	25,556	25,733	25,912	26,012	26,152
Kilowatt Hour (kWh) Sales:					
Residential	151,814,834	148,762,783	148,950,428	151,137,940	146,192,111
Commercial	140,733,500	146,176,148	149,380,413	150,522,357	149,882,241
Industrial	131,473,405	130,333,102	128,814,673	125,018,845	118,900,040
Other	11,800,726	12,022,160	11,635,397	10,567,193	10,436,182
Total	435,822,465	437,294,193	438,780,911	437,246,335	425,410,574
Revenues from Sale of Energy <sup>(2)</sup>					
Residential	\$25,377,978	\$25,270,075	\$25,165,194	\$26,525,558	\$26,021,916
Commercial	21,816,149	23,127,603	23,780,354	24,693,195	24,432,075
Industrial	14,173,951	14,381,296	14,418,921	14,469,390	13,852,860
Other	1,861,567	1,913,833	1,871,470	1,819,036	1,540,730
Total	\$63,229,645	\$64,692,808	\$65,235,939	\$67,507,179	\$65,847,581
Peak Demand (MW)	123.3	128.7	134.0	124.3	128.7

(1) Columns may not add to totals due to rounding.

(2) Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi, CAFR and Customer Information System reports.

## Indebtedness; Joint Powers Agency Obligations

As of June 30, 2017, Lodi had outstanding \$58.7 million principal amount of obligations payable from net revenues of Lodi's electric utility system. These obligations are subordinate to the payments required to be made with respect to the Lodi's obligations to NCPA and TANC described below. In addition, Lodi has an outstanding loan with F&M Bank in the amount of \$1.3 million associated with an LED Streetlight Improvement Project. The annual loan payments will be paid from the Greenhouse Gas Free Allowance proceeds. Lodi has no variable rate or auction rate direct debt.

As previously discussed, Lodi participates in certain joint powers agencies, including NCPA and TANC, which have issued indebtedness to finance the costs of certain projects on behalf of the respective project participants. Obligations of Lodi under its agreements with respect to TANC and NCPA constitute

operating expenses of Lodi. Such agreements are on a “take-or-pay” basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain “step up” provisions obligating Lodi to pay a share of the obligations of a defaulting participant. Lodi’s participation and share of debt service obligation (without giving effect to any “step up” provisions) for each of such joint powers agency projects in which it participates are shown in the following table.

**CITY OF LODI**  
**ELECTRIC UTILITY DEPARTMENT**  
**OUTSTANDING DEBT OF JOINT POWERS AGENCIES**  
**(Dollar Amounts in Millions)**  
**(As of June 30, 2017)**

	<b>Outstanding Debt<sup>(1)</sup></b>	<b>Lodi’s Participation<sup>(2)</sup></b>	<b>Lodi’s Share of Outstanding Debt<sup>(1)</sup></b>
NCPA			
Geothermal Project Three	\$ 32.8	10.28%	\$ 3.4
Hydroelectric Project	343.8	10.60 <sup>(3)</sup>	36.4
Capital Facilities Project	37.4	39.50	14.8
Lodi Energy Center, Issue One	233.4	17.03	39.7
<b>TOTAL</b>	<b>647.4</b>	<b>100.00%</b>	<b>94.3</b>

(1) Source: NCPA. Outstanding debt does not include unamortized premium/discount. Excludes Lodi’s participation share of TANC COTP entitlement which has been assigned to other TANC members. See “Joint Powers Agency Resources – TANC California-Oregon Transmission Project.”

(2) Participation obligation is subject to increase upon default of another participant. Such increase shall not exceed, without the written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant’s original participation.

(3) Lodi’s actual payments represent approximately 10.64% of outstanding debt service as a result of credit to non-participating members with respect to portion of debt obligation.

Source: City of Lodi.

Lodi estimates its payment obligations for debt service on its joint powers agency debt obligations aggregated approximately \$7.65 million for the fiscal year ended June 30, 2017 and will aggregate approximately \$7.99 million for the fiscal year ending June 30, 2018. It should be noted that these amounts do not include any COTP amount as Lodi’s share of the debt was laid off effective July 1, 2014. A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated



joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Lodi). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Lodi).

### **Significant Accounting Policies**

Lodi's most recent CAFR for the fiscal year ended June 30, 2017 was audited by Macias, Gini & O'Connell, LLP, Sacramento, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by Lodi. The reports include certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the City of Lodi, Finance Department, 310 West Elm Street, Lodi, California 95240. Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The electric system is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting policies of Lodi conform to generally accepted accounting principles (GAAP) as applicable to governments.

### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of operating results and selected balance sheet information of Lodi's electric utility for the five fiscal years 2012-13 through 2016-17. The information for the fiscal years ended June 30, 2013 through June 30, 2017 was prepared by Lodi on the basis of its audited financial statements for such years.

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**CITY OF LODI**  
**ELECTRIC UTILITY DEPARTMENT**  
**SUMMARY OF OPERATING RESULTS AND SELECTED**  
**BALANCE SHEET INFORMATION<sup>(1)</sup>**  
**(\$ in 000s)**

	<b>Fiscal Year ended June 30,</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>OPERATING REVENUES:</b>					
Rate Revenue	\$61,888	\$61,837	\$63,370	\$65,265	\$64,114
ECA Revenue	1,341	2,856	1,867	2,242	1,734
Other Revenue	745	2,451	1,895	2,933	1,967
Total Operating Revenues	63,974	67,144	67,132	70,440	67,815
<b>OPERATING EXPENSES:</b>					
Purchased Power	39,191	37,303	38,512	37,788	35,650
Non-Power Costs <sup>(2)</sup>	12,018	13,046	13,604	13,417	16,609
Total Operating Expenses	51,209	50,349	52,116	51,205	52,259
<b>NET REVENUE AVAILABLE FOR DEBT SERVICE:</b>	12,765	16,795	15,016	19,235	15,557
Debt Service	8,414	8,356	8,318	8,289	5,288
Remaining After Debt Service	4,351	8,439	6,698	10,946	10,268
<b>OTHER REVENUES (EXPENSES):</b>					
Greenhouse gas allowance	2,018	453	2,323	1,571	2,370
Payments in Lieu of Taxes	(6,977)	(6,977)	(7,033)	(7,082)	(7,131)
Net Cash Flow Before Capital Expenditure	(608)	1,915	1,988	5,435	5,507
<b>SELECTED BALANCE SHEET INFORMATION:</b>					
Net Plant in Service	\$ 9,226	\$ 8,950	\$ 8,585	\$ 8,271	\$ 7,957
Land and Construction Work in Progress	\$ 764	\$ 764	\$ 764	\$ 764	\$ 764
Ending Operating Reserve Balance	\$31,082	\$33,939	\$36,583	\$42,891	\$49,651
Long-Term Debt	\$70,332	\$71,288	\$66,303	\$61,084	\$58,669
Debt Service Coverage Ratio <sup>(1)</sup>	1.52	2.01	1.81	2.32	2.94

(1) Figures shown are calculated in accordance with the documents pursuant to which Lodi's outstanding electric system revenue obligations were issued, which may or may not be on the same basis as Generally Accepted Accounting Principles. See "Indebtedness; Joint Powers Agency Obligations."

(2) Non-power costs include costs of services provided by other departments and does not include depreciation and amortization expense.

Source: City of Lodi.

## **CITY OF PALO ALTO**

### **Introduction**

The City of Palo Alto (“Palo Alto” or the “City”) is a charter city of the State of California. Pursuant to the California Constitution, the City’s charter, and its municipal code, Palo Alto has the power to furnish electric utility service to its inhabitants. In connection therewith, Palo Alto has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities or services furnished and to incur indebtedness.

Palo Alto provides electric and other utility services through its Department of Utilities. The legal responsibilities and power of the Department of Utilities, including the establishment of rates and charges, are exercised through the nine-member Palo Alto City Council. The members of the City Council are elected citywide for staggered four-year terms. The Palo Alto Department of Utilities is under the direction of the General Manager of Utilities who is accountable to the City Manager and who is appointed by the City Manager with the approval of the City Council.

Since 1900, Palo Alto has provided all electric service within the City of Palo Alto. For the fiscal year which ended June 30, 2017, Palo Alto served 29,616 customers, had total sales of approximately 918 million kWh and a peak demand of 171 MW.

To provide electric service within its service area, Palo Alto owns and operates an electric system which includes power supply resources and transmission and distribution facilities. Palo Alto also purchases power and transmission services from others and participates in pooling and other utility type arrangements. In addition, Palo Alto provides gas utility and other normal city services to its inhabitants such as police and fire protection and water and sewer service.

In March 2011, the Palo Alto City Council approved the updated Long-term Electric Acquisition Plan (“LEAP”) Objectives, Strategies and Implementation Plan. LEAP provides high level policy direction for the pursuit of energy efficiency, demand resources, renewable energy, local generation and transmission resources. LEAP also sets direction for the management of hydroelectric resources and market exposure uncertainty. LEAP was updated in March and April 2012 to include revisions related to Palo Alto’s energy storage targets and renewable portfolio standard.

In 2013, the Palo Alto City Council approved a Carbon Neutral Plan which defined carbon neutrality for Palo Alto’s electric portfolio, demonstrated a transparent and verifiable protocol to measure carbon content and established a goal to achieve carbon neutrality by the end of 2013. As a result, Palo Alto has neutralized all greenhouse gas emissions associated with the City’s electric portfolio since 2013, putting the City of Palo Alto on track to achieve its Sustainability and Climate Action Plan greenhouse gas emission reduction goal of 80% emissions reduction from 1990 levels by 2030. See “- Future Power Supply Resources-Carbon Neutral Plan” below.

In 2015, California passed Senate Bill 350 (“SB 350”), the “Clean Energy and Pollution Reduction Act of 2015.” SB 350 increased California’s renewable electricity procurement goal from 33% by 2020 to 50% by 2030 based on Renewables Portfolio Standard eligible resources. SB 350 also requires Palo Alto to develop and submit an Integrated Resource Plan for the electric utility every four years, with the first required to be adopted by the Palo Alto City Council by January 1, 2019.

In 2017, Palo Alto kicked-off a process to develop the Electric Integrated Resource Plan (“EIRP”) for the 2019 to 2030 planning horizon. The EIRP will update LEAP and map out Palo Alto’s long-term plan for achieving its electric energy, capacity and reliability needs through the use of

distributed energy resources (“DER”), such as energy efficiency and solar photovoltaics, and carbon neutral supply resources. The EIRP is expected to be presented for consideration by City Council in late 2018 and will serve as the City’s EIRP for the purpose of meeting California’s integrated resource planning compliance requirements for publicly owned utilities under SB 350.

Palo Alto has a comprehensive Energy Risk Management Program governing electric and natural gas transactions. The program consists of City Council approved policies, and operational guidelines approved by the City’s Risk Oversight and Coordination Committee. The Energy Risk Management Program segregates commodity purchase and sale functions related to the front, middle and back offices.

Only the revenues of the Palo Alto electric utility will be available to pay amounts owed by Palo Alto under the Third Phase Agreement.

The main offices of the City of Palo Alto Department of Utilities are located at 250 Hamilton Avenue, 3<sup>rd</sup> Floor, Palo Alto, California 94301 (650) 329-2161. For more information about Palo Alto and its Department of Utilities, contact Ed Shikada, General Manager of Utilities, at the above address and telephone number. A copy of the most recent comprehensive annual financial report of the City of Palo Alto (the “Annual Report”) is available on Palo Alto’s website at <http://www.cityofpaloalto.org>. The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.

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## Power Supply Resources

The following table sets forth information concerning Palo Alto's power supply resources and the energy supplied by each during the fiscal year ended June 30, 2017.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
POWER SUPPLY RESOURCES  
For the Fiscal Year Ended June 30, 2017**

Source	Capacity Available (MW)	Actual Energy (GWh)	Percent of Total Energy
Purchased Power:			
Western	177	494	51%
Wind Energy	25	112	12
Landfill Gas Energy	14	107	11
Solar Energy	127	249	26
Forward Market Purchases <sup>(1)</sup>	50	40	4
NCPA			
Geothermal Project <sup>(2)</sup>	--	--	--
Hydroelectric Project	58	212	24
Seattle City Light Exchange <sup>(3)</sup>	--	--	--
Short-Term Market Sales	(231)	(268)	(28)
Total	<u>N/A<sup>(4)</sup></u>	<u>945</u>	<u>100%</u>
System Requirement for Retail	<u>201</u>		

(1) See "--Purchased Power--Other Power Purchases" below.

(2) Capacity and energy sold to TID. See "--Joint Powers Agency Resources--NCPA" below.

(3) Assigned to City of Santa Clara effective June 2008. See "--Joint Powers Agency Resources--NCPA" below.

(4) Capacity availability varies by season and is not necessarily additive at any given time.

Source: City of Palo Alto.

In the fiscal year ended June 30, 2017, Palo Alto's average cost of power delivered to the Palo Alto electric system was approximately 7.8 cents per kWh.

## Purchased Power

**Western.** Palo Alto receives a substantial portion of its supply of power from the CVP pursuant to a contract with the Western Area Power Administration ("Western").

In October 2000, Palo Alto signed a 20-year agreement with Western (the "Western Base Resource Contract") for the continued purchase of hydroelectricity from the CVP. Service under the new Western Base Resource Contract began on January 1, 2005 and continues through 2024, with Palo Alto receiving an 11.620% "slice of the system" allocation from Western. On January 1, 2015, Palo Alto's allocation increased to 12.309%. The power marketed by Western to Palo Alto is provided on a take-or-pay basis where Western's annual costs are allocated to preference customers based on their CVP participation percentage. Western then allocates the annual take-or-pay charges to the preference customers based on a monthly percentage that is designed to reflect the anticipated seasonal energy deliveries. Palo Alto is obligated to its preference customer share of the costs associated with operating the CVP facilities. Palo Alto's energy allocation dropped from the prior levels of approximately 900

GWh/year prior to 2005, to about 380 GWh/year in an average hydrological year starting in January 2005. Palo Alto's annual cost obligation under the Western Base Resource Contract is approximately \$14 million per year, resulting in an average cost of approximately \$38 per MWh in an average hydrological year.

***Wind Energy Contracts.*** Palo Alto currently has two long-term contracts for the output of wind electricity generation. Under a contract with Avangrid Renewables (formerly Iberdrola Renewables and PPM Energy, Inc.) ("Avangrid"), for power from the High Winds I project (owned by NextEra Energy Resources, LLC (formerly FPL Energy, LLC)) in Solano County, Palo Alto is allocated available capacity of 20 MW and acquired a fixed unit price on expected generation of 43 GWh/year. The term of the High Winds I contract ends in 2028. Under a separate contract with Avangrid, for power from the Shiloh I project (owned by Iberdrola Renewables) in Solano County, Palo Alto is allocated available capacity of 25 MW and acquired a fixed unit price on expected generation of 56 GWh/year. The term of the Shiloh I contract ends in 2021.

***Landfill Gas Energy Contracts.*** Palo Alto currently has five long-term contracts for the output of landfill gas electricity generation under separate contracts with Ameresco, Inc. Under the first contract with Ameresco Santa Cruz Energy, L.L.C., for power from the Santa Cruz project (at a landfill owned by County of Santa Cruz) in Watsonville, California, Palo Alto is allocated available capacity of 1.5 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 9.0 GWh/year. The Santa Cruz project began commercial operation in February 2006 and its contract term ends in 2026. Under a second contract with Ameresco Half Moon Bay, L.L.C., for power from the Ox Mountain project (at a landfill owned by Republic Services, Inc.) in Half Moon Bay, California, Palo Alto is allocated available capacity of 5.1 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 42.5 GWh/year. The Ox Mountain project began commercial operation in April 2009 and its contract term ends in 2029. Under a third contract with Ameresco Keller Canyon, L.L.C., for power from the Keller Canyon project (at a landfill owned by Republic Services) in Pittsburg, California, Palo Alto is allocated available capacity of 1.5 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 13.8 GWh/year. The Keller Canyon project began commercial operation in August 2009 and its contract term ends in 2029. Under a fourth contract with Ameresco Johnson Canyon, L.L.C., for power from the Johnson Canyon project (at a landfill owned by Salinas Valley Solid Waste Authority) in Gonzales, California, Palo Alto is allocated available capacity of 1.4 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 9.2 GWh/year. The Johnson Canyon project began commercial operation in May 2013 and its contract term ends in 2033. Under a fifth contract with Ameresco San Joaquin, L.L.C., for power from the San Joaquin project (at a landfill owned by San Joaquin County) in Linden, California, Palo Alto is allocated available capacity of 4.3 MW and acquired an initial fixed per-unit price with 1.5% annual increases on expected generation of 27.5 GWh/year. The San Joaquin project began commercial operation in April 2014 and its contract term ends in 2034.

Palo Alto expects to receive a total of 102 GWh from these five landfill gas projects, representing approximately 11% of Palo Alto's load. Each of the foregoing landfill gas energy contracts is unit contingent.

***Solar Energy Contracts.*** Palo Alto currently has six long-term contracts for the output of solar electricity generation under separate contracts with three different parent companies. The first three contracts are with the Sustainable Power Group (sPower): the 26.656 MW Hayworth Solar project in Kern County, and the 40 MW Elevation Solar C and 20 MW Western Antelope Blue Sky Ranch B projects in Los Angeles County. These three contracts all feature fixed per-unit prices and produce expected generation of 52 GWh/year, 101 GWh/year, and 50.5 GWh/year, respectively. The terms of such contracts all end in 2041. Palo Alto also has two solar energy contracts with Clēnera: the 20 MW

Frontier Solar project in Stanislaus County, and the 20 MW EE Kettleman Land project in Kings County. Both of these contracts feature fixed per-unit prices and produce expected generation of 52.5 GWh/year and 53.5 GWh/year, respectively. The terms of such contracts all end in 2041. The term of the Frontier Solar contract ends in 2046, while that of the EE Kettleman Land contract ends in 2040. Finally, Palo Alto has a contract with Hecate Energy for a 26 MW project that is still in the development stages. This contract, for a fixed per-unit price, has a 25-year contract term, and is expected to begin in 2021.

Palo Alto expects to receive a total of 320 GWh from the five operating solar energy projects, representing approximately 34% of Palo Alto's load. Each of the foregoing solar energy contracts is unit contingent.

**Other Power Purchases.** Palo Alto has nine active Master Agreements with BP Energy, Shell Energy North America, Powerex Corp, Cargill Power Markets, Exelon Generation, Avangrid (formerly Iberdrola Renewables), NextEra Energy Power Marketing, Turlock Irrigation District, and PacifiCorp to facilitate competitive forward market purchases to meet Palo Alto's loads in the short- to medium-term. As of June 30, 2017, Palo Alto had outstanding electricity purchase commitments for the period July 2017 to June 2019 totaling 79 GWh, and sales commitments for this period totaling 161 GWh. These market based purchases and sales are made within the parameters of Palo Alto's Energy Risk Management Program.

In fiscal year 2016-17, gross market-based purchases provided approximately 4% of Palo Alto's energy needs, while gross market-based sales equaled 28% of Palo Alto's energy needs. The volume of market purchases and sales however is highly dependent on hydro conditions and long-term commitments to renewable resource based supplies. During normal hydro conditions, gross market purchases are expected to meet approximately 18% of energy needs, while gross market sales will amount to approximately 26% of energy needs. All purchase transactions and sales-incidental-to-purchases are designed to meet native load. NCPA serves as Palo Alto's scheduling and billing agent for all transactions, and acts as the interface with the California Independent System Operator ("CAISO") under the Second Amended and Restated Metered Subsystem Aggregation Agreement (the "MSSA"). See NORTHERN CALIFORNIA POWER AGENCY – NCPA Power Pool" in the front part of this Official Statement.

### **Joint Powers Agency Resources**

**NCPA.** Except for a small 4.5 MW generator within the City of Palo Alto, Palo Alto does not independently own any generation assets. In addition to purchasing power from other sources, Palo Alto is a participant in several NCPA projects. Palo Alto has purchased from NCPA a 22.920% entitlement share in the NCPA Hydroelectric Project. Palo Alto has purchased from NCPA a 6.158% participation in the NCPA Geothermal Project. In 1984, Palo Alto permanently assigned its share of the Geothermal Project to Turlock Irrigation District ("TID") on a take-or-pay basis for the life of the plant, since Palo Alto's need for base load generation at the time the sale was made was limited. Palo Alto remains, however, secondarily liable for payment of project costs not paid by TID. For each of these NCPA projects in which Palo Alto participates, Palo Alto is obligated to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the project, as well as its share of the operation and maintenance expenses of the project. See also "Indebtedness; Joint Powers Agency Obligations" below.

In addition, in 1992, NCPA entered into an agreement with Seattle City Light to provide for a seasonal power exchange. The agreement entitles Palo Alto to 11 MW (10.3 MW at Palo Alto's meter) during the summer and obligates it to return 8 MW (at Palo Alto meter) during the winter. Deliveries under this agreement began June 1, 1995. Changes in Palo Alto's electric portfolio needs and wholesale

market conditions led Palo Alto to assign its full share and obligations in the Seattle City Light exchange to the City of Santa Clara effective June 2008. NCPA has since provided notice to Seattle City Light to terminate this agreement effective on May 31, 2018.

For a description of such NCPA resources, see “THE HYDROELECTRIC PROJECT” and “OTHER NCPA PROJECTS” in the front part of this Official Statement.

***TANC California-Oregon Transmission Project.*** Palo Alto is also a member of the Transmission Agency of Northern California (“TANC”) and has a participation share of 4.00% (net of layoffs) of TANC’s entitlement to transfer capability (approximately 50 MW) of the California-Oregon Transmission Project (“COTP”) and is responsible for 4.032% of TANC’s COTP operating and maintenance expenses and 4.00% of TANC’s aggregate debt service. As a result of low utilization on Palo Alto’s part of the transmission capacity and therefore low value relative to costs, in addition to a focus on acquiring in-state renewable resources, in August 2008 Palo Alto effected a long-term assignment of its full share and obligations in COTP to Sacramento Municipal Utility District (“SMUD”), TID and Modesto Irrigation District (“MID”). The long-term assignment is for 15 years with an option to renew for five years. In March 2016, TANC restructured the long-term debt associated with COTP securing favorable rates and extending the debt through the end of 2039. Palo Alto’s layoff recipients, SMUD, TID and MID, through an amendment to the assignment agreement, agreed to extend the term of the payments under the assignment agreement to continue to pay Palo Alto’s portion of the COTP debt during the term of the term of the COTP bonds. For a further description of the TANC COTP project, see “CITY OF ALAMEDA—Joint Powers Agency—*TANC California-Oregon Transmission Project*” herein.

### **Future Power Supply Resources**

***Carbon Neutral Plan.*** In March 2013 the Palo Alto City Council approved a Carbon Neutral Electric Resource Plan committing Palo Alto to using carbon neutral electric resources beginning in calendar year 2013. The policy also provides that such resource portfolio adjustments should not result in a rate increase of more than 0.15¢/kWh (equivalent to about \$1.00/month for an average residential bill). As of 2017, Palo Alto has sufficient hydroelectric and renewable generation contracts to provide enough energy to supply its entire load (assuming average hydroelectric conditions).

In accordance with LEAP and the Carbon Neutral Plan, Palo Alto has entered into a number of electricity purchase contracts as described above. As of December 31, 2017, Palo Alto had procured approximately 114% of its total projected electricity needs for fiscal year 2018-19 (assuming the projected hydroelectric production). Going forward, Palo Alto expects to meet its energy needs through energy efficiency and other distributed energy resources, existing hydroelectric generation and renewable resources and additional renewable generation contracts which are expected to be on line in 2021. Palo Alto will continue to procure energy supplies to meet Palo Alto’s short and medium-term energy needs through market purchases with Palo Alto’s pre-selected suppliers.

Palo Alto’s current renewable energy resource policy targets a 50% resource portfolio share by 2030. The policy also provides that such resource portfolio adjustments should not result in a rate increase of more than 0.5¢/kWh (equivalent to about \$3.35/month for an average residential bill). Palo Alto also permits its commercial customers to voluntarily participate in a green power program whereby participating customers can elect to pay a premium through their electric rates to purchase renewable energy certificates through Palo Alto for all or a portion of their energy needs.



## Distributed Energy Resources

Distributed energy resources include generation, storage, demand response, and energy efficiency on the distribution system which can change the shape and timing of energy use. Palo Alto has undertaken a comprehensive process to plan to maximize the value of distributed energy resources and is reviewing a coordinated Distributed Energy Resources Plan. In addition, Palo Alto's Electric and Gas Public Benefits and Water Efficiency Programs include programs related to efficiency, renewable energy, low-income discounts, and research, development and demonstration (RD&D) of emerging technologies. Due to increasing supply costs, significant new regulatory requirements, and Palo Alto's desire to promote environmental stewardship, it has placed an increased emphasis on energy and water efficiency. Palo Alto continues to pursue cost-effective energy efficiency as a priority in reducing customer bills. The LEAP includes energy efficiency as the highest-priority goal and requires that an assessment of least total cost, which includes environmental costs and benefits, be conducted when acquiring any energy resource. The Gas Utility Long-term Plan ("GULP") also includes energy efficiency as an important contributor to the energy plan.

***Energy Efficiency Savings Goals and Achievements.*** California Assembly Bill 2021 ("AB 2021") required all publicly owned utilities to identify all potentially achievable cost-effective electric efficiency savings and to establish annual targets for energy efficiency (EE) savings over ten years, with the first set of EE targets to be reported to the California Energy Commission (the "CEC") on or before June 1, 2007, and updated every three years thereafter. California Assembly Bill 2227 passed in 2012 amended this target-setting schedule to every four years. Palo Alto adopted its first Ten-Year Energy Efficiency Portfolio Plan in April 2007, which included annual electric and gas efficiency targets between 2008 and 2017, with a ten-year cumulative savings goal of 3.5% of the forecasted energy use. In accordance to California law, the electric efficiency targets were updated in 2010, with the ten-year cumulative savings goal doubling to 7.2% between 2011 and 2020. Since then, increasingly stringent statewide building code and appliance standards have resulted in substantial energy savings. However, these "codes and standards" energy savings cannot be counted toward meeting the utility's EE goals. The ten-year electric efficiency targets were updated again in 2012, with the ten-year cumulative electric efficiency savings being revised downwards to 4.8% between 2014 and 2023.

In 2015, SB 350 mandated the state to double statewide energy efficiency savings in electricity and natural gas end uses by 2030, with cost-effective utility energy efficiency programs as one component. In February 2017, City Council adopted the current set of Ten-Year Electric Efficiency Goals, updating the ten-year cumulative electric efficiency savings target to 5.7% between 2018 and 2027. For the fiscal year 2016-17, the electric utility achieved electric savings of 0.7% of load through its customer efficiency programs. Cumulative electric efficiency savings since 2006 are approximately 6% of the fiscal year 2017 electric usage.

In parallel to the development of Ten-Year Electric Efficiency Goals, Palo Alto adopted its first set of gas efficiency targets in 2007 to reduce gas consumption by 3.5% between 2008 and 2017. In 2010, the gas efficiency targets were updated to reduce use by 5.5% between 2011 and 2020. Similar to the electric side, gas efficiency potential has declined due to recent changes to California's appliance standards and building codes. The ten-year electric efficiency targets were updated again in 2012, with the ten-year cumulative gas efficiency savings being revised downwards to 2.85% between 2014 and 2023. In March 2017, City Council adopted the current set of Ten-Year Gas Efficiency Goals, updating the ten-year cumulative gas efficiency savings target to 5.1% between 2018 and 2027. For fiscal year 2016-17, the gas utility achieved gas efficiency savings of 0.8% of the gas sales. Cumulative gas efficiency savings since 2006 is about 3.8% of the fiscal year 2017 gas usage.

**Local Solar Plan.** In April 2014, the Palo Alto City Council passed the Local Solar Plan, which sets the City-wide goal of meeting 4% of the City’s energy needs from local solar by 2023 and identifies a number of strategies to facilitate achieving that goal. These strategies include the development of several solar programs to encourage installation of roof-top solar, such as existing incentives like the feed-in tariff program and the PV Partners solar rebate program. As of June 2017 all solar installations within the City generate 1.8% of the City’s electricity from about 10 MW of installed local solar capacity.

**Customer-side Renewable Generation Programs.** The following is a description of Palo Alto’s customer-side renewable generation programs:

*PV Partners:* The PV Partners Program encourages photovoltaic or solar electric (“PV”) installations on Palo Alto homes and businesses by providing a rebate based on the capacity, measured in watts, of newly installed PV systems. The PV Partners Program continues to be one of the most successful in the State. Rebate funds were fully reserved in April 2016. The effect of the PV Partners program can be seen in the cumulative total of PV installations. As of June 30, 2017, there were 1,003 PV installations with the total capacity of 8.617 MW (5.04% of Palo Alto’s system peak load).

*Net-Energy Metering Successor Program:* Prior to January 1, 2018 residential and commercial customers in Palo Alto who installed approved PV systems were able to sign up for the Palo Alto Net Energy Metering (“NEM”) program. Palo Alto reached the NEM cap of 10.8 MW in January 2018 and Palo Alto is now offering a NEM Successor Program instead. The NEM Successor process is integrated with the permitting process, and customers receive a credit for electricity exported to the grid based on Palo Alto’s avoided costs.

*Palo Alto CLEAN (Clean Local Energy Accessible Now):* This feed-in tariff program (referred to as “Palo Alto CLEAN”) purchases electricity generated by renewable energy resources located in Palo Alto’s service territory and interconnected on the utility-side of the electric meter. The electricity is purchased by Palo Alto for the electric renewable portfolio standard. The program was launched in 2012 and has been modified over the past few years. On February 3, 2014 the Palo Alto City Council approved a total program capacity of 3 MW at a price of 16.5 cents per kilowatt hour (kWh) fixed for 20 years. On May 8, 2017 the Palo Alto City Council approved minor changes to Palo Alto CLEAN. The program no longer has a total participation cap for either solar or non-solar eligible renewable energy resources. Palo Alto is currently offering to purchase the output of eligible renewable electric generation systems located in the City at the following prices:

- For solar energy resources: 16.5 cents per kilowatt hour (¢/kWh) for a 15-, 20- or 25-year contract term until the subscribed capacity reaches 3 MW; thereafter, the price will drop to 8.8 ¢/kWh for a 15-year contract term, 8.9 ¢/kWh for a 20-year contract term, or 9.1 ¢/kWh for a 25-year contract term; and
- For non-solar eligible renewable energy resources: 8.3 ¢/kWh for a 15-year contract term, 8.4 ¢/kWh for a 20-year contract term, or 8.5 ¢/kWh for a 25-year contract term.

There is no minimum or maximum project size, but the program is best suited for commercial property owners with available roof-tops or parking lots. Palo Alto’s Public Works Department recently solicited proposals to install solar PV systems and electric vehicle chargers at four City-owned parking structures. Two of these four parking garage solar PV systems are operational as of August 2017, and the remaining two are expected to be operational by April 2018. As of February 2018, there are a total of six solar PV systems participating in the Palo Alto CLEAN

program, including the four aforementioned systems on City-owned parking garages. These six projects account for 2.915 MW of the capacity available at the 16.5 ¢/kWh contract rate and all are expected to be online by October 2018, with contract terms ranging from 15 to 25 years.

*Solar Hot Water Program:* Palo Alto launched the solar water heating (SWH) program in May 2008, in advance of a State law requiring natural gas utilities to offer incentives. This program offers rebates of up to \$2,719 for residential systems and up to \$100,000 for commercial and industrial systems. A sample of installations are inspected for quality and program compliance by an independent contractor. The program was recently extended through 2020. A total of 60 systems have been installed as of June 30, 2017; 54 of these are residential. From 2008 to 2017, \$337,911.37 in rebates were disbursed. In the fiscal year 2017, this program resulted in annual energy savings of 19,826 therms and 13,387 kWh.

### **Low-Income Programs**

The following is a description of Palo Alto's low income assistance programs:

- ***Residential Energy Assistance Program (REAP).*** This program provides qualifying low-income residents with free energy efficiency measures and access to the Rate Assistance Program (RAP) rate discount. For qualifying customers, a Home Assessment, an application to the RAP, and an on-site customer evaluation for weatherization and energy efficiency measure installation, including insulation and lighting, is provided. Customers may have refrigerators and/or furnaces replaced if the need is found.
- ***Rate Assistance Program (RAP).*** This program provides a 25% discount for electric and gas charges for qualified customers. Applicants can qualify based on medical or financial need.
- ***ProjectPLEDGE.*** This program provides a one-time contribution of up to \$750 applied to the utilities bill of qualifying residential customers. Eligibility criteria includes recent emergency events for employment and health. Administered by the Department of Utilities, this program is funded by voluntary customer contributions.

### **Interconnections, Transmission and Distribution Facilities**

Palo Alto's electric system is directly interconnected with the system of Pacific Gas and Electric Company ("PG&E") by a single 115 kV delivery point at Palo Alto's Colorado substation. Palo Alto receives transmission services under the MSSA between NCPA and the CAISO.

Palo Alto's distribution system consists of the 115 kV to 60 kV delivery point, two 60 kV switching stations, 9 distribution substations, approximately 12 miles of 60 kV sub transmission lines, and approximately 469 miles of 12 kV and 4kV distribution lines including 223 miles of overhead lines and 245 miles of underground lines.

### **Forecast of Capital Expenditures**

Palo Alto's five-year capital plan for electric distribution facilities contemplates capital expenditures in the following years and amounts:

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
ESTIMATED CAPITAL EXPENDITURES  
(Dollar Amounts in Thousands)**

<b>Fiscal Year Ended June 30,</b>				
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$21,033	\$13,364	\$20,936	\$14,460	\$12,680

*Source:* City of Palo Alto.

The capital expenditures are for infrastructure replacement and new customer connections; Palo Alto anticipates funding the majority of such costs from current year revenues. Since the 1960's Palo Alto has followed a policy of funding its capital improvements primarily from revenues rather than debt financing.

Palo Alto does not currently plan to make further investment in new large-scale generation. Most of Palo Alto's anticipated energy deficits are expected to be met with renewable power purchase agreements, long-term and short-term market purchases, and customer site distributed generation. Palo Alto is in the initial phases of studying a transmission upgrade project.

### **Employees**

As of June 1, 2017, 107 full-time equivalent ("FTE") staff were assigned to the electric system of the Palo Alto Department of Utilities. All full-time employees, excluding those in management, confidential and professional classifications, are represented by the Service Employees' International Union ("SEIU") Local 521. Matters pertaining to wages, benefits and working conditions are governed by a memorandum of understanding between the City of Palo Alto and SEIU. The memorandum of understanding with this union expires on December 31, 2018. Palo Alto's wage and fringe benefits are generally comparable to those offered by other local public agencies.

Palo Alto covers substantially all of its permanent employees under pension plans offered by the California Public Employees Retirement System ("CalPERS"), an agent for multiple employer defined benefit pension plans, which acts as a common investment and administrative agent for its participating member employers. Pension costs are funded by monthly contributions to CalPERS by Palo Alto. Employees of the City of Palo Alto Department of Utilities participate in the Miscellaneous Plan, which is part of the Public Agency portions of CalPERS (the "Plan"). CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS.

CalPERS uses the 15-year smoothed market method of valuing Plan assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 20 years. Investment gains and losses are tracked and amortized over a 30-year rolling period, except for

special gains and losses in fiscal years 2009 through 2011 which are being amortized over fixed and declining 30 year periods. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

The City of Palo Alto's Annual Pension Cost, representing the payment of annual required contributions determined by CalPERS for the Miscellaneous Plan for the three fiscal years 2014-15 through 2016-17 were as follows: fiscal year 2014-15, \$17,958,000; fiscal year 2015-16, \$18,808,000; and fiscal year 2016-17, \$20,644,000. The City of Palo Alto made these contributions as required. At June 30, 2017 (based on the GASB 68 Accounting Valuation Report), the total pension liability for all City of Palo Alto employees under the Miscellaneous Plan was approximately \$714,019,000, the plan fiduciary net position was approximately \$469,782,000 and the net pension liability was approximately \$244,237,000, representing a funded ratio of 65.8%.

The City's required contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase Palo Alto's required contributions to CalPERS in future years. Accordingly, Palo Alto cannot provide any assurances that Palo Alto's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

In addition to providing pension benefits, the City of Palo Alto participates in the California Public Employees Medical and Health Care Act to provide certain health care benefits for retired employees, including employees of the City of Palo Alto Department of Utilities. Employees who retire directly from the City of Palo Alto are eligible for benefits if they retire on or after age 50 with 5 years of service and are receiving a monthly pension from CalPERS. In fiscal year 2007-08, Palo Alto implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB"), and elected to participate in an irrevocable trust to provide a funding mechanism for its OPEB liability. The trust, California Employers' Retirees Benefit Trust ("CERBT"), is administered by CalPERS and managed by a separately appointed board, which is not under control of the City Council. The City's policy is to prefund these OPEB benefits by accumulating assets in the Trust Fund pursuant to City Council Resolution. The annual required contribution ("ARC") was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include: (i) a 7.25% investment rate of return, (ii) a 3.25% projected annual salary increase, and (iii) specified health care cost trends increasing by 5.00% in 2021 and beyond. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The City of Palo Alto's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30-year closed amortization period.

The Plan's annual OPEB Cost and the City's actual contributions for the three fiscal years 2014-15 through 2016-17 were as follows: fiscal year 2014-15, Annual OPEB Cost, \$14,733,000, City Actual Contribution, \$15,034,000; fiscal year 2015-16, Annual OPEB Cost, \$15,292,000, City Actual Contribution, \$14,083,000; and fiscal year 2016-17, Annual OPEB Cost, \$16,890,000, City Actual Contribution, \$14,647,000. The Annual OPEB cost is equal to the employer's annual required contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under- or over-contributions. As of June 30, 2015, the most recent actuarial valuation date, the City

of Palo Alto's retiree health (OPEB) plan had an entry age actuarial accrued liability for all City of Palo Alto employees of approximately \$234,795,000, the actuarial value of assets (which differs from market value) was approximately \$78,578,000 and the actuarial accrued unfunded liability was approximately \$156,217,000, representing a funded ratio of 33.5%.

Additional information regarding the City of Palo Alto's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at <http://www.cityofpaloalto.org>.

## Service Area

The main businesses in Palo Alto are manufacturing and industrial, but Palo Alto is also home to important health care and education providers. There are numerous manufacturing plants producing electronic components, communications equipment, computer systems and similar products and general items such as pharmaceutical and aerospace systems.

The ten largest employers in Palo Alto as of June 30, 2017 are shown in the following table.

### CITY OF PALO ALTO LARGEST EMPLOYERS

Employer	Business	Number of Employees
Stanford Health Care	Health Care Delivery	5,500
Lucille Packard Children's Hospital	Health Care Delivery	4,850
Stanford University <sup>(1)</sup>	Education	4,300
Veteran's Affairs Palo Alto Health Care System	Health Care Delivery	3,900
VMware Inc.	Software	3,500
SAP	Software	3,500
Space Systems/Loral	Satellite System Design & Manufacturing	2,800
Hewlett Packard Company	Computer Hardware and Software	2,500
Palo Alto Medical Foundation	Health Care Delivery	2,200
Varian Medical Systems	Medical Devices and Software	1,400

<sup>(1)</sup> Stanford University number of employees was provided by the Stanford Office of Planning and includes only employees located in Palo Alto.

Source: City of Palo Alto.

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A five-year history of building permits in Palo Alto is as follows:

**CITY OF PALO ALTO  
BUILDING PERMITS  
For Calendar Years 2013-2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential Valuation (in thousands)					
Single Family	\$105,522	\$102,579	\$ 74,090	\$ 60,421	\$ 77,845
Multifamily	\$ 37,185	\$ 63,465	\$ 47,581	\$ 4,225	\$ 14,300
TOTAL	<u>\$142,707</u>	<u>\$166,044</u>	<u>\$121,671</u>	<u>\$ 64,646</u>	<u>\$ 92,145</u>
New Dwelling Units					
Single Family	118	91	125	98	131
Multiple Family	92	9	201	12	16
TOTAL	<u>210</u>	<u>100</u>	<u>326</u>	<u>110</u>	<u>147</u>

*Sources:* City of Palo Alto Development Center

Shown below is certain population data for Palo Alto, the County of Santa Clara and the State of California:

**CITY OF PALO ALTO, COUNTY OF SANTA CLARA,  
STATE OF CALIFORNIA POPULATION  
(1970-2010 as of April 1; 2011-2017 as of January 1)**

<u>Year</u>	<u>City of Palo Alto</u>	<u>County of Santa Clara</u>	<u>State of California</u>
1970	55,835	1,065,313	19,971,069
1980	55,200	1,295,071	23,668,562
1990	57,400	1,497,577	29,760,021
2000	58,917	1,682,585	33,873,086
2010	64,403	1,781,642	37,253,956
2011	65,164	1,803,362	37,536,835
2012	65,882	1,828,496	37,881,357
2013	66,688	1,856,416	38,238,492
2014	67,024	1,879,196	38,572,211
2015	67,399	1,903,209	38,915,880
2016	68,134	1,922,619	39,189,035
2017	68,691	1,938,180	39,523,613

*Sources:* U.S. Bureau of Census and California State Department of Finance.

## Transportation

Palo Alto is served by freeways, interstate and state highways, bus service and trucking lines. Passenger rail transportation is provided by the Amtrak on a north/south commuter track. Air transportation is available at San Francisco International Airport, located approximately 25 miles to the north, and the San Jose International Airport which is approximately 15 miles from downtown Palo Alto.

Public education is provided in Palo Alto from kindergarten through high school. Palo Alto is also the location of Stanford University.

## **Litigation**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Palo Alto in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Palo Alto taken with respect to, the Third Phase Agreement.

There is no litigation pending, or to the knowledge of Palo Alto, threatened, questioning the existence of Palo Alto, or the title of the officers of Palo Alto to their respective offices. As of the date of this Official Statement, there is no litigation pending, or to the knowledge of Palo Alto, threatened, questioning or affecting in any material respect the financial condition of Palo Alto's electric utility system.

*Green v. City of Palo Alto.* Through annual equity transfers, the City transfers a portion of the earnings of its gas and electric utilities to its general fund each year, pursuant to a voter-approved charter provision authorizing it to do so. In October 2016, plaintiff Miriam Green filed a class action lawsuit against Palo Alto challenging the City's equity transfers and electric rates, under Proposition 26. In FY 2017 this amounted to \$18.7 million (\$12 million electric, \$6.7 million gas) and the FY 2016 transfers were \$17.2 million (\$11.6 million electric, \$5.6 million gas). In this respect, Palo Alto is similar to all municipal power utilities (and the four municipal gas utilities in California), which make annual general fund transfers on various theories. In May 2017, the court approved the parties' stipulation (a formal agreement between counsel) certifying the class of plaintiffs in exchange for the plaintiffs' agreement (i) to stay the case pending decision in *Citizens for Fair REU Rates v. City of Redding*, California Supreme Court Case No. S224779 (Redding) and (ii) to dismiss plaintiff's three claims challenging the cost-justification of the City's electric rates. Redding raises the same issue as plaintiff's suit against Palo Alto, has been fully briefed since July 2015 and may be argued at any time. After the Supreme Court's decision, the City will re-evaluate its case, assuming Redding clarifies the applicable law. No matter the outcome, the Green litigation is not expected to have a material financial impact on the City's electric fund.

Lawsuits and other claims filed against Palo Alto as it relates to its Department of Utilities' electric utility system and operations arise in the ordinary course and scope of Palo Alto's municipal utility business and are largely covered by Palo Alto's self-insurance program. In the opinion of Palo Alto's management and attorneys, these lawsuits and other claims will not have a material adverse effect upon Palo Alto's electric utility system and operations.

## **Rates and Charges**

The Palo Alto City Council is authorized by the Palo Alto Municipal Code to set fees and charges, pay for and supply all electric energy and power to be furnished to customers according to such schedules, resolutions, rules and regulations as are adopted by the City Council. These rates are not subject to review by any State or federal agency. In addition, the City Charter provides for the maintenance of a separate fund for each utility into which is deposited receipts from the operations of such utilities and from which are payable the utility's costs and expenses, including operating and maintenance, debt service, capital expenditures, funding of reserves, and general fund transfers.

Palo Alto's fiscal year 2015-16 average rates per kWh for residential service was 12.1 cents. Palo Alto's fiscal year 2015-16 average rates for commercial and industrial service was 11.4 cents per kWh.



Palo Alto's fiscal year 2016-17 average rate per kWh for residential service was 13.6 cents. Palo Alto's fiscal year 2016-17 average rate for commercial and industrial service was 12.3 cents per kWh.

The following table presents a history of Palo Alto's electric utility rate increases since 2013.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
RATE CHANGES**

<b>Date</b>	<b>Percent Change</b>
July 1, 2017	14.0
July 1, 2016	11.0
July 1, 2015	0.0
July 1, 2014	0.0
July 1, 2013	0.0

*Source:* City of Palo Alto.

Palo Alto spends approximately 2.85% of gross electric revenues on the public benefit programs it originally developed in response to California Assembly Bill 1890, which was adopted in 1996 ("AB 1890"). In addition to funding available through the public benefits program, Palo Alto funds additional efficiency and renewable energy programs through the electric utility's supply resource acquisition budget.

### **Largest Customers**

The ten largest customers of Palo Alto's electric utility system, based upon energy usage for the fiscal year ended June 30, 2017 accounted for approximately 36.8% of total kWh sales and approximately 32.2% of total electric revenues. The largest account consumed 8.9% of Palo Alto's total kWh sales and contributed 6.9% of total revenues and the smallest of the ten largest accounts accounted for 1.8% of total kWh sales and 1.5% of revenues.

### **Palo Alto's Operations Since Industry Restructuring**

***Electric System Policies.*** In March 1997, the City Council of Palo Alto approved three electric utility policies relating to customer choice, stranded cost recovery and marketing beyond Palo Alto borders. Palo Alto undertook a number of actions in order to implement those policies. Direct access (discussed below) was offered to large commercial and industrial customers; however none of them exercised the option. Given the lack of interest in the community for direct access in combination with the instability of energy markets in 2001 and CPUC actions relating to direct access, direct access was suspended by the City Council effective August 1, 2001. There are no plans to re-implement direct access at this time.

AB 1890, adopted in 1996, provided for the deregulation of California's electric industry effective January 1, 1998. A key element of deregulation was the provision for "direct access", which would allow electric customers to choose their electric commodity supplier. Palo Alto, along with other California utilities, was faced with the prospect of losing customers and load to direct access and having made significant investments in generation assets purchased or built to serve these customers. In response to such risk, PG&E and other investor- and municipally-owned utilities established stranded cost surcharges to collect funds from ratepayers to cover the amount that these uneconomic assets were projected to cost above their market value in the future (*i.e.*, "stranded cost").

***Electric Special Project Reserve (formerly the Calaveras Reserve).*** In 1983, the City Council established the Calaveras Reserve in the Electric Fund to help defray a portion of the annual debt service costs associated with the NCPA Calaveras Hydroelectric Project, which was put in service at that time. As originally established, the Calaveras Reserve policy did not provide for a target balance and depletion of the reserve was anticipated by 2002.

In 1996, the City Council changed the purpose of the Calaveras Reserve and authorized collections from electric ratepayers to cover its stranded cost. In addition, the City Council approved a new Calaveras Reserve policy linking the reserve balance to an amount sufficient to cover potential stranded costs. The assets identified as stranded included the Seattle City Light Exchange contract, the Calaveras Hydroelectric Project and the COTP.

In 1997, the City Council revised the reserve target level to cover above-market, or “stranded,” costs to \$93 million by December 31, 2001 to be collected from a stranded cost surcharge imposed on electric rates. When the Calaveras Reserve balance reached \$71 million in 1999, stranded costs were deemed fully collected. At that time, Council authorized the cessation of the collection of the stranded cost surcharge and established the Calaveras Reserve Target and Guidelines with a schedule to drawdown the funds and manage electric rates through transfers from the Calaveras Reserve to the Electric Supply Rate Stabilization Reserve (E-SRSR) through the end of fiscal year 2032-33, when the Calaveras Reserve would be exhausted.

In 2001, the California electric industry faced an energy crisis triggering wholesale power price spikes and rolling blackouts throughout the State. The crisis was blamed on poor deregulation market design and market manipulation by energy suppliers. As a result, direct access was suspended in California for the investor-owned utilities (although it was subsequently phased in for non-residential end-use customers of the investor-owned utilities pursuant to Senate Bill 695, adopted in 2009) and subsequently, Palo Alto suspended its direct access program. Further, as a result of changing market conditions and the assignment of certain electric assets, the estimate of the City’s stranded cost is lower now than when stranded cost collections stopped in 1999. Since then, electric market prices have increased significantly, reducing the stranded cost associated with the Calaveras Hydroelectric Project.

On June 15, 2009, the City Council adopted new guidelines to manage the Calaveras Reserve which required an annual calculation of short-term stranded costs during the annual budget process for the upcoming budget year(s) and set the minimum transfer from the Calaveras Reserve to the Electric Supply Operating Budget equal to this amount. The revised guidelines also called for an annual calculation of long-term stranded cost and identification of any excess funds in the Calaveras Reserve available to fund projects to the benefit of electric ratepayers.

On November 1, 2011, the City Council renamed the Calaveras Reserve as the Electric Special Project Reserve (“ESP”) and approved a new policy direction and guidelines for use of funds. On May 18, 2015, the City Council updated the guidelines to extend the deadlines to commit funds and close the ESP Reserve, as follows:

- The purpose of the ESP Reserve is to fund projects that benefit electric ratepayers;
- ESP Reserve funds are to be used for projects of significant impact;
- Projects proposed for funding must demonstrate a need and/or value to electric ratepayers. The projects must have verifiable value and not be speculative, or risky in nature;
- Projects proposed for funding must be substantial in size, requiring funding of at least \$1 million;
- Set a goal to commit funds by end of fiscal year 2016-17; and
- Any uncommitted funds remaining at the end of fiscal year 2021-22 will be transferred to the Electric Supply Operation Reserve and the ESP Reserve will be closed.

As of December 2017, the ESP Reserve funds have not been fully committed; however, staff is evaluating suitable large projects such as advanced metering infrastructure which could increase utility resiliency. The approximate balance of the ESP Reserve as of June 30 for the five fiscal years 2012-13 through 2016-17 is set forth below:

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Balance	\$51,838,000	\$51,838,000	\$51,838,000	\$51,838,000	\$51,838,000

*Source:* For fiscal years 2012-13 through 2016-17 City of Palo Alto Audited Financial Statements.

As of June 30, 2017, the balance of ESP Reserve was \$51,838,000.

**Rate Stabilization Reserve.** In June 1998, the City Council approved staff’s recommendation to unbundle the Electric and Gas Rate Stabilization Reserves (“RSR”). The RSR was originally created to cover a number of unforeseen contingencies, including the need to supplement rates which cover distribution expenses, and commodity supply costs. The City Council has approved a set of guidelines for the Rate Stabilization Reserves based on a forecast of contingencies to be covered. In December 2003 and again in January 2007, the City Council updated the reserve guidelines taking into account, among other aspects, the increased cost volatility due to the electric portfolio cost exposure to hydroelectric production uncertainties that arose in 2005 with the new Western Base Resource Contract. In June 2014, the City Council approved updated Reserves Management Practices, and existing reserves were separated for more specific purposes. The Rate Stabilization Reserves now are used to manage the trajectory of future rate increases, with the Operations Reserve being used to manage normal variations in the costs of providing electric service and as a reserve for contingencies. As of June 30, 2017, the balance of RSR was \$9.0 million.

**Operations Reserve.** In June 2014, the City Council approved update Reserves Management Practices. New Electric Supply Fund and Electric Distribution Fund Operations Reserves were created, and are used to manage normal variations in the costs of providing electric service and as a reserve for contingencies. The City Council approved a set of guidelines for the minimum and maximum level of reserves to be held, as well as policies should reserves fall outside of those ranges. As of June 30, 2017, the balance of the Supply Operations and Distribution Operations Reserves were \$12.9 and \$7 million, respectively. These amounts are below the City Council guidelines for the minimum level of reserves to be held, but the City Council approved transfers in fiscal year 2018 to raise the balance of such reserves above the guidelines for the minimum level.

**Hydro Stabilization Reserve.** In accordance with the City’s updated Reserves Management Practices approved in June 2014, supply cost savings and surplus energy sales revenue associated with higher than average generation from hydroelectric resources may be added to the Electric Supply Fund’s Hydro Stabilization Reserve by action of the City Council and held to offset higher commodity supply costs during years of lower than average generation. Withdrawal of funds from the Hydro Stabilization Reserve requires action by the City Council. As of June 30, 2017, the balance of the Hydro Stabilization Reserve was \$11.4 million.

**Public Benefits Reserve.** In June 1998, the City Council of Palo Alto approved the Public Benefits Reserve to be created for the purpose of establishing a separate reserve from the Electric Fund. The revenue collected for the Public Benefit programs that are not spent are deposited into this reserve for future use. The balance of the Public Benefits Reserve at June 30, 2017 was \$681,000.

**Unbundled Electric Rates.** In June 1997, Palo Alto became the first electric utility in California to unbundle its electric rates on customers' bills. Palo Alto's unbundled electric rates are comprised of the following four components: (i) a power supply charge, (ii) a distribution charge, (iii) a transition cost recovery charge and (iv) a public benefits charge. The distribution charge, transition cost recovery charge and public benefits charge are non-bypassable charges and therefore are paid to Palo Alto by the customer, regardless of energy supplier. On July 1, 1999, the transition cost recovery charge was discontinued.

## Customers, Energy Sales, Revenues and Demand

The average number of customers, kWh sales, revenues derived from sales by classification of service and peak demand during the five fiscal years 2012-13 through 2016-17, are listed below.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
CUSTOMERS, SALES, REVENUES<sup>(1)</sup> AND DEMAND<sup>(2)</sup>  
Fiscal Year Ended June 30,**

	<b>2013</b>	<b>2014</b>	<b>2015<sup>(3)</sup></b>	<b>2016</b>	<b>2017</b>
Number of Customers:					
Residential	26,642	26,439	25,226	25,372	25,642
Commercial	2,482	2,556	3,682	3,715	3,753
Industrial	131	120	106	91	85
Other	219	224	122	126	136
Total	29,474	29,339	29,136	29,304	29,616
Kilowatt-Hour Sales (in thousands):					
Residential	186,997	182,228	145,447	150,112	148,986
Commercial	448,922	470,229	558,601	589,091	580,832
Industrial	227,431	213,768	202,839	168,141	157,502
Other	83,490	84,559	29,936	29,812	30,368
Total	946,841	950,784	936,823	937,157	917,687
Revenues from Sale of Energy:					
Residential	\$ 19,951	\$ 18,744	\$ 17,404	\$ 18,191	\$ 20,269
Commercial	62,671	65,244	66,457	68,593	73,471
Industrial	24,327	23,175	21,800	17,762	17,164
Other	3,265	3,225	3,234	3,127	3,780
Total	\$110,214	\$110,388	\$108,895	\$108,033	\$114,684
Peak Demand (MW)	174	168	172	178	171

(1) Revenues are exclusive of wholesale sales.

(2) Columns may not add to totals due to rounding.

(3) In 2015, "Other" redefined as City of Palo Alto facilities only. Multi-family facilities reclassified to "Commercial."

Source: City of Palo Alto.

## Indebtedness; Joint Powers Agency Obligations

In October 2007, the City issued \$1.5 million of 2007 Electric Utility Clean Renewable Energy Tax Credit Bonds ("CREBs") to finance the City's photovoltaic solar panel project. The bonds do not

bear interest and are scheduled to be fully paid by December 2021. In lieu of receiving the periodic interest payments, bondholders are allowed annual federal income tax credits in an amount equal to a credit rate for such CREBs multiplied by the outstanding principal amount of the CREBs owned by the bondholders. As of June 30, 2017, the remaining outstanding principal balance of the CREBs was \$0.5 million.

The City issued Utility Revenue Bonds, 1995 Series A (the “1995 Utility Bonds”) on February 1, 1995 to finance certain extensions and improvements to the City’s Storm Drainage and Surface Water System. The 1995 Utility Bonds are special obligations of the City secured by a lien on net revenues of the City’s entire “Enterprise,” which consists of the City of Palo Alto water system, gas system, storm and surface water drainage system, sanitary sewer system, and electric utility system, except refuse service fund, fiber optics fund, and airport fund. The annual principal and interest debt service payments are solely paid by the City’s storm and surface water drainage system. As of June 30, 2017, the outstanding principal amount of the 1995 Utility Bonds was \$1.8 million.

As previously discussed, Palo Alto participates in two joint powers agencies, including NCPA and TANC. Obligations of Palo Alto under its agreements with respect to NCPA and TANC constitute operating expenses of Palo Alto payable prior to any of the payments required to be made on Palo Alto’s utilities’ revenue bonds or other obligations. Agreements with the joint powers agencies in which Palo Alto participates are on a “take-or-pay” basis, which requires payments to be made whether or not projects are completed or operable, and whether output from such projects is suspended, interrupted or terminated. These agreements contain “step-up” provisions obligating Palo Alto to pay a share of the obligations of a defaulting participant. Palo Alto’s participation and share of debt service obligation (without giving effect to any “step-up” provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES  
(Dollar Amounts in Millions)  
(As of January 31, 2018)**

	<u>Outstanding Debt<sup>(1)</sup></u>	<u>Palo Alto Participation<sup>(2)</sup></u>	<u>Palo Alto Share of Outstanding Debt<sup>(1)</sup></u>
NCPA			
Geothermal Project	\$ 28.8	0.0% <sup>(3)</sup>	\$ 1.8 <sup>(3)</sup>
Hydroelectric Project	322.4	22.92 <sup>(4)</sup>	73.9 <sup>(4)</sup>
TANC			
Bonds - COTP	\$205.8	0.0 <sup>(5)</sup>	8.2 <sup>(5)</sup>
<b>TOTAL</b>	<u>\$557.0</u>		<u>\$83.9</u>

<sup>(1)</sup> Principal only. Does not include obligation for payment of interest on such debt.

<sup>(2)</sup> Participation based on actual debt service obligation. Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant’s original participation.

<sup>(3)</sup> Participant share of 6.16% was permanently assigned to TID in October 1984. Palo Alto remains contractually liable for its share. See “Power Supply Resources–Joint Powers Agency Resources–NCPA” above.

<sup>(4)</sup> Palo Alto’s actual payments represent approximately 23.5% of outstanding debt service as a result of credit to non-participating members with respect to portion of debt obligation.

<sup>(5)</sup> Participation share of 4.00% was assigned to SMUD, TID and MID in August 2008. Palo Alto remains contractually obligated for its share. See “Power Supply Resources–Joint Powers Agency Resources–TANC California-Oregon Transmission Project” above.

Source: City of Palo Alto.

A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements for the purposes of substantially fixing the related interest cost. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the related interest rate swap agreements will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Palo Alto). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Palo Alto).

### **Significant Accounting Policies**

Palo Alto's most recent Annual Financial Report for the fiscal year ended June 30, 2017 has been audited by Macias Gini & O'Connell LLP, Walnut Creek, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly, in all material respects, the respective financial position of the various funds maintained by Palo Alto. The reports include certain notes to the financial statements which are not described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the Administrative Services Department, City of Palo Alto, 250 Hamilton Avenue, Palo Alto, California 94301 and are available on-line at <https://www.cityofpaloalto.org/gov/depts/asd/reporting.asp>. Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Palo Alto electric system is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of income and selected balance sheet information of Palo Alto's Department of Utilities electric utility system for the five fiscal years 2012-13 through

2016-17. The information for the fiscal years ended June 30, 2013 through June 30, 2017 was prepared by Palo Alto on the basis of its audited financial statements for such years.

**CITY OF PALO ALTO  
DEPARTMENT OF UTILITIES  
CONDENSED OPERATING RESULTS AND SELECTED  
BALANCE SHEET INFORMATION<sup>(1)</sup>  
(Dollar Amounts in Thousands)**

	<b>Fiscal Year ended June 30,</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Summary of Income:					
Operating Revenues	\$121,805	\$121,916	\$120,842	\$120,743	\$137,543
Operating Expenses <sup>(2)</sup>	<u>(97,076)</u>	<u>(103,817)</u>	<u>(113,534)</u>	<u>(111,314)</u>	<u>(119,568)</u>
Operating Income	24,729	18,099	7,308	9,429	17,975
Other Income <sup>(3)</sup>	(10,666)	(5,802)	(6,676)	(5,763)	(9,224)
Loss on Disposal of Fixed Assets	(395)	(271)	(312)	(74)	(116)
Transfers in	296	1,089	51	259	2,679
Transfers out <sup>(4)</sup>	<u>(12,090)</u>	<u>(11,460)</u>	<u>(11,580)</u>	<u>(12,110)</u>	<u>(12,543)</u>
Net Income	\$ 1,874	\$1,655	\$(11,206)	\$(8,259)	\$(1,229)
Selected Balance Sheet Information:					
Net Property Plant and Equipment	\$171,933	\$176,408	\$180,546	\$187,091	\$190,930
Unrestricted	<u>143,329</u>	<u>140,465</u>	<u>96,515</u>	<u>81,711</u>	<u>76,643</u>
Total Net Assets	\$315,262	\$316,873	\$277,061	\$268,802	\$267,573

<sup>(1)</sup> Includes electric and fiber optics funds.

<sup>(2)</sup> Includes purchased power costs and payments to NCPA and TANC. Also includes depreciation in the amount (in thousands) of \$8,223 in fiscal year 2013, \$7,504 in fiscal year 2014, \$7,383 in fiscal year 2015, \$7,607 in fiscal year 2016, and \$7,733 in fiscal year 2017.

<sup>(3)</sup> The negative "Other Income" consists of debt service the City paid on NCPA bonds and negative investment earnings due to recording of market value losses.

<sup>(4)</sup> Composed primarily of transfers to Palo Alto general fund for costs incurred for the benefit of the Palo Alto utility system, transfers to fund retiree medical benefits and transfers to the capital projects fund.

Source: City of Palo Alto.

## **CITY OF ROSEVILLE**

### **Introduction**

The City of Roseville (“Roseville” or the “City”) is a charter city in the State of California. Roseville is located in Placer County, in California’s Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 135,868 at January 1, 2017, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City, through its electric system (the “Electric System”), has been providing electrical power to its residents, businesses, and Roseville’s street and traffic lighting systems since 1912. In 1956, Roseville entered into a contract with the Federal Bureau of Reclamation for 54 megawatts (“MW”; a megawatt equals 1 million watts) of electric capacity from the Central Valley hydroelectric project, which consists of a system of dams, reservoirs and power plants within central and northern California (the contract is currently administered through the Western Area Power Administration (“Western”). In the early 1970s, Roseville’s demand for electricity exceeded the Western resource allocation. To help meet this additional need, in 1968 Roseville became a charter member in NCPA. Roseville participates in several resources developed by NCPA, including its geothermal, steam-injected gas turbine, and hydroelectric projects. In October of 2007, Roseville completed construction of a 160 MW natural gas fired combined cycle power plant (the “Roseville Energy Park” or “REP”). REP was built as a reliable, economic alternative to bulk power purchases. REP has a base operating capacity of 120 MW with the ability to peak-fire up to 160 MW. On September 1, 2010, Roseville completed the purchase from NCPA, and assumed full title and ownership, of two of the five 24 MW simple cycle combustion turbines originally part of the NCPA Combustion Turbine Project No. 1 (for a total of 48 MW of capacity), which are connected to the Roseville electric distribution system (and now referred to as “Roseville Power Plant 2”) to meet reserve and capacity requirements.

Roseville’s Electric System is under the supervision of the Roseville City Council. A seven-member Roseville Public Utilities Commission serves as an advisory board to the City Council on matters relating to all utilities owned and operated by the City. The City Council appoints all seven members of the Public Utilities Commission. The Electric Utility Director oversees operations of the electric utility and reports to the City Manager.

Only the revenues of the Roseville Electric System will be available to pay amounts owed by Roseville under the Third Phase Agreement.

The Roseville electric department’s main office is located at 2090 Hilltop Circle, Roseville, California 95747, (916) 797-6937. For more information about Roseville and its Electric System, contact Michelle Bertolino, Electric Utility Director, at the above address and telephone number. A copy of the most recent comprehensive annual financial report of the City of Roseville (the “Annual Report”) is available on Roseville’s website at [https://www.roseville.ca.us/government/departments/finance/general\\_accounting\\_department/](https://www.roseville.ca.us/government/departments/finance/general_accounting_department/). The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement and is not incorporated by reference herein.



## Service Area, Customer Base and Demand

**Service Area.** The Roseville Electric System serves an area of approximately 43 square miles, virtually coterminous with the City's borders. As of June 30, 2017, the Electric System served an estimated 58,397 customers.

**Customer Base.** In Fiscal Years 2012-13 through 2016-17, the Electric System's customer base increased by over 1.5% per year. Anticipated residential growth includes over 25,000 new residences associated with approved projects upon build-out of current and developing specific plans. Recent commercial growth includes a McKesson Medical-Surgical distribution center, health care industry expansions for Kaiser Permanente and Adventist Health, and the Falls Event Center.

Shown below is certain population data for the City of Roseville, the County of Placer and the State of California:

### CITY OF ROSEVILLE, COUNTY OF PLACER, STATE OF CALIFORNIA POPULATION (1970-2010 as of April 1; 2011-2017 as of January 1)

	City of Roseville	County of Placer	State of California
1970	18,221	77,632	19,971,069
1980	24,347	117,247	23,668,562
1990	45,189	175,290	29,760,021
2000	79,921	248,399	33,873,086
2010	118,788	348,432	37,253,956
2011	121,052	353,228	37,538,835
2012	123,836	358,152	37,881,357
2013	126,864	362,551	38,238,492
2014	129,219	367,442	38,572,211
2015	130,828	370,710	38,915,880
2016	133,618	376,203	39,189,035
2017	135,868	382,837	39,523,613

*Source:* 1970, 1980, 1990 and 2000 figures from U.S. Bureau of Census; other figures from California State Department of Finance.

The largest employers in Roseville as of June 30, 2017 are set forth in the table on the following page:

**CITY OF ROSEVILLE  
LARGEST EMPLOYERS  
(As of June 30, 2017)**

<b>Employer</b>	<b>Business</b>	<b>Number of Employees</b>
Kaiser Permanente	Health Care	4,988
Hewlett-Packard	Technology	2,300
Sutter Roseville Medical Center	Health Care	2,100
Union Pacific Railroad	Railroad	1,150
City of Roseville	Government	1,149
Roseville Joint Union High School District	Education	1,090
Roseville City School District	Education	1,034
PRIDE Industries	Employment Service	838
Adventist Health	Health Care	801
Consolidated Communications	Cable Television	440

Source: City of Roseville.

***Historical Customers Sales and Peak Demand.*** The average number of customers, electricity sales measured in megawatt hours (“MWh”) and in revenues, and peak demand during the past five Fiscal Years, is listed below.

**CITY OF ROSEVILLE  
ELECTRIC SYSTEM  
CUSTOMERS, SALES, REVENUES AND PEAK DEMAND<sup>(1)</sup>**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number of Customers: <sup>(2)</sup>					
Residential	48,387	49,013	49,851	50,784	51,638
Commercial	6,561	6,666	6,673	6,700	6,759
Total	54,948	55,679	56,524	57,484	58,397
MWh Deliveries					
Average:					
Residential	443,489	434,594	428,824	439,495	439,598
Commercial	750,694	748,218	748,913	750,482	737,843
Total MWh sales	1,194,183	1,182,812	1,117,737	1,189,977	1,177,441
Revenues (\$ in 000s):					
Residential	\$ 66,189	\$ 66,728	\$ 67,660	\$ 68,853	\$ 68,543
Commercial	89,172	92,347	96,028	95,078	93,011
Total Revenues from Sale of Energy	\$ 155,361	\$ 159,075	\$ 163,688	\$ 163,930	\$ 161,554
Peak Demand (MW)	330	340	340	331	355

(1) Revenues listed are as billed. For realized revenues, see the table under "Historical Revenues, Expenses and Debt Service Coverage" below.

(2) Customer counts reported as fiscal year average annual values.

Note: Totals may not add due to rounding.

Source: City of Roseville.

### **Ten Largest Customers**

As of June 30, 2017, the ten largest customers of Roseville's Electric System by usage accounted for an estimated 23% of total kWh sales and 18% of total Electric System revenues. The largest customer accounted for an estimated 9% of total kWh sales and 7% of total Electric System revenues. The smallest of the ten largest customers accounted for an estimated 0.7% of total kWh sales and 0.6% of total Electric System revenues.

### **Sources of Power Supply**

#### **General**

Roseville has a diverse portfolio of resources that includes large hydroelectric, geothermal, natural gas fired thermal, system power contracts, and additional contracts for renewable energy. In addition, Roseville purchases its incremental needs through open market purchases. Roseville owns and operates the Roseville Energy Park and the two units constructed under NCPA Combustion Turbine Project No. 1 (subsequently renamed Roseville Power Plant 2) connected to the Roseville electric distribution system. Roseville has a long-term contract with Western for a share of the Central Valley Project net generation and entitlements to the output of several NCPA projects.

The table on the following page provides an estimated summary of the City's sources of power supply for Fiscal Year 2016-17.

**CITY OF ROSEVILLE  
ELECTRIC SYSTEM  
SOURCES OF POWER SUPPLY  
Fiscal Year 2016-17**

<b>Source</b>	<b>Type</b>	<b>Capacity Available (MW)<sup>(1)</sup></b>	<b>Actual Power Energy (GWh)<sup>(2)</sup></b>	<b>% of Total</b>
<b>Generation:</b>				
Roseville Energy Park <sup>(3)</sup>	Natural Gas	80	222	18%
Roseville Power Plant 2	Natural Gas	24	1	0
<b>Purchased Power:</b>				
Western <sup>(4)</sup>	Hydro	63	208	17
<b>NCPA</b>				
Geothermal Project	Geothermal	8	64	5
Hydroelectric Project	Hydro	29	113	9
Capital Facilities Project, Unit One	Natural Gas	20	2	1
<b>Open Market Purchases:</b>				
Renewable Purchases	Various	24	246	20
Non-Renewable Purchases	Various	120	371	30
<b>TOTAL*</b>		<b>368*</b>	<b>1,227*</b>	<b>100%*</b>
<b>Peak Demand (MW)</b>		<b>355</b>		
<b>Capacity Reserve Percent<sup>(5)</sup></b>		<b>4%</b>		

(1) Capacity in MW and available for system peak.

(2) One gigawatt hour (GWh) equals 1 million kilowatt hours (kWh).

(3) Includes slight de-rating for summer (ambient temperatures).

(4) Includes reserve capacity.

(5) Capacity includes long-term and seasonable purchases. Capacity reserve planning target is 15% of the forecasted peak. Actual peak exceeded forecasted peak, resulting in 4% reserves.

\* Numbers may not total due to rounding.

Source: City of Roseville.

### **Roseville Energy Park**

Roseville Energy Park ("REP"), is a 120 MW base load combined cycle, natural gas fueled power plant with duct firing capability up to 160MW. The REP is located in the City of Roseville and is directly connected to Roseville's distribution system. REP is comprised of two Siemens SGT 800 combustion turbine units and a Siemens STG 900 steam turbine. The plant has been in commercial operation since October 2007 and is owned and operated by the City. In March 2017, REP's steam turbine was damaged, and REP ran through the summer 2017 in an 80MW dual combustion turbine configuration. Equipment repairs to restore full capacity are expected to be completed in May 2018.

## **Roseville Power Plant 2**

The Roseville Power Plant 2 (“RPP2”) consists of two 24 MW simple cycle combustion turbines for a total of 48 MW of capacity. These units were previously part of the NCPA Combustion Turbine Project No. 1 of which Roseville was a participant. On September 1, 2010 Roseville took ownership of the two units which provide peaking capacity and reserves for Roseville. In July 2016, combustion turbine 2 (“CT2”) went into outage for generator repairs, derating RPP2 to 24 MW. Roseville expects to repair CT2 and return it to service in late 2018.

## **Western Area Power Administration**

Roseville has long-term contracts with Western that provide a 4.85333% share of the net output of the Central Valley Project (“CVP”), provide for interconnection and interconnected operations with Western’s transmission system, and provide for transmission services. The power supply contract provides varying amounts of capacity and energy depending upon hydrological and storage conditions of the CVP. The output is reduced by Western’s project use, first preference customer allocations, environmental, and control area obligations. Roseville is directly connected to Western’s transmission system and acquires reserves under contract that include regulation and frequency response service, and spinning and non-spinning reserves. The term of the power supply contract extends through December 31, 2024.

## **Joint Powers Agency Resources**

**NCPA.** In addition to generating and purchasing power from other sources, Roseville is a participant in a number of NCPA projects. Roseville has purchased from NCPA a 12.00% entitlement share in the Hydroelectric Project. Roseville has purchased from NCPA a 36.50% entitlement share in the NCPA Capital Facilities Project, Unit One. Roseville has purchased from NCPA a 7.88% entitlement share in the Geothermal Project. For a description of such resources, see “THE PROJECT” and “OTHER NCPA PROJECTS” in the front part of this Official Statement. For each of these generation projects in which Roseville participates, Roseville is obligated to pay, on an unconditional take-or-pay basis, its entitlement share of the debt service on NCPA bonds issued for the project as well as its share of the operation and maintenance expenses of the project. See also “Indebtedness; Joint Powers Agency Obligations” below.

In order to meet certain obligations required of NCPA to secure transmission and other support services for the NCPA Geothermal Project, NCPA and its transmission project participants (including Roseville) undertook the “Geysers Transmission Project,” which includes (a) an ownership interest in PG&E’s 230 kilovolt (“kV;” 1 kilovolt equals 1,000 volts) line from Castle Rock Junction in Sonoma County to the Lakeville Substation, (b) additional firm transmission rights in this line, and (c) a Central Dispatch Center (see “Dispatch and Scheduling” below). Roseville is entitled to a 14.18% share of the Geysers Transmission Project transfer capability, and is responsible for 14.18% of the costs of such project. For a description of the Geysers Transmission Project, see “OTHER NCPA PROJECTS” in the front part of this Official Statement.

## **Long Term Purchases**

Roseville has historically entered into long term purchases to hedge electricity costs. With the passage of Senate Bill X1 2 (California Renewable Energy Resources Act) and Senate Bill 350 (Clean Energy & Pollution Reduction Act), Roseville has additional incentive to enter into long term contracts. Certain contracts over ten years have the ability to have renewable energy “banked” to be used to meet future compliance periods. One requirement for “banking” is a renewable contract must have a term of ten years or greater for Renewable Portfolio Standard (“RPS”) compliance through 2020, and 65% of Renewable Energy Credits from long term contracts thereafter. Roseville’s current portfolio is expected to

fulfill Roseville's RPS compliance requirements through 2024 including contracts with Silicon Valley Power, Powerex Corporation, Avangrid Renewables, Lost Hills Solar, Blackwell Solar, as well as grandfathered resources including geothermal and small hydroelectric projects. See also "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments—*California Renewable Portfolio Standard*" in the front part of this Official Statement for more information on SB X1 2 and SB 350.

### **Open Market Term Purchase and Sale Agreements**

Roseville enters into various fixed-price purchase or sale contracts on the open market at various times to meet its power supply requirements and hedge its portfolio costs consistent with its risk management policies. Purchases include transactions to hedge natural gas (physical or financial) and electricity (physical or financial) over various tenors authorized in Roseville's trading authority policy. Electricity is generally sold or acquired in 25 MW increments on a seasonal or annual basis. Roseville also typically enters into seasonal and short-term purchases for varying terms from a number of power suppliers. Typical short-term purchase terms range from 1 to 3 months, though these contracts can occasionally be as long as 12 months.

### **Future Power Supply Resources**

In addition to the above supply sources, Roseville expects that it will obtain additional resources from market purchases or investment in generation facilities, either independently, through NCPA or other agencies. In accordance with current State law, Roseville expects that future energy purchases will increasingly be made from renewable energy sources. See "Energy Efficiency and Conservation" below. See also "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments" in the front part of this Official Statement.

### **Power Supply Risk Management**

The Electric System has a rigorous risk management program to ensure that customers will, to the best extent possible, be insulated from the volatility of supply prices. Roseville established a Risk Oversight Committee ("ROC"), as well as extensive risk management policies and procedures. The ROC includes two members of the City Council, two members of the Roseville Public Utilities Commission, the City Manager, the Assistant City Manager, the City Treasurer/Financial Executive, the City Attorney, and the Electric Utility Director. The ROC meets quarterly to review energy trading activities and to ensure their adherence to the risk management policies.

All energy purchases are made to supplement existing resources to meet forecasted load requirements. Generally, Roseville purchases or sells energy that is deficit or surplus to its retail customer needs independently within a 3-year horizon and by using the scheduling and load following services of ACES Power Marketing ("ACES") within a 30-day horizon. Roseville's risk management policies include short-term and long-term measures.

In general, short-term measures limit exposure due to market prices, hydro conditions, and unit outages for the coming 12 months to 7.5% or less of Roseville's expected purchased power cost and limit portfolio open volume to no more than +/- 10% of forecast load.

Roseville's long-term risk management strategy encourages a balanced "layered" energy portfolio. The Energy Hedge Policy provides a ceiling and floor for the required hedged energy (electricity and natural gas) to meet expected loads as follows:

<u>Rolling Year</u>	<u>Minimum Hedged Supply</u>	<u>Maximum Hedged Supply</u>
1	90%	110%
2	70%	100%
3	45%	80%

The policy requires that Roseville purchase forward electric contracts and/or forward gas contracts to fulfill its long-term hedged supply requirement. In the event of decreases in expected sales levels, the policy may require that Roseville sell forward electric gas and/or electric contracts. Allowed instruments in the hedging program include:

- Electric forward sales or purchases with authorized counterparties
- Electric tolling arrangements with qualified counterparties
- Bilateral Gas contracts with qualified counterparties
- Gas futures, Floors and Caps through the NYMEX or other approved market

Roseville's natural gas procurement strategy primarily involves purchasing natural gas for REP's operation at a daily index price. Roseville hedges its daily index purchases with monthly financial fixed for floating swap contracts or physical forward purchases in accordance with its Energy Hedge Policy described above. For the period January 1, 2018 through December 31, 2020, the City has fixed the price of approximately 10 million MMBtu of natural gas and over 1,200 GWh of electricity. These financial contracts are divided between BP Energy, Citigroup Energy, Conoco Philips, Aron and Company, Macquarie Energy, Exelon, and Shell Energy.

### **Natural Gas Prepayment**

The Roseville Natural Gas Financing Authority entered into a 20-year pre-paid natural gas supply contract in January 2007 with Merrill Lynch Commodities Inc. ("MLCI"). The natural gas the City is obligated to purchase under the pre-paid gas supply agreement provides approximately 40% of Roseville's expected gas requirements for the REP. The natural gas supply contract provides Roseville with seasonally adjusted fixed monthly quantities of gas at a discounted monthly index price.

### **Regional Transmission Facilities**

***Western Area Power Administration Network Integrated Transmission Service Agreement ("NITS")***. Roseville's electrical system interconnects with the transmission system of Western. The Western transmission system is part of the BANC balancing authority area and interconnects with the CAISO Controlled Grid. Roseville imports all of its requirements not met by the Roseville Energy Park and the Roseville Power Plant 2 over the Western transmission system. Roseville contracts for transmission service to meet its load under a NITS contract that expires on December 31, 2024. This contract provides for imports of electricity from various delivery points into the Roseville's electric system. Roseville pays a proportionate share of Western's cost for operating and maintaining the system, which is currently \$4.0 million per year.

***Balancing Authority of Northern California***. The Balancing Authority of Northern California ("BANC") is a joint powers authority consisting of the Sacramento Municipal Utility District ("SMUD"), the Modesto Irrigation District ("MID"), Roseville, the City of Redding, the Trinity Public Utility District, and the City of Shasta Lake. With a peak electricity demand of around 5,000 MW, BANC is the third

largest balancing authority in California, serving 763,000 retail customers, and includes more than 1,700 miles of high voltage transmission lines. Roseville represents approximately 7% of the total BANC member load.

***California Independent System Operator Controlled Grid.*** The CAISO provides a market for Roseville to purchase its incremental energy needs, and in which to sell the output of its entitlements in NCPA's generating units, and contract purchases. Under current CAISO operating protocols, Roseville pays per MWh charges for uses of the transmission system for exports from CAISO. Roseville estimates that approximately half of its incremental short-term energy needs are acquired from the CAISO Controlled Grid.

***TANC California-Oregon Transmission Project ("COTP").*** Roseville is a member of the Transmission Agency of Northern California ("TANC") and has executed the TANC Agreement for a participation percentage of TANC's entitlement of COTP transfer capability. Pursuant to the TANC Agreement, Roseville has a participation share of 2.313% of TANC's entitlement to transfer capability of the COTP (approximately 29.35 MW) and is responsible for 2.313% of TANC's COTP operating and maintenance expenses and 2.295 % of TANC's aggregate debt service on a take-or-pay basis. Roseville's share of annual debt service continues to the year 2039 and is approximately \$700,000 per year. See also "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

***TANC Tesla-Midway Transmission Service.*** The southern physical terminus of the COTP is near PG&E's Tesla Substation in the San Francisco Bay Area. The COTP is connected to Western's Tracy and Olinda Substations. TANC has arranged for PG&E to provide TANC and its members with 300 MW of firm bi-directional transmission capacity in its transmission system between its Tesla Substation and the Midway Substation (the "Tesla-Midway Service") under an agreement known as the South of Tesla Principles. Roseville's share of this Tesla-Midway Transmission Service is 5 MW. Roseville utilizes its allocation of Tesla-Midway Transmission Service for firm and non-firm power transactions when available and economic to do so. See also "CITY OF ALAMEDA—Joint Powers Agency—*TANC Tesla-Midway Transmission Service*" herein for additional information regarding the TANC Tesla-Midway Transmission Service.

***Roseville Layoff of COTP and Tesla-Midway Service.*** In 2009, with the assistance of TANC, Roseville reached an agreement with SMUD, Turlock Irrigation District ("TID") and MID to lay off its COTP and Tesla-Midway Transmission Service rights to TANC, and subsequently for TANC to layoff these rights to SMUD, TID and MID. This layoff was from 2009 through 2014 and all of Roseville's rights and obligations to the COTP project under the TANC Agreement were restored effective July 1, 2014.

## **Roseville Distribution System**

Roseville owns and operates the electrical distribution system serving retail customers within the City of Roseville boundaries. The distribution system is connected to the Western transmission system at two connection points, the 230-kV Berry Street Receiving Station and the 230-kV Fiddymont Station. The distribution system consists of over 145 miles of overhead lines, over 735 miles of underground lines, 53 fiber circuit miles, and 17 substations. Roseville performs continued maintenance on its distribution system to sustain service reliability.

## **Dispatch and Scheduling**

Roseville contracts with ACES to provide scheduling services and has discontinued its participation in the NCPA Power Pool. NCPA continues to dispatch the NCPA power plants to meet the schedules of



energy delivery prepared and submitted by ACES on Roseville's behalf. NCPA provides dispatch service from its Central Dispatch Center located at its headquarters in Roseville.

### **Energy Efficiency and Conservation**

In 1996, California Assembly Bill 1890 ("AB 1890"), the California electric utility deregulation law, required the establishment of public benefit programs for investor-owned and public power utilities through 2001. In 2006, Assembly Bill 2021 further required power utilities to set yearly goals for the actual amount of energy efficiency savings (in kWh) to be procured. These requirements have been further codified as part of the California Public Utilities Code. The California Public Utilities Code does not set an expiration/sunset date on these requirements for public power utilities. Roseville funds these programs at a minimum of 2.85% of budgeted yearly revenues (approximately \$4.0 million in Fiscal Year 2016-17).

Roseville has developed a full portfolio of public benefits programs for the Electric System since 1996, addressing the following areas of concentration required by State law: energy efficiency programs, renewable energy production, demand reduction, advanced electric technology demonstration, research and development, and low income assistance programs. Residential and commercial energy efficiency offerings focus primarily on summer period consumption reduction and include programs for both existing facilities and new construction.

Under California Assembly Bill 2021, Roseville is required to develop ten year plans for energy efficiency goals and report on these goals to the California Energy Commission ("CEC") with updates every four years (as recently amended from every three years). The CEC has the obligation to develop energy efficiency goals for the entire State, after consultation with utilities and others. The Roseville Electric System participates in the State effort, and the Roseville City Council approved the ten-year energy efficiency goals most recently in March 2017.

California Senate Bill 1037, signed into law in September 2005, established several important policies regarding energy efficiency. Among the many provisions of the law is a Statewide commitment to cost-effective and feasible energy efficiency, with the expectation that all utilities consider energy efficiency before investing in any other resources to meet growing demand. Roseville is required to report annually to its customers and to the CEC, its investment in energy efficiency and demand reduction programs. Roseville continues its commitment to energy efficiency and is in compliance with these requirements.

For a more detailed discussion of recent California legislation relating to the electric energy market, see "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments" in the front part of this Official Statement.

### **Employees**

**General.** As of June 30, 2017, 150 City of Roseville employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing, collections and accounting, are performed by the Finance Department of the City.

The bulk of the non-management City personnel working at the Electric System are represented by the International Brotherhood of Electrical Workers ("IBEW"). The current IBEW contract has a term through December 31, 2018. There have been no strikes or other work stoppages at Roseville, including at the Electric System.

***Retirement Benefits.*** Substantially all permanent City employees, including those employees assigned to the Electric System, are eligible to participate in pension plans offered by the California Public Employees Retirement System (“CalPERS”), an agent multiple employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. CalPERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earning from investments. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

The contribution requirement of plan members and the City are established and may be amended by CalPERS. CalPERS determines contribution requirements using a modification of the Entry Age Normal Method, which is a projected benefit cost method. This method takes into account the benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability.

Employees of the Electric System participate in the CalPERS Miscellaneous Plan, and the Electric System pays a percentage of the City’s Miscellaneous Plan expenses based on the number of employees. Active Miscellaneous Plan members are required to contribute 8.0% (6.25% for employees hired after January 1, 2013) of their annual covered salary. The City is required to contribute to at an actuarially determined rate. The rate for the year ended June 30, 2017 was 24.666% of annual covered payroll for Miscellaneous Plan employees. The City’s annual pension costs (and total contribution amount) for the Miscellaneous Plan in which the employees of the Electric System participate for the Fiscal Years 2016-17, 2015-16 and 2014-15 amounted to \$23,253,712, \$21,450,882, and \$19,956,451, respectively (of which \$4,661,017, \$3,666,954, and \$3,511,115, respectively, was contributed by the Electric System). The City paid 100% of the contributions required by CalPERS for each of such Fiscal Years. The budgeted contribution for the Electric System for Fiscal Year 2017-18 is \$4,810,716.

As of June 30, 2016 (the most recent actuarial information available), the Entry Age Actuarial Accrued Liability for the Miscellaneous Plan, in which City employees assigned to the Electric System participate, was \$581,478,243 and the Actuarial Value of Assets (which varies from market value) was \$53,826,000, with an Unfunded Actuarial Accrued Liability of (\$221,033,834), resulting in a funded ratio of 62.0%. The portion of the plan allocable to Roseville Electric System employees is not separately calculated.

CalPERS uses a market-related value method of valuing the CalPERS plan’s assets, which smooths the effect of short-term volatility in the market value of investments over a three-year period. The actuarial valuation assumptions used prior to 2017 include (a) a 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.55% to 14.45% for Miscellaneous Plan members; (c) an inflation component of 3%; and (d) a 2-3% per year cost-of-living adjustment for retirees. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 20 years. Investment gains and losses are accumulated as they are realized and 10% of the net balance is amortized annually.

On December 21, 2016, the CalPERS Board of Administration voted to lower the pension plan’s assumed rate of return for purposes of its actuarial valuations from 7.5% to 7.0% by 2020 (which reduction

will be phased in over the period from fiscal year 2017-18 to 2019-20). CalPERS has estimated that with a reduction in the rate of return to 7.0%, most employers could expect a 1% to 3% increase in the normal cost for Miscellaneous Plans. As a result, required contributions of employers, including the Electric System, toward unfunded accrued liabilities, and as a percentage of payroll for normal costs, are expected to increase.

On February 20, 2014, the CalPERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty-year amortization, beginning in the 2016-17 Fiscal Year. CalPERS has estimated that the adoption of the new assumptions will increase employer contribution rates (as a % of payroll) for most Miscellaneous Plans in the range of by 0.4% to 1.9% in the 2016-17 Fiscal Year and in the range of by 1.0% to 6.7% by 2020-21, depending on the benefit formula applicable to active members.

On September 12, 2012, the State of California passed Assembly Bill 340, the Public Employees' Pension Reform Act ("PEPRA"). PEPRA implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA. The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the City, have a five-year window to negotiate compliance with AB 340 through collective bargaining. The City is currently in compliance with the provisions of AB 340.

CalPERS predicts that the impact of AB 340 on employers, including the City, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, CalPERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

The City is unable to predict what the amount of CalPERS liabilities will be in the future or the amount of the CalPERS contributions which the City may be required to make, all as a result of the implementation of AB 340, and as a result of negotiations with its employee associations.

***Other Post-Employment Benefits.*** The City also provides post-employment medical benefits ("OPEB benefits") to substantially all retirees, including those assigned to the Electric System, under the City of Roseville Other Post Employment Benefit Plan, a sole employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the plan. The City manages the plan by investing assets in a Retiree Health Plan Trust (the "OPEB Trust"), established pursuant to a Trust Agreement, and managed by the OPEB's Trust Administrator, PFM Asset Management LLC. As of June 30, 2017, there were 707 participants receiving OPEB benefits under the plan.

The plan's annual required contribution ("ARC") is an amount determined in accordance with the parameters of GASB Statement 45. Plan members do not make contributions to the plan; the plan is funded entirely by the employer contributions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For the Fiscal Years 2016-17, 2015-16 and 2014-15, the City contributed 91% (\$13,717,275), 69% (\$11,471,000), and 64% (\$8,994,201), and respectively, of the Annual OPEB Cost based on an actuarially determined Annual OPEB Cost of \$15,055,239, \$16,643,000, and \$14,092,818, respectively. The City's Fiscal Year 2016-17 contribution included \$8,474,935 for pay-as-you-go premiums and a \$5,242,340 contribution to the OPEB Trust, to set aside monies for the long-term liability for OPEB Benefits. The City presently anticipates that its pay-as-you-go OPEB Plan benefit expense will be approximately \$8,429,000 for Fiscal Year 2017-18, and that it will also contribute \$5,708,000 to the OPEB Trust for such Fiscal Year. Of these contributions, the Electric System paid and contributed \$879,722 for pay-as-you-go OPEB Plan benefit expenses and \$831,050 (4.5% of payroll) to the OPEB Trust in Fiscal Year 2016-17. The Electric System presently anticipates that it will fund 100% of its ARC for Fiscal Years 2017-18 and 2018-19, including all pay-as-you-go OPEB Plan benefits and contributions to the OPEB Trust equal to 4.5% of payroll in each such Fiscal Year.

As of June 30, 2017 (the most recent actuarial information available), the Entry Age Actuarial Accrued Liability for the OPEB plan was \$215,404,000 and the Actuarial Value of Assets was \$71,154,000, with an Unfunded Actuarial Accrued Liability of \$144,250,000, resulting in a funded ratio of 33.0%. The Electric System makes annual contributions for the OPEB Plan expense. Estimates for the Actuarial Accrued Liability for the Electric System's OPEB obligation as of June 30, 2017 was \$19,341,000, the Present Value of Benefits was \$23,607,000 and the Actuarial Value of Assets was \$6,389,000. In the June 30, 2017 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used with a 30-year closed amortization period and level percentage of pay. The actuarial valuation assumptions used include (a) a 6.50% investment rate of return (net of administrative expense); (b) projected salary increases of 3.25% annually; (c) an inflation component of 3% per year; and (d) a healthcare trend of declining annual increases in costs of HMO and PPO plans, ranging from 9.00% to 9.40% in 2013 to 5.00% for years starting in 2021.

Additional information regarding the City of Roseville's retirement plans and other post-employment benefits can be found in the City's comprehensive annual financial reports, which may be obtained at [www.roseville.ca.us](http://www.roseville.ca.us).

## **Insurance**

The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the limit. General liability claims are covered up to \$40,000,000 with a self-insured retention of \$500,000 per claim. For the City's projected Fiscal Year 2017-18, the City's premium was \$828,064 with an additional \$1,625 charge to reflect the fees to access certain online risk management systems. Total premium cost to the City was \$829,689. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage is covered up to \$400,000,000 with a self-insured retention of \$25,000 per claim. For the City's projected Fiscal Year 2017-18, Boiler and Machinery damage is covered up to \$21,250,000 with a self-insured retention of \$5,000. For the City's projected Fiscal Year 2017-18, the annual premium for both paid was \$293,440.

Additionally, the City maintains insurance coverage for liabilities arising from the Roseville Energy Park Property. The policy has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. For the policy term of October 13, 2016 through October 13, 2017, the City's premium was \$369,667.60. The City has also purchased fiduciary insurance specifically to cover the OPEB Trust; see "Employees—*Other Post-Employment Health Benefits*" above. The self-insured retention was \$15,000 per claim up to a \$3,000,000 limit. For the policy term of January 15, 2018 through January 15, 2019, the City's premium was \$36,120.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limit. The City has a self-insured retention of up to \$500,000 per claim. During Fiscal Year 2017-18, the City paid \$678,275 for current year coverage.

### **Projected Capital Improvement Plan**

Roseville's currently anticipated capital improvement plan for the Electric System encompasses both improvements to Roseville's electricity distribution system and rehabilitation projects for assets that can no longer provide the necessary service. As shown in the Capital Improvement Plan Summary below, Roseville has planned Electric System capital spending of approximately \$102 million over the five Fiscal Years 2017-18 through 2021-22, of which \$25 million is included in the Fiscal Year 2017-18 budget. Funds for the additional \$77 million will be requested when necessary.

#### **CITY OF ROSEVILLE ELECTRIC SYSTEM CAPITAL IMPROVEMENT PLAN SUMMARY**

<b>Fiscal Year Ending June 30</b>	<b>Planned Capital Improvement Projects</b>
2017-18	\$ 25,000,000
2018-19	26,000,000
2019-20	22,000,000
2020-21	13,000,000
2021-22	16,000,000
Total:	<u>\$102,000,000</u>

*Source:* City of Roseville.

Roseville currently expects to fund the capital expenditures primarily with revenues collected from rates and development fees.

### **Electric Rates**

**Rate Setting Procedure.** Under the City Charter and State law, the City has the exclusive jurisdiction to set electric rates within its service area by ordinance, which requires a majority vote of the City Council. These rates are not currently subject to review by the California Public Utilities Commission or any State or federal agency. The City Council reviews Electric System rates periodically and makes adjustments as necessary.

The City Council is also authorized by the City Charter to set charges, pay for and supply all electric power to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the City Council. The City Charter provides that the City Council will have the power to charge equitable rates for the electric services furnished and for building up the electric properties so as to conserve their value and increase their capacity as needed by Roseville. In addition, the City Charter provides for the maintenance of the electric funds for the Electric System into which is deposited receipts from the operations of the Electric System and from which are payable the costs and expenses of the Electric System.

***Service Charges and Demand Charge.*** Roseville’s monthly residential electric rates currently include a \$26.00 basic service charge, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.0931 per kWh consumed up to 500 kWh, and \$0.1435 per kWh for consumption in excess of 500 kWh. Residential customers meeting certain criteria can apply for special residential rates such as an Electric Rate Assistance Program and Medical Support Rate Reduction.

For small and medium business customers, the monthly basic service charge ranges from \$38.00 to \$65.00, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.0974 to \$0.1235 per kWh consumed. Medium business customers are also subject to a demand charge of \$6.16 per kW per month.

For large business customers, the monthly basic service charge is \$521.00, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0682 to \$0.1408 per kWh. Large business customers are also subject to a seasonal demand charge of \$6.60 per kW per month in winter and \$11.57 per kW per month in summer.

For very large business customers, the monthly basic service charge is \$591.00, the Renewable Energy Surcharge of \$0.0056 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0674 to \$0.1397 per kWh. Very large business customers are also subject to a seasonal demand charge of \$6.71 per kW per month in winter and \$11.51 per kW per month in summer.

A hydroelectric adjustment formula was adopted by the City Council in March 2009, to reflect deviations of precipitation from average conditions that significantly change hydroelectric production. This surcharge may change annually, based on annual hydroelectric conditions, up to a maximum of 5% of total electric charges. As a result of average precipitation levels from July 2016 through June 2017 there is no surcharge currently in effect.

***Recent History of Electric Rate Adjustments.*** From Fiscal Year 2010-11 through 2017-18, Roseville’s retail electric rates have increased an average of approximately 2.05% annually. The following table sets forth Roseville’s recent rate change history.

**CITY OF ROSEVILLE  
RATE ADJUSTMENTS  
Fiscal Years 2010-11 through 2017-18**

Date	Percent Change (Average)
January 1, 2018	0.00%
January 1, 2017	0.00
January 1, 2016	0.00
January 1, 2015	0.00
July 1, 2014	2.00
July 1, 2013	2.00
January 1, 2012	0.00
January 1, 2011	6.20
July 1, 2010	6.20

*Source:* City of Roseville.

## **Rate Stabilization Fund**

On May 8, 1996, the City Council adopted Resolution No. 96-148, which provides for, among other policies, the establishment of a rate stabilization fund (the “RSF” or “Rate Stabilization Fund”), in order to remain competitive under industry-wide restructuring of the electric industry. Such policies also provide for the recovery of capital costs of Roseville’s electric generating assets. On March 18, 2009 the City Council reviewed the financial policy that defines the range of the Rate Stabilization Fund balance, reducing the minimum balance from 60% to 40% of operating expenses. This action was taken in conjunction with the implementation of a hydroelectric rate adjustment mechanism that adjusts electric rates up to 5% without further City Council action when hydroelectric conditions increase or decrease electric operating expenses. The Rate Stabilization Fund has a balance of \$59 million as of June 30, 2017. The City estimates that under current revenue estimates, the Rate Stabilization Fund is expected to be sufficient to pay for currently anticipated contingencies related to power supply costs.

## **Indebtedness; Joint Powers Agency Obligations**

***Electric System Revenue Certificates and Bonds.*** As of January 31, 2018, Roseville had outstanding approximately \$207,725,000 principal amount of certificates of participation and refunding revenue bonds (the “Outstanding Electric System Certificates and Bonds”) that were executed and delivered to finance and refinance improvements to the Electric System. The Outstanding Electric System Certificates and Bonds are payable from certain payments to be made by Roseville under an installment purchase contract (the “Installment Purchase Contract”), the payments under which are payable from and secured by the Net Revenues of the Electric System (“Net Revenues” are defined generally as revenues of the Electric System less the maintenance and operation costs of the Electric System during any 12-month period). These obligations are subordinate to the payments required to be made with respect to Roseville’s obligations to NCPA and TANC described below.

***Joint Powers Agency Obligations.*** As previously discussed, Roseville participates in certain joint powers agencies, including NCPA and TANC. The obligations of Roseville under its agreements with NCPA and TANC constitute operating expenses of the Electric System payable on a senior basis to any of the payments required to be made on Roseville’s Outstanding Electric System Certificates and Bonds. The agreements with NCPA and TANC are on a “take-or-pay” basis, which requires payments to be made whether or not projects are operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain “step up” provisions obligating Roseville to pay a share of the obligations of a defaulting participant and granting Roseville a corresponding increased entitlement to electricity (generally, Roseville’s “step-up” obligation is limited to 25% of Roseville’s scheduled payments on such obligations). Roseville’s participation and share of debt service obligation (without giving effect to any “step-up” provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**CITY OF ROSEVILLE  
ELECTRIC SYSTEM  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES<sup>(1)</sup>  
(Dollar Amounts in Millions)  
(As of January 31, 2018)**

	<b>Outstanding Debt<sup>(2)</sup></b>	<b>Roseville Participation<sup>(3)</sup></b>	<b>Roseville Share of Outstanding Debt<sup>(2)</sup></b>
NCPA			
Geothermal Project	\$ 28.8	7.88%	\$ 2.3
Hydroelectric Project	322.4	12.00 <sup>(4)</sup>	31.9
Capital Facilities Project	33.8	36.50	12.4
TANC			
Bonds	208.4	2.32	4.8
<b>TOTAL *</b>	<b>\$593.4</b>		<b>\$51.4</b>

<sup>(1)</sup> Excludes Roseville Natural Gas Financing Authority. See "Natural Gas Prepayment" above.

<sup>(2)</sup> Principal only. Does not include obligation for payment of interest on such debt.

<sup>(3)</sup> Participation based on actual debt service obligation. Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

<sup>(4)</sup> Roseville's actual payments represent approximately 9.9% of outstanding debt service as a result of credit received by it as a non-participating member with respect to portion of debt obligation.

Note: Numbers may not total due to rounding.

Source: City of Roseville.

A portion of the joint powers agency debt obligations are variable rate debt, liquidity support for which is provided through liquidity arrangements with banks. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint powers agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable as a debt service obligation from the obligated joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Roseville). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Roseville).



## **Litigation**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Roseville in the execution or delivery or performance of, or in any way contesting or affecting the validity of any proceedings of Roseville taken with respect to the Third Phase Agreement.

There is no litigation pending, or to the knowledge of Roseville, threatened, questioning the existence of Roseville, or the title of the officers of Roseville to their respective offices. There is no litigation pending, or to the knowledge of Roseville, threatened, questioning or affecting in any material respect the financial condition of Roseville's Electric System.

Present lawsuits and other claims against Roseville's Electric System are incidental to the ordinary course of operations of the Electric System and are largely covered by Roseville's self-insurance program. In the opinion of Roseville's management and the Roseville City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position of Roseville.

## **Financial Information**

***Significant Accounting Policies.*** Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and 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. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Electric System is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Electric Fund uses the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Investments are stated at cost. Inventories are valued at weighted average method. Capital assets are recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

***Audited Financial Statements.*** Roseville's most recent Annual Financial Report for Fiscal Year 2016-17 was audited by Vavrinek, Trine, Day & Co., LLP, Sacramento, California, in accordance with generally accepted auditing standards. The audited financial statements contain opinions that the financial statements present fairly the financial position of the various funds maintained by Roseville. The reports include certain notes to the financial statements which are not fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on the City's website, [www.roseville.ca.us](http://www.roseville.ca.us).

## **Historical Revenues, Expenses and Debt Service Coverage**

The following table presents a summary of the revenues, expenses, and debt service coverage for the City's Electric Fund for Fiscal Years 2012-13 through 2016-17 on a historical basis. This table is based

on historic operating results of the Electric System, but is presented on a cash basis consistent with the definitions of revenues and maintenance and operation costs as defined in the Installment Purchase Contract relating to Roseville's Outstanding Electric System Certificates and Bonds, and as such, does not match the audited financial statements of the Electric System. The table also includes a five-year history of balances in the Rate Stabilization Fund, and calculates debt service coverage both with and without taking into account the Rate Stabilization Fund balance.

The table below as it is presented is not available in the City's audited financial statements for the Electric System; it has been designed to reflect revenues and coverage in a manner which meets GAAP standards and is reflective of the definitions of revenues and maintenance and operation costs as defined in the Installment Purchase Contract relating to Roseville's Outstanding Electric System Certificates and Bonds. The figures shown in the table are accounted for in the City's audited financial statements (for Fiscal Years 2012-13 through 2016-17) but the presentation in the audited financial statements may not necessarily correlate to the line item designations in the table.

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**CITY OF ROSEVILLE**  
**ELECTRIC FUND**  
**STATEMENT OF REVENUES AND EXPENSES**  
**Fiscal Years 2012-13 through 2016-17**  
**(Dollars in Thousands)**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
<b><u>Revenues</u></b>					
Charges for Services	\$156,986	\$159,677	\$164,822	\$163,762	\$161,329
Other <sup>(1)</sup>	2,016	2,325	3,508	2,959	4,678
Total Revenues	<u>\$159,002</u>	<u>162,002</u>	<u>168,330</u>	<u>166,721</u>	<u>166,007</u>
<b><u>Operating Expenses</u></b>					
Power Supply	\$ 96,314	91,793	90,285	84,068	81,204
Non-Power Costs <sup>(2)</sup>	18,744	19,434	20,933	27,345	36,771
Indirect Costs and Transfers <sup>(3)</sup>	8,393	7,718	8,869	6,975	8,297
Total Operating Expenses	<u>\$123,451</u>	<u>118,944</u>	<u>120,087</u>	<u>118,387</u>	<u>126,272</u>
<b>Net Revenue</b>	\$ 35,551	43,058	48,243	48,334	39,735
<b>Debt Service</b>	\$ 16,942	15,415	16,176	16,185	15,950
<b><u>Adjusted Net Revenue</u></b>					
Net Revenue	\$ 35,551	43,058	48,243	48,334	39,735
Interest Revenue (excluding unrealized gain/loss)	381	603	795	1,212	1,887
Adjusted Net Revenue	<u>\$ 35,932</u>	<u>43,661</u>	<u>49,038</u>	<u>49,546</u>	<u>41,623</u>
Debt Service Coverage Ratio	2.12	2.83	3.03	3.06	2.61
Rate Stabilization Fund Balance <sup>(4)</sup>	\$41,386	\$47,209	\$50,768	\$58,381	\$58,943
Transfers (to) Rate Stabilization Fund	(3,305)	(5,387)	(3,400)	(7,000)	-
Debt Service Coverage ratio including Rate Stabilization Fund <sup>(5)</sup>	4.37	5.53	5.96	6.24	6.31

<sup>(1)</sup> Remediation Revenue stopped being reported in Other Revenue in Fiscal Year 2012-13, and is now reflected as a net in the Power Supply Operating Expenses item.

<sup>(2)</sup> Includes distribution operations and administration expenses, including the Electric System's share of CalPERS costs.

<sup>(3)</sup> Represents operating payments to the City as reimbursement for the Electric System's share of certain overhead expenses such as information technology, meter reading, traffic signal transfer, enterprise asset management contribution, facility lease payments, utility exploration center operations, retired employees' health costs, the Electric System's share of GIS system costs, payroll, human resources, OPEB costs, etc.

<sup>(4)</sup> Represents available resources as of June 30, which includes cash as well as moneys due the fund from internal borrowing.

<sup>(5)</sup> Funds on deposit in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "Rate Setting – Rate Stabilization Fund" and "Security for the 2017 Bonds – Rate Stabilization Fund."

Source: City of Roseville.

## **CITY OF SANTA CLARA**

### **Introduction**

The City of Santa Clara (“Santa Clara” or the “City” herein) is a charter city located in the State of California. Pursuant to its charter, Santa Clara has the power to furnish electric utility service within its service area. In connection therewith, Santa Clara has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities or services it provides and to incur indebtedness.

Santa Clara provides electric utility service through its electric utility department. Santa Clara offers its electricity and energy services through the trademarked name of “Silicon Valley Power.” In addition, Santa Clara provides other city services to its inhabitants, including police and fire protection, and water and sewer service.

The legal responsibilities and powers of Santa Clara, including the establishment of rates and charges for electric service, are exercised by the seven-member Santa Clara City Council. The members of Santa Clara City Council are elected city-wide for staggered four year terms. The Santa Clara electric utility department is under the direction of the Chief Electric Utility Officer who, together with certain other senior managers of the electric utility department, is appointed by and reports to the Santa Clara City Manager.

Since 1896, Santa Clara has provided all electric service within an area coterminous with the City of Santa Clara’s boundaries. As of January 1, 2017, Santa Clara had an estimated population of 123,983. For the Fiscal Year ended June 30, 2017, Santa Clara served an average of 54,737 customers per month, had total sales of 3,476 GWh and a peak demand of 568.1 MW. In Fiscal Year 2016-17, approximately 93% of Santa Clara’s energy sales were made to commercial and industrial customers.

To provide electric service within its service area, Santa Clara owns and operates an electric system which includes generation, transmission and distribution facilities. Santa Clara also purchases power and transmission services from other providers and participates in other utility type arrangements.

Only the revenues of the Santa Clara electric utility department will be available to pay amounts owed by Santa Clara under the Third Phase Agreement.

The Santa Clara electric utility department’s main office is located at Santa Clara City Hall, 1500 Warburton Avenue, Santa Clara, California 95050, (408) 615-6600. A copy of the most recent audited financial statements of the Santa Clara electric utility enterprise fund (the “Annual Report”) may be obtained from John C. Roukema, Chief Electric Utility Officer, at the above address and telephone number, and is also available on Santa Clara’s website at [www.siliconvalleypower.com](http://www.siliconvalleypower.com). The Annual Report is incorporated herein by this reference. However, the information presented on such website or referenced therein other than the Annual Report is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the 2018 Bonds.

### **Power Supply Resources**

The following table sets forth information concerning Santa Clara’s power supply resources and the energy supplied by each during the Fiscal Year ended June 30, 2017.

**CITY OF SANTA CLARA**  
**ELECTRIC UTILITY DEPARTMENT**  
**POWER SUPPLY RESOURCES**  
**(For the Fiscal Year Ended June 30, 2017)**

<b>Source</b>	<b>Capacity Available (MW)</b>	<b>Recorded Energy (GWh)</b>	<b>Percent of Total Energy</b>
City-Owned Generating Facilities <sup>(1)</sup>			
Cogeneration	7.0	47.93	1.3%
Stony Creek Hydro System	11.6	32.88	0.9
Gianera Generating Station	49.5	1.43	0.0
Grizzly Project	17.7	88.33	2.4
Don Von Raesfeld Power Plant	147.8	725.69	20.0
Jenny Strand Solar Park	0.1	0.19	0.0
Santa Clara Tioga Canopy	0.4	0.60	0.0
Purchased Power: <sup>(2)</sup>			
Western <sup>(3)</sup>	136.0	395.24	10.9
Altamont Wind <sup>(4)</sup>	17.1	7.91	0.2
Manzana Wind	50.0	138.36	3.8
G2 (Landfill)	1.5	10.95	0.3
Ameresco (Landfill)	0.8	1.82	0.1
Ameresco FWD (Landfill)	4.2	32.78	0.9
Ameresco VASCO (Landfill)	4.3	34.38	0.9
TriDam-Beardsley	11.5	76.62	2.1
TriDam-Donnells	72.0	377.02	10.4
TriDam-Tulloch	25.9	106.89	2.9
TriDam-Sandbar	16.2	65.57	1.8
Rosamond (Recurrent Solar)	20.0	57.67	1.6
Graphics Packaging	27.7	135.32	3.7
Friant 1	25.0	83.64	2.3
Quinten Luallen (Friant 2)	7.3	6.16	0.2
Market Purchases	50.0	0.08	0.0
Joint Power Agencies:			
NCPA			
Geothermal Project	55.7	360.89	9.9
Combustion Turbine Project	31.0	5.35	0.1
Lodi Energy Center Project	77.9	77.40	2.1
Hydroelectric Project	93.6	360.97	9.9
M-S-R PPA			
San Juan <sup>(5)</sup>	51.0	351.60 <sup>(4)</sup>	9.7
Big Horn I Wind Energy	105.0	256.17	7.1
Big Horn II Wind Energy	17.0	43.32	1.2
Market Sales	--	(216.76)	(6.0)
Additional Generation Absorbed in Transmission and Distribution Losses and Unmetered Accounts <sup>(6)</sup>	--	(38.16)	(1.1)
<b>Total*</b>	<b>1,134.9</b>	<b>3,628.24</b>	<b>100.0%</b>

\* Columns may not add to totals due to rounding.

(1) Rated or name-plate capacities.

(2) Capacity available represents entitlements, firm allocations and contract amounts.

(3) Santa Clara purchased varying amounts of capacity from Western during the year.

(4) Contract terminated July 31, 2016.

(5) Santa Clara divested active participation in San Juan as of December 31, 2017.

(6) Does not include total transmission and distribution losses which totaled 4.95 percent of total recorded energy consumption.

Source: City of Santa Clara.

## Generating Facilities

***Cogeneration.*** Santa Clara owns and operates a cogeneration plant which began operation in 1981. The cogeneration plant provides steam for sale to a paperboard plant in Santa Clara and delivers power to Santa Clara's electric distribution system. Santa Clara upgraded this plant to obtain a new name-plate rating of 7.0 MW, effective July 1995. Fuel for the cogeneration plant (natural gas) is generally acquired under term contracts at prices fixed for the contract term.

***Stony Creek Hydroelectric System.*** Santa Clara owns and operates three hydroelectric plants consisting of (i) a 4.9 MW hydroelectric generating plant located at the United States Bureau of Reclamation Stony Gorge Dam near Willows, California, which was completed in 1985, (ii) a 6.2 MW hydroelectric generating plant located at the United States Army Corps of Engineers' Black Butte Dam near Orland, California, which was completed in late 1988, and (iii) a 0.53 MW hydroelectric generating plant located at the Orland Unit Water Users' Association High Line Canal/South Side Canal drop near the Black Butte dam, which was completed in late 1988.

***Gianera Generating Station.*** Santa Clara owns and operates a nominal 49.5 MW dual fuel (natural gas and fuel-oil) combustion turbine generating plant consisting of two 25 MW units, which were completed in 1986 and 1987, respectively. This generation station is used to help meet Santa Clara's peak load and resource adequacy requirements.

***PG&E Grizzly Project.*** Pursuant to a 1990 settlement agreement with Pacific Gas and Electric Company ("PG&E"), Santa Clara agreed to finance and own 100% of a 20 MW hydroelectric facility (the "Grizzly Project") located on Grizzly Creek above the North Fork of the Feather River in Plumas County, California. The Grizzly Project operates in combination with the hydroelectric facilities of PG&E's Bucks Creek project. Pursuant to the settlement agreement, Santa Clara became a joint licensee in PG&E's Bucks Creek project. The construction of the Grizzly Project was financed (and refinanced) through the issuance by Santa Clara of electric system revenue bonds. Pursuant to the settlement agreement, PG&E constructed and operates the Grizzly Project, which was placed into operation in November 1993.

Until the date Santa Clara's ownership of the Grizzly Project is terminated (as described below), Santa Clara will own and receive all energy generated by the Grizzly Project, less transmission losses, as described in the settlement agreement (which reflects a contract capacity amount of 17.66 MW).

The Grizzly Project facilities include a tunnel intake structure, surge tank, steel penstock, powerhouse, turbine, transmission line (nominally rated at 115 kV) for interconnection with PG&E's transmission system and certain additional switchyard equipment and related facilities. Annual energy generation of the Grizzly Project is estimated at 43.4 GWh in an average water year and 26.1 GWh in dry years. For the Fiscal Year that ended June 30, 2017, the Grizzly Project generated 88.33 GWh of energy.

Pursuant to the settlement agreement, Santa Clara's interest in the Grizzly Project may revert to PG&E under certain limited circumstances. In the event of such reversion, Santa Clara will be reimbursed by PG&E for the fair market value of the project or be reimbursed for costs advanced by Santa Clara as provided in the settlement agreement. The earliest possible reverter date under the settlement agreement is November 18, 2027.

***Don Von Raesfeld Power Plant.*** Santa Clara constructed and placed into commercial operation on March 22, 2005, a 122 MW nominal/147 MW peak, natural gas-fired, combined cycle power plant known as the "Don Von Raesfeld Power Plant" (initially designated by the Santa Clara City Council as the Pico Power Plant). The Don Von Raesfeld Power Plant is located in an industrial area of Santa Clara, on the site of Santa Clara's Kifer Receiving Station. The Don Von Raesfeld Power Plant includes its own

switchyard, and connects to an existing 115 kV transmission line that currently crosses the plant site. Natural gas for the Don Von Raesfeld Power Plant is delivered through an approximately two mile gas pipeline from the local transmission main of PG&E. For the Fiscal Year ended June 30, 2017, the Don Von Raesfeld Power Plant generated 725.69 GWh of energy. Santa Clara has long-term agreements with Shell Energy North America and M-S-R Energy Authority in place for a significant portion of the plant's fuel requirements, and actively manages the quantity and price risks associated with fuel supply quantities not under long-term agreement. See "– Fuel Supply" below. Fully baseloaded, the Don Von Raesfeld Power Plant could generate approximately 1,000 GWh of energy per year. However, Santa Clara substitutes market purchases when it is economical to do so.

***Jenny Strand Solar Park.*** Santa Clara originally entered into an agreement with MiaSole, a California corporation, on December 6, 2011 for the purpose of having MiaSole donate one thousand (1,000) solar modules to the City at no cost to the City to further City's ability to provide renewable power. On February 1, 2015, the original party "MiaSole" transferred ownership to MiaSole Hi-Tech Corp. MiaSole Hi-Tech Corp transferred 1,121 solar modules to the City, at no cost to the City, to further City's ability to provide renewable power.

***Santa Clara Tioga Canopy.*** On February 2, 2012, Santa Clara entered into a 20-year Power Purchase Agreement with Tioga Solar Santa Clara, LLC. The project is located on the City of Santa Clara's multi-level parking structure on Tasman Drive in the city of Santa Clara. Nameplate capacity is 389.76 kW.

### **Joint Powers Agency Resources**

***NCPA Geothermal Project.*** Santa Clara has purchased from NCPA, pursuant to power sales contracts, 54.65% and 34.13% entitlement shares, respectively, in the capacity of NCPA's Geothermal Project Plant 1 and Plant 2, and is obligated to pay 44.39% of the debt service and operating costs associated with such plants and steam field. The Geothermal Project power sales contracts are "take-or-pay" power sales contracts which requires payments to be made whether or not the project is operable. Santa Clara's payments to NCPA under such power sales contracts, including debt service on NCPA's Geothermal Project revenue bonds, constitute an operating expense of Santa Clara's electric system. Each participant in NCPA's Geothermal Project is responsible under its power sales contracts for paying its capacity share of all of NCPA's costs of the Geothermal Project, including debt service on the NCPA Geothermal Project revenue bonds, and subject to a "step-up" obligation of up to 25% upon the unremedied default of another NCPA Geothermal Project participant. Santa Clara is currently taking delivery of its share of the capacity and associated energy from the Geothermal Project. For the fiscal year ended June 30, 2017, Santa Clara received 360.89 GWh of electric energy from the Geothermal Project. Santa Clara's share of the current California Independent System Operator ("ISO") maximum rated capacity of the project is 71.7 MW.

Santa Clara has a 55 MW share in NCPA's Geysers Transmission Project, which provides a link from the Geysers to PG&E's bulk transmission system. Through a long-term contract with the California Department of Water Resources ("CDWR"), sufficient additional transmission capability on the same line is available for the balance of Santa Clara's share of the capacity and energy produced by the NCPA Geothermal Project. Santa Clara obtains additional transmission services to Santa Clara for its share of the output of NCPA Geothermal Project from arrangements with PG&E and the ISO.

***NCPA Combustion Turbine Project No. 1.*** Santa Clara has purchased a 25% entitlement share in NCPA's Combustion Turbine Project pursuant to a power sales contract with NCPA, which was amended to reflect that Santa Clara's 25% share comes specifically from the two Alameda plants and the one Lodi plant. Santa Clara uses this entitlement for resource adequacy purposes and to meet peak load requirements. Santa Clara delivers this entitlement to its electric system in accordance with ISO tariffs. For the Fiscal

Year ended June 30, 2017, Santa Clara received 5.35 GWh of electric energy from the Combustion Turbine Project.

***NCPA Hydroelectric Project.*** Pursuant to a power sales contract, Santa Clara has purchased from NCPA a 37.02% entitlement share in NCPA's Hydroelectric Project (including a 1.16% entitlement share laid off to Santa Clara from the cities of Biggs and Gridley). The Hydroelectric Project power sales contract is a "take-or-pay" power sales contract which requires payments to be made whether or not the project is operable. Santa Clara's payment to NCPA under such power sales contract, including debt service on NCPA's Hydroelectric Project revenue bonds, constitute an operating expense of Santa Clara's electric system. Each participant in NCPA's Hydroelectric Project is responsible under its power sales contract for paying its entitlement share in the Hydroelectric Project of all of NCPA's costs of the Hydroelectric Project, including debt service on the NCPA Hydroelectric Project revenue bonds as well as a "step-up" of up to 25% in the event of the unremedied default of another project participant. Santa Clara is using its Hydroelectric Project entitlement to serve peak load and to provide capacity to support non-firm purchases of energy at market prices. For the Fiscal Year ended June 30, 2017, Santa Clara received 360.97 GWh of electric energy from the NCPA Hydroelectric Project. Santa Clara receives this entitlement to its system by using transmission service available under its Metered Subsystem Agreement ("MSS Agreement") with the ISO.

***NCPA Lodi Energy Center.*** Pursuant to a power sales agreement (the "LEC Power Sales Agreement"), Santa Clara has purchased from NCPA a 25.75% generation entitlement share of the capacity and energy of the Lodi Energy Center on an unconditional take-or-pay basis, and is obligated to pay 25.75% of NCPA's Lodi Energy Center operating and maintenance expenses and 46.16% of the debt service for the Lodi Energy Center Revenue Bonds, Issue One. Santa Clara's obligations to make payments to NCPA under the LEC Power Sales Agreement are not dependent upon the operation of the Lodi Energy Center and are not subject to reduction. Upon an unremedied default by one Indenture Group A Participant (being all of the below-named LEC Project Participants other than Modesto and CDWR) in making a payment required under the LEC Power Sales Agreement, the nondefaulting Indenture Group A Participants are required (except as lay-offs are made pursuant to the LEC Power Sales Agreement) to increase pro-rata their participation percentage by the amount of the defaulting Indenture Group A Participant's entitlement share, provided that no such increase can result in a greater than 35% increase in the participation percentage of the nondefaulting Indenture Group A Participants.

For Fiscal Year ended June 30, 2017, Santa Clara received 77.40 GWh of electric energy from the Lodi Energy Center. Santa Clara received this entitlement to its system by using transmission service available under its MSS Agreement with the ISO.

For a description of such NCPA resources, see "THE HYDROELECTRIC PROJECT" and "OTHER NCPA PROJECTS" in the front part of this Official Statement. See also "Indebtedness" below.

***TANC California-Oregon Transmission Project.*** Santa Clara is a member of TANC and has executed the TANC Agreement for a participation percentage of TANC's entitlement of COTP transfer capability. Pursuant to the TANC Agreement, Santa Clara's participation percentage was 20.4745% of TANC's share of COTP transfer capability (approximately 278 MW net of third party layoffs of TANC). Effective July 1, 2014, Santa Clara laid-off 147 MWs of this entitlement to MID, TID and SMUD under 25-year agreement. During the term of this agreement, the parties taking on the entitlement will assume responsibility for all associated debt service, operations and maintenance costs and all administrative and general costs. As a result of the layoff agreement, Santa Clara's is currently responsible for paying approximately 10.01% of the operating and maintenance expenses of the COTP and approximately 9.81% of TANC's COTP debt service. Santa Clara remains contractually obligated for its full participation share. Santa Clara's payments to TANC under the TANC Agreement, including debt service on TANC's revenue



bonds, constitute an operating expense of Santa Clara's electric system. Santa Clara is using a portion of its share of the project transfer capability of the COTP to provide transmission of energy generated from the Big Horn Projects and Santa Clara's share of the SCL-NCPA Exchange Agreement (described below under "Purchased Power"). See "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

***TANC Tesla—Midway Transmission Service.*** The southern physical terminus of the COTP is near PG&E's Tesla Substation near Tracy, California. The COTP is connected to Western's Tracy and Olinda Substations. TANC and certain TANC Members have arranged for PG&E to provide TANC and such TANC Members with 300 MW of firm, bi-directional transmission capacity on its transmission system between PG&E's Midway Substation and the electric systems of the TANC Members or the COTP (the "Tesla-Midway Service") under a long-term agreement known as the South of Tesla Principles. See "CITY OF ALAMEDA—Joint Powers Agency Resources—*TANC California-Oregon Transmission Project*" for a further description of the COTP and the TANC Agreement.

Santa Clara's share of Tesla—Midway Transmission Service is 81 MW. Santa Clara utilizes its share of the TANC Tesla—Midway Transmission Service to provide access to power supplies located in the southwest, including delivery of power and energy from the San Juan Unit No. 4. See "*M-S-R PPA Purchased Power—San Juan*" below.

***M-S-R PPA Purchased Power—San Juan.*** Santa Clara, along with the Modesto and the City of Redding (hereinafter, "Redding"), is a member of a California joint powers agency known as the M-S-R Public Power Agency ("M-S-R PPA").

M-S-R PPA purchased a 28.8% (approximately 146 MW) ownership interest in San Juan Unit No. 4 (the "M-S-R PPA San Juan Unit No. 4 Interest") on December 31, 1983, and began taking direct deliveries of energy and capacity from San Juan Unit No. 4 on May 1, 1995. M-S-R PPA divested its M-S-R PPA San Juan Unit No. 4 Interest on December 31, 2017, although it retains certain liabilities for a share of the costs of plant decommissioning and mine reclamation, all as described below. Santa Clara has planned to replace the energy once provided by the San Juan resource with energy from the Lodi Energy Center, and a number of power purchase agreements that Santa Clara has entered into over the last several years, including, Friant Power Facility 1 and Friant Power Facility 2, the Manzana Wind Power Project, and multiple power purchase agreements. Future projects include the Central 40, LLC solar PV project with 40 MW of capacity, and the Altamont Wind Re-power project with 49.5 MW of capacity, both of which have an effective commercial operation date in 2021. See "*Future Power Supply Resources*" below for additional contract details.

San Juan Unit No. 4 is a coal-fired steam electric generating unit with a net generating capability of 507 MW, located in San Juan County, New Mexico, which was constructed and is operated by the Public Service Company of New Mexico ("PNM"). San Juan Unit No. 4 is one of four generating units that together make up the San Juan Generation Station. M-S-R PPA financed the acquisition of its M-S-R PPA San Juan Unit No. 4 Interest through the issuance of San Juan Project revenue bonds, of which \$136,055,000 principal amount was outstanding as of February 1, 2018.

Santa Clara purchased from M-S-R PPA, on a take-or-pay basis, a 35% entitlement share (approximately 51.1 MW of capacity and associated energy) in the M-S-R PPA San Juan Unit No. 4 Interest pursuant to a power sales agreement (the "M-S-R PPA Agreement"), between M-S-R PPA and Santa Clara. Santa Clara's payments to M-S-R PPA under the M-S-R PPA Agreement, including debt service on M-S-R PPA revenue bonds, constitute an operation and maintenance cost of Santa Clara's electric system. Santa Clara's obligations to make payments to M-S-R PPA under the M-S-R PPA Agreement, including to provide for the payment by M-S-R PPA of debt service on its San Juan Project revenue bonds, are not

dependent upon the operation of the San Juan Unit No. 4 and are not subject to reduction. Pursuant to the M-S-R PPA Agreement, upon failure of any M-S-R PPA Participant to make any payment thereunder which failure constitutes a default under the M-S-R PPA Agreement, the participation percentage of each non-defaulting participant automatically shall be increased for the remaining term of the M-S-R PPA Agreement in proportion to its participation percentage; provided, however, that the sum of such increase for any non-defaulting participant shall not exceed 25% of its original participation percentage.

The M-S-R PPA San Juan Unit No. 4 Interest was initially purchased to provide baseload power to the M-S-R PPA members and to act as a hedge against the rising costs of whole sale power purchases. Following the implementation by the California Air Resources Board (“CARB”) of the cap-and-trade program adopted in 2011 pursuant to Assembly Bill 32 to reduce greenhouse gas emissions, M-S-R PPA members were required to account for carbon emissions of the M-S-R PPA San Juan Unit No. 4 Interest and provide off-setting allowances thereto for any electricity delivered to California.

In addition, the San Juan Generation Station is a resource that is subject to the statutory obligations of the federal Clean Air Act to reduce visibility impacts. Regulatory proceedings and other related litigation concerning the application of federal Clean Air Act requirements at the San Juan Generation Station were ongoing for a number of years. Following the release of a State Implementation Plan (“SIP”) by the State of New Mexico and a Federal Implementation Plan (“FIP”) by the United States Environmental Protection Agency (the “EPA”) to address visibility impacts of the project, during 2012 and early 2013, PNM, as the operating agent for the San Juan Generation Station, engaged in discussions with the New Mexico Environment Department (“NMED”) and the EPA regarding an alternative plan to the FIP and SIP. Following approval by a majority of the other San Juan Generation Station owners, on February 15, 2013, PNM, the NMED and the EPA agreed to pursue a plan that could provide a Best Available Retrofit Technology path to comply with federal visibility rules at the San Juan Generation Station. The terms of the plan would result in the retirement of the San Juan Generation Station Unit Nos. 2 and 3 by the end of 2017 and the installation of selective non-catalytic reduction technology on Unit Nos. 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a revised SIP (which installation was completed in January 2016). In 2013, the State of New Mexico submitted a revised SIP pursuant to this agreement and on September 26, 2014, the EPA finally approved the revised SIP and withdrew its FIP.

In connection with the implementation of the revised plan and the planned retirement of the San Juan Generation Station Unit Nos. 2 and 3, certain San Juan Generation Station participants, including M-S-R PPA, expressed a desire to exit their ownership in the plant. On June 20, 2014, representatives of the nine San Juan Generation Station owners reached an initial non-binding agreement in principle on the ownership restructuring of the San Juan Generation Station. At its July 22, 2015 meeting, the M-S-R PPA Commission approved a number of agreements (the “San Juan Restructuring Agreements”) to provide for the interests of M-S-R PPA and certain other owners (the “exiting participants”) in the San Juan Generation Station to be transferred to the remaining owners effective December 31, 2017. The San Juan Restructuring Agreements additionally provide for, among other things, the allocation of ongoing responsibility for decommissioning costs, mine reclamation and any environmental liabilities among the exiting participants and the remaining participants, and the establishment and funding of mine reclamation and plant decommissioning trust funds. The San Juan Restructuring Agreements were subsequently executed by all nine San Juan Generation Station owners and PNM Resources Development Company (a non-utility affiliate of PNM) and, following receipt of regulatory approvals, became effective on January 31, 2016. Various other implementing agreements and amendments to existing San Juan project agreements to effect the restructuring have also been executed. Closing of the ownership restructuring of the San Juan Generation Station and the divestiture of M-S-R PPA’s interests in San Juan Unit No. 4 was completed on schedule on December 31, 2017.

With the then expected ownership restructuring of the San Juan Generation Station and divestiture of the M-S-R PPA San Juan Unit No. 4 Interest (described above), M-S-R PPA sold its interest in the Mead-Adelanto and Mead-Phoenix segments of the Southwest Transmission Project, which provided for transmission of power and energy from the M-S-R PPA San Juan Unit No. 4 Interest to the M-S-R PPA members, to the Southern California Public Power Authority (“SCPPA”), at a sales price of approximately \$60 million. The close of the sale of the Mead-Adelanto and Mead-Phoenix segments of the Southwest Transmission Project occurred on May 25, 2016. Proceeds of the sale of the Southwest Transmission Project assets were applied primarily to: (i) the defeasance of a portion of M-S-R PPA’s outstanding revenue bonds, including bonds issued to finance or refinance the Southwest Transmission Project, resulting in an average reduction in annual debt service on the remaining M-S-R PPA revenue bonds (of which Santa Clara’s share is 35%) of approximately \$9.1 million per year through 2022, the final maturity of the M-S-R PPA revenue bonds, and (ii) fund certain deposits to the M-S-R PPA Member Cash Call Reserve Account (“MCCRA”) for future payments to the plant decommissioning trust fund and to the mine reclamation trust fund established under the San Juan Restructuring Agreements.

As noted above, M-S-R PPA and the other exiting participants retain certain liabilities for a share of the costs of San Juan Generation Station decommissioning and pre-exit date mine reclamation costs. Pursuant to the San Juan Restructuring Agreements, M-S-R PPA was required to deposit approximately \$17.7 million in the mine reclamation trust funds as of December 31, 2017 to fund its currently expected share of ongoing and final reclamation costs, which deposit was made. In addition, under the restructuring agreements, M-S-R PPA will be required to deposit approximately \$2.3 million in the decommission trust fund by December 31, 2022 to fund its currently expected share of the initial work for known asset removal and remediation activities in connection with decommissioning of the San Juan Generation Station. Funds currently on deposit in the MCCRA at M-S-R PPA are expected to be sufficient to provide for such deposit. However, M-S-R PPA’s actual total proportionate share of San Juan Generation Station decommissioning and mine reclamation costs cannot yet be determined and will depend on a number of factors, including, among other things, the date the San Juan Generation Station is ultimately retired from service. Additional deposits to the trust funds may be required in the future if trust earnings are below expectations or if determined necessary by future decommissioning and reclamation costs study updates or applicable requirements (including, for example, if greenfield or brownfield restoration is determined to be required after final cessation of plant operations, which would significantly increase costs of remediation and restoration). As part of the settlement among the SJGS Participants to achieve approval of the Restructuring Agreements, all parties retained or assumed proportionate liability for any such costs whenever occurring in the future. Until the actual total overall costs of plant decommissioning and mine reclamation are finally determined, no assurance can be given that additional contributions will not be required from the M-S-R PPA members, including Santa Clara, to fund such amounts due. Santa Clara will be responsible for its proportionate share of any future M-S-R PPA liabilities for San Juan Generation Station decommissioning and reclamation in accordance with its 35% entitlement share of the M-S-R PPA San Juan Unit No. 4 Interest under its M-S-R PPA Power Sales Agreement.

***M-S-R PPA Purchased Power – Big Horn Project.*** In 2005, M-S-R PPA entered into a series of power purchase agreements with Iberdrola Renewables, Inc. (formerly PPM Energy, Inc.) (“Iberdrola”), certain of which agreements have been assigned to Iberdrola’s subsidiary, Big Horn I, LLC., for the purchase of energy from the Big Horn wind energy project (the “Big Horn I Project”) located near the town of Bickleton, in Klickitat County, Washington. The 199.5 MW project consists of 133 1.5 MW GE wind turbines. Santa Clara receives 52.5% of the power purchased by M-S-R PPA from the Big Horn I Project. Santa Clara’s share equates to approximately a 105 MW share of the output at a cost comparable to combined cycle gas-fuel generation. Power deliveries commenced on October 1, 2006 and will continue through September 30, 2026. Through an amendment of the original agreements M-S-R PPA has the right to continue to take the same output through September 30, 2031, or if the Big Horn Project is repowered M-S-R PPA will have a right of first offer to negotiate a long-term power purchase for such repowered

project. The project interconnects with the high voltage transmission grid through an 11-mile transmission line at Bonneville Power Administration's ("BPA") Spring Creek Substation. Through the shaping and firming agreement between M-S-R and PPM, PPM receives Big Horn energy, as generated, and delivers such energy to M-S-R at the California-Oregon border pursuant to firm pre-established delivery schedules. Santa Clara uses a portion of its transfer capability of the COTP to provide for transmission of the output from the Big Horn I Project from the California-Oregon border. For the Fiscal Year ended June 30, 2017, Santa Clara received 256.17 GWh of energy from the Big Horn I Project.

M-S-R PPA subsequently negotiated a 25-year agreement with Iberdrola for the purchase of the output from a 50 MW expansion of the Big Horn I Project, the Big Horn II Project. Santa Clara began receiving deliveries from the Big Horn II Project in November 2010. Santa Clara receives 35% of the output from this project, or approximately 17.5 MW of project capacity. For the Fiscal Year ended June 30, 2017, Santa Clara received 43.32 GWh of energy from the Big Horn II Project.

The majority of M-S-R PPA activities after April 2018 will be related to renewables (including the Big Horn Wind energy project described above). Coordinating, regulatory, and compliance services costs will be shared as follows: Modesto Irrigation District – 40%; City of Santa Clara – 40%; and City of Redding – 20%. Renewable administrative services, electric product, delivery and environmental attribute rights benefits and costs will be shared in accordance with contracted participation ratios.

## **Purchased Power**

***Western Purchased Power.*** On December 14, 2000, Santa Clara signed a 20-year agreement with Western for the continued purchase of low-cost hydroelectricity from the Central Valley Project ("CVP"), replacing a prior agreement which expired December 31, 2004. The CVP, for which Western serves as marketing agency, is a series of federal hydroelectric facilities in Northern California operated by the United States Bureau of Reclamation. Service under the successor agreement began on January 1, 2005 and continues through December 31, 2025, with Santa Clara receiving a 9.06592% "slice of the system" allocation from Western. Effective April 1, 2015, Western reallocated shares and Santa Clara's base resource allocation increased to 9.60341% and shall remain in effect until either superseded by another Exhibit A revision or termination of the agreement. The power marketed by Western to Santa Clara is provided on a take-or-pay basis where Western's annual costs are allocated to preference customers based on their CVP participation percentage. Western then allocates the annual take-or-pay charges to the preference customers based on a monthly percentage that is designed to reflect the anticipated seasonal energy deliveries. Santa Clara is obligated to its preference customer share of the costs associated with operating the CVP facilities. Under the successor agreement, Santa Clara's energy allocation dropped from pre-2005 levels of approximately 1,257 GWh to about 359 GWh per year delivered to Santa Clara based upon the hydrology of the CVP. For the Fiscal Year ended June 30, 2017, Santa Clara received 395.24 GWh of energy from Western. Santa Clara's Don Von Raesfeld power project, which commenced operation on March 22, 2005, was designed, in part, to offset the expected decrease in energy to be received from Western under the successor agreement beginning in 2005. See "Generating Facilities – *Don Von Raesfeld Power Plant*" above.

***Friant Power Authority, Facility 1.*** Santa Clara will purchase up to 68,000 MWh per year of electricity over the term of the agreement, from January 1, 2016 to August 31, 2032. Facility 1 consists of three existing run-of-river hydroelectric generating plants: the River Outlet (2 MW), the Friant-Kern (15 MW), and the Madera (8 MW).

***Friant Power Authority, Facility 2.*** Santa Clara will purchase the Net Electrical Output from Facility 2, a new run-of-the river hydroelectric generating plant, Quinten Luallen Power Plant (7MW), from July 10, 2012 to December 31, 2032.

***Seattle City Light (“SCL”)– NCPA Exchange Agreement.*** In 2008, Santa Clara took over a share of the SCL-NCPA Exchange Agreement from certain other NCPA members. As a result, Santa Clara receives 32.6 MW from SCL during the months of June through October each year, and is obligated to provide 25 MW to SCL from December through mid-April each year. The SCL-NCPA exchange agreement is scheduled to terminate May 31, 2018. See “OTHER NCPA PROJECTS – Power Purchase and Other Contracts” in the front part of this Official Statement.

***Manzana Wind.*** On February 14, 2012, Santa Clara entered into a 20-year power purchase agreement for 50 MW of the output from Iberdrola’s Manzana Wind Power Project in Kern County, California, which began power deliveries in December 2012. For the Fiscal Year ended June 30, 2017, Santa Clara received approximately 138.36 GWh of energy from the Manzana Wind Power Project.

***G-2 Energy LLC – Wheatland Landfill.*** Santa Clara entered into a power purchase agreement for, and began taking delivery of energy in January 2009 from, a 1.6 MW landfill gas facility, G2, near Wheatland, California. For the Fiscal Year ended June 30, 2017, Santa Clara received 10.95 GWh of energy from the G2 project.

***Ameresco.*** On February 12, 2008, Santa Clara entered into a 20-year purchase power agreement with Ameresco for landfill gas generated electricity from the closed municipal landfill located in the city limits of Santa Clara, which includes three microturbines, and is estimated to generate approximately 4,700 MWh per year during the first ten years of the contract and approximately 3,100 MWh per year during the final ten years of the contract. For the Fiscal Year ended June 30, 2017, Santa Clara received approximately 1,820 MWh of energy from the Ameresco Santa Clara landfill project. On May 25, 2010, Santa Clara entered into a second 20-year power purchase agreement with Ameresco for landfill gas generated electricity for 4.6 MW (and potentially up to 9.2 MW) from the Forward landfill in Manteca, California. This project became operational in February 2014. On August 17, 2010, Santa Clara entered into a third 20-year power purchase agreement with Ameresco for landfill gas generated electricity for up to 5 MW from the Vasco Road landfill near Livermore, CA. The Vasco Road landfill project became operational in February 2014. For the Fiscal Year ended June 30, 2017, Santa Clara received 32.78 GWh and 34.38 GWh for the Ameresco FWD and Ameresco VASCO landfill projects, respectively.

***Tri-Dam.*** In October 2013, Santa Clara entered into a power purchase agreement with the Tri-Dam Project and the Tri-Dam Power Authority to purchase the output from four hydroelectric power plants located on the Middle Fork of the Stanislaus River in Tuolumne County: 72 MW Donnell’s Powerhouse, 25.7 MW Tulloch Powerhouse, 11.0 MW Beardsley Powerhouse, and 16.2 MW Southern Powerhouse. Power deliveries from Donnell’s, Tulloch, and Beardsley commenced on January 1, 2014. Power deliveries from Southern/Sandbar commenced on January 1, 2017. The agreement is scheduled to terminate on December 31, 2023. For the Fiscal Year ended June 30, 2017, Santa Clara received 76.62 GWh from Beardsley, 377.02 GWh from Donnell’s, 106.89 GWh from Tulloch, and 65.57 GWh from Southern/Sandbar under this agreement.

***Recurrent.*** On July 14, 2011, Santa Clara entered into a 25-year power purchase agreement for the entire output from the RE Rosamond One LLC project, a 20 net MW solar photovoltaic-powered project in Kern County, California, which became operational in December 2013. For the Fiscal Year ended June 30, 2017, Santa Clara received 57.67 GWh of energy from Recurrent.

***Graphics Packaging.*** Graphics Packaging is a manufacturer of recycled paper products that also operated a cogeneration facility within the City of Santa Clara. This manufacturing facility and the cogeneration plant was permanently closed in December of 2017, and the Power Purchase Agreement was terminated.

## **Wholesale Power Trading**

For a number of years, Santa Clara has used its energy and transmission resources together with its power scheduling capabilities to buy and sell energy in the western North American market. As deregulation unfolded, a greater need to manage resources on a day-to-day basis evolved, resulting in a more comprehensive approach to trading operations at Santa Clara. The principal reason for wholesale power trading is to optimize the value of the utility's assets and cost-effectively serve its retail load. For Fiscal Years ended June 30, 2013, 2014, 2015, 2016 and 2017 net trading revenues (wholesale power sales revenues less wholesale power purchase costs) were approximately \$(2.4) million, \$(0.3) million, \$(5.3) million, \$(4.4) million, and \$1.0 million, respectively. The results in Fiscal Years 2013-14, 2014-15, and 2015-16 are primarily related to increased wholesale power purchases due to the continuing drought in California, requiring additional market purchases to replace the reduced hydroelectric generation. However, as prices for natural gas have declined, the impact of these increased market purchases has been tempered. Santa Clara also enters into additional long-term gas supply contracts to hedge its market exposure.

The Santa Clara City Council has approved a Risk Management Policy to provide policy guidance with respect to its wholesale power activities. Pursuant to the Policy, Santa Clara has established a Risk Oversight Committee (composed of the Santa Clara City Manager, the Director of Finance, the Chief Electric Utility Officer and the Santa Clara City Attorney) and a Risk Management Committee, to oversee all proposed power purchase agreements, whether for retail or wholesale purposes. Pursuant to the Policy, Santa Clara has also established regulations approved by the Risk Oversight Committee to govern the various functions of its trading operations. The Policy and Regulations are intended to: (a) provide a common risk management infrastructure to facilitate management control and reporting; (b) create a procedure to evaluate the creditworthiness of the counterparties, and to monitor and manage the aggregate credit exposure; (c) establish a corporate culture exemplifying best practices in risk management; (d) create a mechanism to identify market-related opportunities within Santa Clara's overall exposure balance or "book" and opportunities to internalize related transactions; and (e) develop an effective, streamlined ability to timely commit to transactions. The Regulations establish guidelines for, among other things, acceptable counterparty creditworthiness standards and requirements for limits on credit exposure to any individual counterparty. Most of the purchase and sale transactions entered into by the power trading operation are for 92 days or less.

## **Renewable Energy and Energy Efficiency**

A significant portion of the energy received by Santa Clara customers is generated from renewable energy resources. Santa Clara's power mix in fiscal year 2016-2017 consisted of 38.7% eligible renewable resources. When large hydroelectric resources are included, Santa Clara's power mix consisted of 70.0% renewable and large hydroelectric power. On December 6, 2011, the Santa Clara City Council adopted revisions to Santa Clara's Environmental Stewardship and Renewable Portfolio Standard (RPS) Policy Statement, and adopted a new RPS Enforcement Program, to conform with the standards and timetable set forth in SBX 1-2, signed by the Governor on April 12, 2011. Santa Clara satisfied the RPS target for Compliance Period 1 (from 2011 through 2013), which has been verified and approved by the State of California. Santa Clara has also satisfied the RPS target for Compliance Period 2 (from 2014 through 2016), and expects to fulfill the requirement under Compliance Period 3 (2017 through 2020) to meet the RPS target of procuring eligible renewable energy resources (not including "large hydro") amounting to 33% of total retail sales by 2020. SB 350 will require that the amount of electricity generated each year from eligible renewable energy resources be increased to at least 50% of total retail sales by December 31, 2030. See "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – California Climate Change Policy Developments – *California Renewable Portfolio Standards*" and "– *Renewable Energy Policy Development*" in the front part of this Official Statement.

Santa Clara's energy efficiency programs are separated into residential and business programs, with the majority of funding toward its largest customer segment - the business sector. Total Public Benefits Charge funds are about \$8 million per year. Residential programs include rate assistance for low-income customers, energy efficiency rebates (ceiling fans, clothes dryers, heat pumps, water heaters, LED light bulbs, and variable speed pool pumps), solar electric installations, energy audits, and programs for schools and libraries. Business programs include energy audits, installation management for small companies, rebates for a wide variety of equipment (lighting, air conditioning systems, chillers, programmable thermostats, washing machines, motors, new construction, photovoltaic systems and customized installations), and design and construction assistance.

### **Future Power Supply Resources**

Santa Clara has entered a 20-year power purchase and sale agreement with Samsung contracted as Central 40, LLC to develop, own and operate a 40 MW capacity solar project located in Stanislaus County. The project is scheduled to be commercially operating as of December 31, 2020. Additionally, Santa Clara commenced a re-power project with S-Power in 2016 at its existing Altamont Wind Project site. S-Power will own and operate 19 MW capacity of wind generation. Two additional power purchase agreements were entered with S-Power under the Rooney Ranch, LLC, including Sand Hill A (13 MW) and Sand Hill B (17.5 MW). In total, the re-power project will be upgraded to meet a 49.5 MW capacity and is scheduled to be commercially operating by December 31, 2020 under a 25-year agreement.

Due to Santa Clara's projected retail demand growth driven primarily from the industrial sector and secondarily from the commercial sector, and to replace existing renewable energy contracts that will expire in the future, Santa Clara is actively exploring new renewable energy projects for procurement. Santa Clara is scoping renewable energy projects in the near term to also make use of the investment tax credit and production tax credit eligibility. Both federal incentives have begun to phase down and financing is no longer eligible for renewable energy projects starting construction in 2020 and later. Santa Clara is beginning to explore options for the procurement of energy storage and is undergoing economic analysis to understand how to cost-effectively invest in energy storage.

### **Fuel Supply**

Natural gas is the primary fuel and the primary variable operating cost of Santa Clara's cogeneration plant, Gianera Generating Station and Don Von Raesfeld Power Plant. See "– Power Supply Resources – Generating Facilities" above. These plants can require delivery of up to 49,000 million British Thermal Units ("MMBtu") of natural gas per day, with current average daily requirements of 24,400 MMBtu per day. Santa Clara has developed a comprehensive natural gas program to both manage supply and price volatility. This includes the procurement of a supply of natural gas at a discount from the monthly index price pursuant to a gas prepayment arrangement (described below) and several fixed price contracts for 15,000 MMBtu per day from 2016 to 2019 and 10,000 MMBtu in 2020.

***M-S-R Energy Authority–Gas Prepay.*** Santa Clara, along with Modesto and Redding, have also formed a California joint powers agency known as the M-S-R Energy Authority ("M-S-R EA"). In 2009, Santa Clara participated in the M-S-R EA Gas Prepay Project. The Gas Prepay Project provides, through a Gas Supply Agreement between M-S-R EA and Santa Clara, for a secure and long-term supply of natural gas of 7,500 MMBtu daily (or 2,730,500 MMBtu annually) through December 31, 2012, and 12,500 MMBtu daily (or 4,562,500 MMBtu annually) thereafter until September 30, 2039. The Gas Supply Agreement provides this supply at a discounted price below the monthly market index price (the PG&E Citygate index) over the 30 year term. M-S-R EA entered into a prepaid gas purchase agreement with Citigroup Energy, Inc. ("CEI") to provide this gas supply, and issued \$500.2 million of its Gas Project Revenue Bonds to finance the prepayment for Santa Clara. Under the terms of the Gas Supply Agreement,

M-S-R EA will bill Santa Clara for actual quantities of natural gas delivered each month on a “take-and-pay” basis. Moreover, any default by CEI or the other participants in M-S-R EA’s Gas Prepay Project, Modesto and Redding, is non-recourse to Santa Clara.

### **Interconnections, Transmission and Distribution Facilities**

Santa Clara’s service area is surrounded by a portion of PG&E’s service area and the two systems are interconnected at two Santa Clara-owned 115 kV receiving stations – Northern Receiving Station (“NRS”) and Kifer Receiving Station (“KRS”), each located within Santa Clara’s city limits. In addition, Santa Clara has a 230 kV interconnection with PG&E at PG&E’s Los Esteros Substation (“LES”) in the City of San Jose. Power received at LES is transmitted by Santa Clara approximately six miles to NRS. Santa Clara owns facilities for the distribution of electric power within its city limits (approximately 19.3 square miles), which includes approximately 27 miles of 60 kV power lines, approximately 500 miles of 12 kV distribution lines (approximately 64% of which are underground), and 27 stations. Santa Clara’s electric system experiences approximately 0.5 to 1.5 hours of outage time per customer per year. This compares favorably with other utilities in California with reliability factors ranging from 1.0 to 2.5 hours outage per customer per year.

Historically, PG&E provided interconnection, partial power and other support services to Santa Clara under an interconnection agreement. Beginning March 31, 1998, the operation of the transmission facilities owned by California’s investor-owned utilities, including PG&E, was undertaken by the CAISO. In July 2002, FERC approved a series of agreements between Santa Clara, PG&E, the CAISO and NCPA (which acts as scheduling coordinator for Santa Clara), including Santa Clara’s MSS Agreement with the CAISO, to replace Santa Clara’s interconnection agreement with PG&E and to allow Santa Clara to operate within the CAISO control area.

To the extent Santa Clara requires transmission/ancillary/power services beyond those contained in other remaining existing contracts or from Santa Clara’s own generating resources, Santa Clara will procure such transmission/ancillary/power services from the CAISO or via the CAISO’s markets.

Santa Clara is unable to predict how future industry changes, especially those concerning resource adequacy requirements, renewable fuels, greenhouse gas limitations and new transmission facilities to serve potential renewable energy projects, will affect future costs for the purchase of services under its interconnection, scheduling and CAISO agreements.

### **Employees**

**Labor Relations.** As of June 30, 2017, Santa Clara had approximately 179 budgeted employees for its electric utility department. All of these electric utility department employees are represented either by the International Brotherhood of Electrical Workers (“IBEW”) or one of the other Santa Clara employees’ associations, in matters pertaining to wages, benefits and working conditions. The current labor agreements with IBEW and the City of Santa Clara Employees Association (the primary bargaining units for employees of the electric utility department) extend to December 2018 and December 2019, respectively. Certain labor agreements (including for miscellaneous unclassified management employees) expired in December 2017. With respect to the expired labor agreements, Santa Clara and its employee organizations are continuing to negotiate successor contracts. Until successor contracts are executed, the terms of the expired contracts will continue to govern. There have been no strikes or other union work stoppages at Santa Clara, including its electric utility department.

**Pension Plans.** The City’s permanent employees, including those in Santa Clara’s electric utility department, are covered by the California Public Employees Retirement System (“CalPERS”), an agent



multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

The City's defined benefit pension plans, the Miscellaneous Plan and Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries for all City employees. All permanent (full-time and part-time) and eligible "as-needed" hourly Santa Clara employees are required to participate in CalPERS. No employees assigned to the electric utility department participate in the Safety Plan.

The cost of the Miscellaneous Plan is funded through bi-weekly contributions from employees and from employer contributions by the City. The member employees' contribution rates are set by State statute and only change with significant contract amendments. The member contribution can be paid by the employee or by Santa Clara on the employee's behalf in accordance with applicable labor agreements. In accordance with applicable state law, the contribution rate for all public employers is determined annually by the actuary and is effective on the July 1 following notice of a change in rate. Funding contribution amounts are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Santa Clara is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. The employer contribution rates are established, and may be amended, by CalPERS.

The electric utility department is allocated its portion of Santa Clara's required contributions for the Miscellaneous Plan. This allocation is based on eligible employee wages.

For the Fiscal Year ended June 30, 2017, the electric utility department's allocated share of the City's required contribution to the Miscellaneous Plan was \$7,558,410 (of the City's \$21,613,984 total annual pension cost for the Miscellaneous Plan). The required contribution for the Fiscal Year ended June 30, 2017 as a percentage of covered-employee payroll was 30.32%. For the Fiscal Year ended June 30, 2016, the electric utility department's allocated share of the City's required contribution to the Miscellaneous Plan was \$6,484,674 (of the City's \$18,543,534 total annual pension cost for the Miscellaneous Plan). The required contribution for the Fiscal Year ended June 30, 2016 as a percentage of covered-employee payroll was 29.94%. For the Fiscal Year ended June 30, 2018, the amount budgeted for the electric utility department's share of the City's estimated required contribution to the Miscellaneous Plan is \$8,517,582 (of the City's \$29,650,199 budgeted total annual pension cost for the Miscellaneous Plan).

The market value of assets for the Miscellaneous Plan as of a June 30, 2016 valuation date (the most recent actuarial information available) was \$396,879,279 and the entry age normal accrued liability was \$657,530,879, resulting in a total unfunded accrued liability for the City's Miscellaneous Plan of \$260,651,600 and a funded ratio of 60.4% as of such date. The market value of assets for the Miscellaneous Plan as of June 30, 2015 was \$405,084,693 and the entry age normal accrued liability was \$627,029,801, resulting in a total unfunded accrued liability for the City's Miscellaneous Plan of \$221,945,108 and a funded ratio of 64.6% as of such date.

The City's required contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet

those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase Santa Clara's required contributions to CalPERS in future years. Accordingly, Santa Clara cannot provide any assurances that Santa Clara's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Effective for the Fiscal Year ended June 30, 2015, Santa Clara adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, affecting the reporting of pension liabilities for accounting purposes. Under GASB Statement No. 68, Santa Clara is required to report the Net Pension Liability (i.e., the difference between the Total Pension Liability and the Pension Plan's Net Position or market value of assets) in its financial statements. In its financial statements for the Fiscal Year ended June 30, 2017, Santa Clara reported net pension liabilities of \$84,615,916 for the electric utility department's proportionate share of the Net Pension Liability for the City's Miscellaneous Plan (measured as of June 30, 2016 and based upon a June 30, 2015 actuarial valuation rolled forward to June 30, 2016 using standard update procedures). The electric utility department's proportion of the net pension liability was based on a projection of the electric utility's long-term share of contributions to the pension plan relative to the projected contributions of all funds of the City, and represented 34.97% proportionate share as of the June 30, 2016 measurement date.

***Retiree Health Benefits.*** The City also provides certain post-employment benefits other than pensions to city employees, including those assigned to the electric utility department, who retire from the City, through a single-employer defined benefit program established by the Santa Clara City Council in Fiscal Year 2007-08 which provides reimbursements to retirees for certain qualified expenses, subject to certain annual maximum reimbursement amounts (the "OPEB Plan"). The OPEB Plan is administered by Public Agency Retirement Services. Amendments to benefit provisions are negotiated by the various bargaining units at the City and must be approved by the Santa Clara City Council.

The annual required contributions ("ARC") to the OPEB Plan are based on actuarial valuations. The contribution requirements are established and may be amended by the Santa Clara City Council. The City's annual OPEB cost (expense) is calculated based upon the ARC, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over 30 years. Santa Clara has funded 100% of its annual OPEB cost (equal to the ARC) for each of the Fiscal Years ended June 30, 2015 through 2017. The actuarially determined contribution requirement for the OPEB Plan totaled \$2,769,000 for Fiscal Year 2014-15, \$2,887,000 for Fiscal Year 2015-16, and \$2,981,000 for Fiscal Year 2016-17. Of such amounts, approximately \$458,640 was funded by the electric utility department for Fiscal Year 2014-15, approximately \$499,992 was funded by the electric utility department for Fiscal Year 2015-16, and approximately \$545,871 was funded by the electric utility department for Fiscal Year 2016-17. The amount budgeted for the Electric Utility Fund's share of OPEB Plan contributions for Fiscal Year 2017-18 is \$886,476. As of June 30, 2016 (the latest date for which actuarial information is available), the total actuarial accrued liability for the Santa Clara OPEB Plan was \$59,717,000, the actuarial value of plan assets was \$14,564,000, and the unfunded actuarial accrued liability was \$45,153,000, representing a funded ratio of 24.4%.

Additional information regarding the City of Santa Clara's retirement plans and other post-employment benefits can be found in the City of Santa Clara comprehensive annual financial report for the Fiscal Year ended June 30, 2017, which may be obtained at <http://santaclaraca.gov>.

## Service Area

**General.** The service area of the Santa Clara electric utility is coterminous with the City's boundaries. The City is located at the southern end of the San Francisco Bay. Encompassing a total area of approximately 19 square miles within northern Santa Clara County, the City is situated in the heart of "Silicon Valley." The main businesses in Santa Clara are manufacturing and industrial. There are numerous companies that manufacture electronic components, communications equipment, computer systems, electronic games and similar products, and general items such as fiberglass, paper and chemicals. As shown in the following table, these firms are among the largest employers in Santa Clara as of June 30, 2017.

### CITY OF SANTA CLARA TEN LARGEST EMPLOYERS

Employer	Business	Number of Employees
Applied Materials, Inc.	Nano Technology Mfg Services	8,500
Intel Corporation	Semiconductor Devices (Mfg.)	7,801
California's Great America	Amusement Park	2,500
Avaya Inc.	Software	2,000
City of Santa Clara	Local Government	1,878
EMC Corporation	Semiconductors	1,338
Macy's	Retail	1,200
Santa Clara University	Higher Education	1,200
Catalyst Semiconductor Inc.	Semiconductor Devices (Mfg.)	1,100
Lsa Global	Consulting	1,001

Source: City of Santa Clara Comprehensive Annual Financial Report for Fiscal Year 2017.

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**Population.** Shown below is certain population data for Santa Clara, the County of Santa Clara and the State of California:

**CITY OF SANTA CLARA, COUNTY OF SANTA CLARA,  
STATE OF CALIFORNIA POPULATION  
(1970, 1980, 1990, 2000 as of April 1;  
2006-2017 as of January 1)**

	<u>City of Santa Clara</u>	<u>County of Santa Clara</u>	<u>State of California</u>
1970.....	86,118	1,065,313	19,971,069
1980.....	87,700	1,295,071	23,668,562
1990.....	93,613	1,497,577	29,760,021
2000.....	102,800	1,698,800	33,873,086
2006.....	108,749	1,706,676	36,116,202
2007.....	111,507	1,725,066	36,399,676
2008.....	112,760	1,747,912	36,704,375
2009.....	114,795	1,767,204	37,966,713
2010.....	116,184	1,781,427	37,223,900
2011.....	118,552	1,803,362	37,536,835
2012.....	119,399	1,828,496	37,881,357
2013.....	120,822	1,856,416	38,238,492
2014.....	121,482	1,879,196	38,572,211
2015.....	121,716	1,903,209	38,915,880
2016.....	123,640	1,922,619	39,189,035
2017.....	123,983	1,938,180	39,523,613

*Sources:* 1970, 1980, 1990 and 2000 figures from U.S. Bureau of Census; other figures from California State Department of Finance.

**Transportation.** Santa Clara is served by the Bayshore Freeway (U.S. Highway 101), which runs southeast from San Francisco to Los Angeles and is the major freeway connecting San Francisco and San Jose; Interstate 880, which runs north/south connecting San Jose and Oakland and becomes State Highway 17 (south of Interstate 280) and continues into Santa Cruz with access to Monterey; and Interstate 280, which runs north/south to San Francisco and State Highway 82. These freeways link Santa Clara to all parts of northern California.

Air transportation is available at both the San Francisco International Airport, approximately 40 miles to the north, and the San Jose International Airport, two miles from downtown Santa Clara. Rail service is provided by Union Pacific Railroad, on a north/south track linking San Jose and San Francisco, and CalTrain commuter service to Gilroy and San Francisco. The Guadalupe Corridor Light Rail has 20 completed miles of track from the Santa Clara Convention Center to the San Jose Convention Center, stretching to South San Jose, Mountain View and Milpitas.

The Santa Clara Valley Transportation Authority operates several lines within the City of Santa Clara with connections to major cities in the San Francisco Bay area. Interstate bus service is available via Greyhound Bus and Peerless. Most major trucking firms serve Santa Clara in addition to numerous local carriers.

***Educational Facilities.*** The Santa Clara Unified School District provides public schooling from kindergarten through high school in most of the City of Santa Clara. Small geographical areas in the southern city limits are served by the Campbell Union Elementary School District and the Cupertino Union Elementary School District.

Santa Clara is also the home of the oldest institution of higher education in the West, Santa Clara University. Santa Clara residents are also in close proximity to San Jose State University, Stanford University and Mission College, as well as other units of the Community College System.

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## Rates and Charges

The Santa Clara City Council is authorized by the City Code of the City of Santa Clara to set charges, pay for and supply all electric energy and power to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the Santa Clara City Council. The authority of Santa Clara to impose and collect rates and charges for electric power and energy is not subject to the regulatory jurisdiction of the California Public Utilities Commission (the “CPUC”) or any other regulatory authority.

The following table summarizes a history of Santa Clara’s electric rate increases over the last five years.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
HISTORY OF ELECTRIC RATE CHANGES**

<b>Date</b>	<b>Percent Change</b>
January 1, 2018	0.00%
January 1, 2017	3.00
January 1, 2016	2.00
January 1, 2015	5.00
January 1, 2014	5.00

*Source:* City of Santa Clara.

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## Major Customers

The ten largest customers of Santa Clara's electric utility department, in terms of kWh sales for the Fiscal Year ended June 30, 2017, which are listed below, accounted for 48.9% of total kWh sales and 43.6% of revenues. The largest customer accounted for 7.7% of total kWh sales and 6.6% of total revenues, while the smallest customer of the largest ten customers accounted for 2.5% of total kWh sales and 2.4% of total revenues. Santa Clara is heavily dependent upon its industrial customers, which comprise approximately 90.2% of its load and 88.5% of its revenues (in Fiscal Year 2016-17). For reference, Santa Clara's industrial category includes all customers using more than 8,000 kWh per month. For many years, Santa Clara has been home to a number of the world's best known "high tech" firms involved in the design and production of computers and software. In the past few years, some of these firms have shifted production away from Santa Clara; however, this shift has been more than offset by the development of numerous data centers established to serve the data needs of corporate offices and of internet-related businesses.

To help retain its industrial customers, and thus assure the stability of Santa Clara's electric sales and revenue, Santa Clara has entered into multi-year electric service agreements with 14 of its larger customers, accounted for 90.2% of total kWh sales from industrial customers. All electric service agreements have a standard three year term, with expirations ranging from 2018 through 2020.

### MAJOR CUSTOMERS

Customer	Business
Air Products	Industrial Gas and Chemicals
Coresite Coronado Stender	Data Centers
Digital Realty Trust	Data Centers
Intel Corp	Semiconductors
Microsoft Corporation	Data Centers
NVIDA Corp	Semiconductor Products
Oracle America Inc	Database Software Products
Savvis Communications Inc	Data Centers
Vantage Corp	Data Centers
Xeres Ventures	Data Centers

Source: City of Santa Clara.

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## Customers, Energy Sales, Revenues and Demand

The average number of customers, kWh sales and revenues derived from sales, by classification of service, and peak demand during the past five Fiscal Years, are listed below.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
CUSTOMERS, SALES, REVENUES AND DEMAND  
(Fiscal Year Ended June 30)  
(Unaudited)**

	2013	2014	2015	2016	2017
Average Monthly Number of Customers:					
Residential	44,415	44,629	44,979	45,323	46,305
Commercial	6,175	6,191	6,253	6,277	6,231
Industrial	1,754	1,758	1,700	1,675	1,652
Other	560	561	563	566	549
Total	52,904	53,139	53,495	53,841	54,737
Kilowatt-hour Sales (000):					
Residential	237,387	233,847	224,647	232,581	228,505
Commercial	92,284	91,833	92,852	94,470	95,050
Industrial	2,594,428	2,651,757	2,754,035	3,000,038	3,133,903
Other	20,966	20,561	20,332	18,540	18,042
Total	2,945,065	2,997,998	3,091,866	3,345,629	3,475,500
Charges from Sale of Energy (000) <sup>(1)</sup> :					
Residential	\$ 24,795	\$ 25,078	\$ 25,359	\$27,336	\$27,635
Commercial	13,583	13,771	14,609	15,407	15,868
Industrial	264,806	274,402	297,825	331,979	352,973
Other	2,416	2,435	2,520	2,449	2,448
Total <sup>(2)</sup>	\$305,600	\$315,686	\$340,313	\$377,171	\$398,924
Peak Demand (MW)	471.1	482.4	491.1	526.4	568.1

<sup>(1)</sup> Differs from Operating Revenues in Financial Operating Results and Balance Sheet information due to: (i) timing differences in accruals and billings; and (ii) exclusion of non-consumption based revenues.

<sup>(2)</sup> Includes public benefits charge and grid management charge revenues.

Source: Santa Clara.



## Capital Requirements

Santa Clara expects net capital requirements for the current and next five Fiscal Years (2017-18 through 2022-2023) to aggregate up to \$218.2 million. Such improvements include distribution system improvements and replacements of approximately \$205.7 million, including several new distribution substations and significant upgrades to its internal bulk distribution loops and distribution feeders. These distribution facilities are needed to meet increased capacity requirements of new and existing customers. They are expected to be financed through a combination of load development fees, direct customer contributions, funds from Santa Clara's available cash reserves (described under "– Indebtedness" below) and electric revenues.

## Indebtedness

**Electric Revenue Bonds.** As of January 31, 2018, Santa Clara had outstanding senior lien electric revenue bonds in the aggregate principal amount of \$165.43 million, payable from net revenues of the electric system. Such outstanding electric revenue bonds are comprised of \$59.265 million aggregate principal amount of outstanding Electric Revenue Refunding Bonds, Series 2008 B (the "Series 2008 B Bonds"), \$54.83 million aggregate principal amount of Electric Revenue Refunding Bonds, Series 2011 A and \$51.335 million aggregate principal amount of Electric Revenue Refunding Bonds, Series 2013 A.

In addition to the outstanding senior lien electric revenue bonds, Santa Clara has entered into a Loan Agreement, dated as of June 16, 2014 (the "Loan Agreement"), with Banc of America Preferred Funding Corporation ("BofA") providing for a direct loan (the "Loan") from BofA to Santa Clara by BofA in an aggregate amount of approximately \$31.2 million. Santa Clara's obligation to make repayment of the Loan to BofA is evidenced by a subordinated electric system revenue bond of Santa Clara (the "Subordinate Electric Revenue Bond"), payable from net revenues of the electric system on a basis junior and subordinate to the payment of Santa Clara's outstanding electric revenue bonds. Principal of the Loan is payable in annual installments, commencing on July 1, 2016 and ending on July 1, 2024. As of January 31, 2018, the remaining balance on the Loan Agreement is \$26.49 million. The occurrence of an event of default by Santa Clara under the Loan Agreement may result in an increase in the interest rate payable by Santa Clara with respect to the Subordinated Electric Revenue Bond and the Loan evidenced thereby and/or an acceleration in the payment of the principal amount of such Subordinated Electric Revenue Bond and the Loan evidenced thereby in accordance with the terms of the Loan Agreement.

Santa Clara's Series 2008 B Bonds are variable rate obligations secured by a letter of credit. The letter of credit for the Series 2008 B Bonds has been provided by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch ("The Bank of Tokyo"), and has a scheduled expiration date of October 30, 2018. Santa Clara has entered into a reimbursement agreement with The Bank of Tokyo, pursuant to which it is obligated to repay the bank for amounts drawn under the letter of credit. The repayment obligations of Santa Clara under the reimbursement agreement are payable on a parity with Santa Clara's electric revenue bonds. The interest rate payable by Santa Clara for unreimbursed draws under the letters of credit may be considerably higher than the interest rate on the bonds. In the event of a significant unreimbursed draw on the letter of credit due to the unsuccessful remarketing of the Series 2008 B Bonds, Santa Clara may attempt in such event to refinance the bonds to avoid this additional debt burden, however, in such event, there can be no assurance that Santa Clara will have access to the debt markets.

Prior to the issuance of the Series 2008 B Bonds, Santa Clara entered into an interest rate swap agreement (the "Swap Agreement") with Bear Stearns Capital Markets Inc., which agreement has been novated to JPMorgan Chase Bank, N.A. (the "Swap Provider"). Under the Swap Agreement, Santa Clara is obligated to make payments to the Swap Provider calculated on the basis of a fixed rate of 3.470% while it is to receive from the Swap Provider payments based upon 65% of the one month London InterBank

Offering Rate. Santa Clara's obligation to make any net regularly scheduled payments due to the Swap Provider under the Swap Agreement is payable from net revenues of the electric system on a parity with its outstanding electric revenue bonds. There is no guarantee that the floating rate payable to Santa Clara pursuant to the Swap Agreement will match the variable interest rate on the associated Series 2008 B Bonds at all times or at any time. Under certain circumstances, the Swap Provider may be obligated to make a payment to Santa Clara under the Swap Agreement that is less than the interest due on the associated Series 2008 B Bonds. In such event, Santa Clara would be obligated to pay such insufficiency from net revenues on a parity with Santa Clara's outstanding electric revenue bonds. Under certain circumstances, the Swap Agreement may be terminated and Santa Clara may be required to make a termination payment to the Swap Provider. Any such termination payment owed by Santa Clara would be payable from net revenues of the electric system subordinate to Santa Clara's outstanding electric revenue bonds.

Pursuant to the terms of the Swap Agreement, Santa Clara is required to post collateral in favor of the Swap Provider to the extent that Santa Clara's total exposure for termination payments to the Swap Provider exceeds the threshold amount specified in the Swap Agreement. The applicable collateral posting threshold amounts specified in the Swap Agreement would be lower in the event certain ratings assigned to Santa Clara's electric revenue bonds were to be revised downward or withdrawn. In the case of a ratings withdrawal or significant downward rating revision, such decline in the applicable threshold amount could significantly increase Santa Clara's collateral posting obligation thereunder. If the ratings assigned to Santa Clara's electric revenue bonds are revised upward, the amount of collateral required to be posted by Santa Clara under the Swap Agreement could be reduced. Under the terms of the Swap Agreement, the Swap Provider is required to release collateral to Santa Clara as market conditions become favorable to Santa Clara and may be required to post collateral for the benefit of Santa Clara to the extent that such Swap Provider's total exposure for termination payments to Santa Clara exceeds the threshold amount specified in the Swap Agreement. As of January 31, 2018, Santa Clara had \$212,000 in collateral posted in favor of the Swap Provider. The highest amount of collateral Santa Clara has been required to post to the Swap Provider on any date has been approximately \$11.0 million. The amount of collateral varies from time to time due primarily to interest rate movements and can change significantly over a short period of time. In the future, Santa Clara may be required to post additional collateral, or may be entitled to a reduction or return of the required collateral amount. Collateral deposited by Santa Clara is held by the Swap Provider or an agent therefor. A bankruptcy of the Swap Provider holding collateral posted by Santa Clara could adversely affect the return of the collateral to Santa Clara. Moreover, posting collateral limits the electric utility's liquidity. If collateral requirements increase significantly, the electric utility's liquidity may be adversely affected.

***Joint Powers Agency Obligations.*** As previously discussed, Santa Clara participates in several joint powers agencies, including TANC, NCPA M-S-R PPA and M-S-R EA, which have issued indebtedness to finance the costs of certain projects on behalf of their respective project participants. Obligations of Santa Clara under its agreements with respect to TANC, NCPA and M-S-R PPA constitute operating expenses of Santa Clara's electric system payable prior to any of the payments required to be made on Santa Clara's electric revenue bonds described above. Agreements with TANC, NCPA and M-S-R PPA are on a "take-or-pay" basis, which requires payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain "step-up" provisions obligating Santa Clara to pay a share of the obligations of a defaulting participant. As described herein, Santa Clara also participates in M-S-R EA and has certain payment obligation in connection therewith which constitute operating expenses of Santa Clara's electric system. However, Santa Clara's payment obligation to M-S-R EA is with respect to actual quantity of natural gas delivered each month on a take-and-pay (rather than take-or-pay) basis. Responsibility for bond repayment is non-recourse to Santa Clara. See "Joint Powers Agency Resources—*M-S-R Energy Authority—Gas Prepay*" above.

Santa Clara's participation and share of debt service obligation (without giving effect to any "step-up" provisions) for the TANC, NCPA and M-S-R PPA projects in which it participates are shown in the following table.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
OUTSTANDING DEBT OF JOINT POWERS AGENCIES  
(as of January 31, 2018)  
(Dollar Amounts in Millions)**

	<b>Outstanding Debt<sup>(1)</sup></b>	<b>Santa Clara Participation<sup>(2)</sup></b>	<b>Santa Clara Share of Outstanding Debt<sup>(1)</sup></b>
M-S-R PPA			
San Juan Unit No. 4	\$ 136.1	35.00%	\$ 47.6
NCPA			
Geothermal Project	28.8	44.39	12.8
Calaveras Hydroelectric Project	322.4	37.02 <sup>(3)</sup>	119.4
Lodi Energy Center, Issue One	233.4	46.16	107.7
TANC			
Bonds	208.4	10.00 <sup>(4)</sup>	20.8
<b>TOTAL *</b>	<b>\$929.1</b>		<b>\$308.3</b>

\* Columns may not add to totals due to independent rounding.

(1) Principal only. Does not include obligation for payment of interest on such debt. Excludes M-S-R EA as described above.

(2) Participation based on actual debt service obligation. Participation obligation is subject to increase (in an amount up to a specified accumulated maximum above the original participation) upon default of another Participant.

(3) Includes 1.16% additional share purchased from other NCPA participants. In addition, Santa Clara's actual payments represent approximately 37.90% of outstanding debt service as a result of credit to non-participating members with respect to a portion of the debt obligation.

(4) Excludes 10.4705% of Santa Clara's original 20.4745% participation share for which, as described herein, Santa Clara has entered into an agreement to layoff to other TANC Member-Participants for a term of 25 years. Santa Clara remains contractually obligated for its full participation share. Santa Clara's actual debt service obligation differs slightly from this percentage due to varying shares of certain series of TANC bonds relating to each TANC member-participant's taxable portion and each TANC member-participant's participation or non-participation in acquisition of assets from Vernon.

Source: City of Santa Clara Electric Utility Department.

For the Fiscal Year ended June 30, 2017, Santa Clara's obligation for debt service on its joint powers agency is estimated to aggregate approximately \$37.5 million. Debt service on joint powers agency obligations is expected to range in each Fiscal Year through 2039-40 from a high of approximately \$37.5 million to a low of approximately \$7.7 million. This projection assumes that layoff agreements affecting expected obligations to be paid by Santa Clara remain effective for their full term and are performed by the parties thereto, that there are no future debt issuances, and that swap counterparties on interest rate hedges continue to perform (all of Santa Clara's variable rate joint powers agency debt obligations are hedged). Santa Clara manages the total amount of variable rate debt exposure for its electric utility (including both direct and joint powers agency debt), and, by policy, has targeted up to approximately 25% as the

appropriate variable rate exposure. Unreimbursed draws under liquidity arrangements supporting joint powers agency variable rate debt obligations bear interest at a maximum rate substantially in excess of the current interest rates on such variable rate debt obligations. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreements may result in the acceleration of scheduled payment of the principal of such variable rate joint powers agency obligations. In connection with certain of such joint power agency obligations, the respective joint powers agency has entered into interest rate swap agreements relating thereto for the purposes of substantially fixing the interest cost with respect thereto. There is no guarantee that the floating rate payable to the respective joint powers agency pursuant to each of the interest rate swap agreements relating thereto will match the variable interest rate on the associated variable rate joint powers agency debt obligations to which the respective interest rate swap agreement relates at all times or at any time. Under certain circumstances, the swap providers may be obligated to make payments to the applicable joint powers agency under their respective interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency debt obligations to which such interest rate swap agreement relates. In such event, such insufficiency will be payable from the obligated joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Santa Clara). In addition, under certain circumstances, each of the swap agreements is subject to early termination, in which event the joint powers agency could be obligated to make a substantial payment to the applicable swap provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from Santa Clara).

### **Transfers to the General Fund**

The Santa Clara City Charter provides that up to 5% of gross revenues (not including revenues from wholesale transactions) from the electric utility is paid to the Santa Clara General Fund each year as a contribution in lieu of taxes.

The following table sets out the transfers from the electric utility to the Santa Clara General Fund for the last five Fiscal Years.

**CITY OF SANTA CLARA  
ELECTRIC UTILITY DEPARTMENT  
TRANSFERS TO THE GENERAL FUND  
(Dollar Amounts in Thousands)**

<b>Fiscal Year</b>	<b>Transfer Amount</b>
2012-13	\$15,219
2013-14	16,591
2014-15	17,493
2015-16	19,057
2016-17	21,117

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*Source:* City of Santa Clara.

### **Cash Reserves**

Santa Clara maintains cash reserves for a number of reasons, including operating cash requirements, construction cash requirements, dealing with the cost impacts of dry hydroelectric conditions, gas and electric market volatility, and allowing Santa Clara the flexibility to increase rates on a scheduled basis. The Cost Reduction Fund is used to manage the cost impacts of dry year hydroelectric conditions

and gas and electric market volatility, as well as the scheduling of rate increases. As of December 31, 2010, the balance of the Cost Reduction Fund was transferred to the Rate Stabilization Fund (as a subaccount therein) as described below.

In addition to the Cost Reduction Fund, Santa Clara has maintained a Rate Stabilization Fund (the “Rate Stabilization Fund”). Amounts in the Rate Stabilization Fund are available to pay costs of the electric utility subject to certain terms and conditions. As of June 30, 2017, approximately \$121.0 million was on deposit in the Rate Stabilization Fund (including approximately \$96.0 million on deposit in the Cost Reduction Account therein). In addition, as of June 30, 2017, Santa Clara had unrestricted operating cash reserves of \$83.3 million, as well as \$74.6 million of cash reserves designated for construction purposes, and \$3.5 million of cash reserves designated for pension liability. Thus, as of June 30, 2017, Santa Clara’s electric utility had restricted and unrestricted cash reserves totaling approximately \$282.4 million.

Collectively, these reserves are designed to help insulate Santa Clara from market volatility. In addition, Santa Clara’s bond indenture permits the use of unrestricted cash balances and reserves (including, prior to December 31, 2010, the Cost Reduction Fund and the Rate Stabilization Fund, and subsequent to December 31, 2010, the Rate Stabilization Fund) to satisfy Santa Clara’s rate covenants with its bond holders. In Fiscal Year 2012-13, approximately \$7.43 million was transferred from the Rate Stabilization Fund (Cost Reduction Account) related to operating expenses. For Fiscal Year 2013-14, approximately \$10.0 million was transferred from the Rate Stabilization Fund related to operating expenses. For Fiscal Year 2014-15, approximately \$8.0 million was transferred from the Rate Stabilization Fund related to operating expenses. In Fiscal Years 2015-16 and 2016-17, \$2.7 million and \$34.0 million, respectively, was transferred into the Rate Stabilization Fund.

Santa Clara has determined that it is appropriate to use a portion of its unrestricted cash balances and reserves to stabilize or subsidize its electric rates in the near term and to increase rates when appropriate. Santa Clara maintains a minimum target balance of \$120 million for the Rate Stabilization Fund (including the Cost Reduction Account). In order to maintain this minimum target balance, Santa Clara adopted a 7% electric rate increase effective in January 2010, a 7% electric rate increase effective in January 2011, a 5% electric rate increase effective in January 2014, a 5% electric rate increase effective in January 2015, and a 2% electric rate increase effective in January 2016. As of June 30, 2017, the Rate Stabilization Fund balance was restored to meet the minimum target balance level. See “Condensed Operating Results and Selected Balance Sheet Information” below and “Rates and Charges” above. It is important to note that the impact of such increase or increases could be affected by future operating conditions, including factors outside the control of Santa Clara.

## **Litigation**

**General.** There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining Santa Clara in the execution or delivery of, or in any way contesting or affecting the validity of any proceedings of Santa Clara taken with respect to Third Phase Agreement.

Present lawsuits and other claims against Santa Clara’s electric utility department are incidental to the ordinary course of operations of the electric utility department and are largely covered by Santa Clara’s self insurance program. In the opinion of Santa Clara’s management and, with respect to such litigation, the Santa Clara City Attorney, such claims and litigation will not have a materially adverse effect upon Santa Clara’s ability to make payments under Third Phase Agreement.

**Other Matters.** There are various ongoing proceedings that involve projects in which Santa Clara has an interest and which comprise a portion of the current resource portfolio of Santa Clara’s electric

system. Although Santa Clara is not a party to any of this litigation the outcome of such proceedings may impact the costs and operations of the affected project.

#### **Condensed Operating Results and Selected Balance Sheet Information**

The following table sets forth summaries of income and selected balance sheet information of Santa Clara's electric utility for the five Fiscal Years ended June 30, 2017. The information for the Fiscal Years ended June 30, 2013 through June 30, 2017 was prepared by Santa Clara on the basis of its audited financial statements for such years.

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**CITY OF SANTA CLARA**  
**ELECTRIC UTILITY DEPARTMENT**  
**SUMMARY OF FINANCIAL OPERATING RESULTS\***  
(\$ in 000s)

	2013	2014	2015	2016	2017
Summary of Income					
Operating Revenues <sup>(1)</sup>	\$298,751	\$309,169	\$332,938	\$371,801	\$390,409
Operating Expenses:					
Salaries, Wages and Benefits	21,294	23,654	26,712	26,461	32,016
Materials, Supplies and Services <sup>(2)</sup>	255,078	276,335	283,861	301,991	299,531
Depreciation	19,402	19,727	20,163	19,956	19,820
Total Operating Expenses	\$295,774	\$319,716	\$330,736	\$348,408	\$351,367
Operating Income (Loss)	2,977	(10,547)	2,202	23,393	39,042
Other Income <sup>(3)</sup>	16,029	24,629	21,535	21,883	23,083
Interest Expense	(11,075)	(8,605)	(9,094)	(8,819)	(8,697)
Wholesale Power Sales	22,296	28,622	27,301	17,279	36,162
Wholesale Power Purchases	(24,717)	(28,871)	(32,635)	(21,682)	(35,197)
Other Expenses	(5,093)	(5,556)	(4,766)	(7,183)	(6,808)
Gain (Loss) on Retirement of Fixed Assets	(1)	-	62	(10)	4,830
Renewable Energy Credit	6,826	5,449	2,129	3,879	6,237
Equity (Loss) in Joint Power Agencies <sup>(4)</sup>	6,111	4,215	(4,719)	737	4,345
Net Income Before Operating Transfers and Extraordinary Items	\$ 13,353	\$ 9,336	\$ 2,015	\$ 29,477	\$ 62,997
Selected Balance Sheet Information (as of June 30)					
Rate Stabilization Fund <sup>(5)</sup>	\$102,259	\$ 92,259	\$ 84,259	\$ 86,959	\$ 120,959
Cash Designated for Construction	45,846	89,922	79,988	65,593	74,613
Cash Designated for Pension Liability	-	-	-	-	3,500
Operating Cash	82,463	73,154	74,446	73,865	83,325
Total Pooled & Cash Investments	\$230,568	\$255,335	\$238,693	\$226,417	\$282,397

\* Columns may not add to totals due to rounding.

(1) See "Rates and Charges" above. Exclude public benefit charge revenues.

(2) Includes purchased power payments and payments to joint power agencies. Also includes payment of a portion of gross revenues to City's General Fund as contribution in lieu of taxes which payment is subordinate to the payment of other operating expenses and debt service. Per the City Charter, up to 5% of gross revenues (not including revenues from wholesale transactions) from the electric utility is paid to Santa Clara's General Fund each year.

(3) Primarily represents interest income, public benefit charge revenues, grants, rents, and other non-recurring miscellaneous income. Unrealized gains were included in Fiscal Year 2013-14 (\$1.914 million), 2014-15 (\$0.421 million), and 2015-16 (\$0.907 million). Unrealized losses were included in Fiscal Years 2012-13 (\$3.853 million) and 2016-17 (\$2.723 million).

(4) Net loss in Fiscal Year 2014-15 reflects equity share loss of \$4.067 million in NCPA and \$0.652 million in TANC.

(5) Includes Cost Reduction Subaccount. As of December 31, 2010, the Cost Reduction Fund was transferred to the Rate Stabilization Fund (as a subaccount therein).

Source: City of Santa Clara.

## Rate Covenant Compliance Under Electric Revenue Bond Indenture

The electric revenue bond indenture pursuant to which Santa Clara's electric revenue bonds are issued requires Santa Clara to produce revenues of the electric utility in each year such that adjusted net revenues (as defined in the electric revenue bond indenture) will be sufficient to pay debt service on all electric revenue bonds and parity debt for such Fiscal Year. The electric revenue bond indenture permits amounts in the Rate Stabilization Fund or (prior to December 31, 2010) other unrestricted funds of the electric enterprise to be used to satisfy the rate covenant. Santa Clara has elected to use such unrestricted funds for such purpose as described in "Cash Reserves" above. Santa Clara has satisfied its rate covenant in each year as shown below. In addition to operating expenses and debt service, the electric utility has other obligations which it is required to satisfy. Such obligations include payments in lieu of taxes as well as capital expenditures not otherwise financed with bond proceeds, which obligations are, in accordance with the Santa Clara City Charter, payable subordinate to the payment of debt service on the electric revenue bonds and parity debt. Capital expenditures not financed with bond proceeds are funded from a variety of sources, including reserves, developer contributions and electric system revenues. See "Cash Reserves" above.

### CITY OF SANTA CLARA RATE COVENANT COMPLIANCE UNDER ELECTRIC REVENUE BOND INDENTURE (\$ in 000s)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Debt Service Coverage:					
Adjusted Revenues <sup>(1)</sup>	\$298,522	\$306,183	\$332,178	\$359,084	\$352,828
Adjusted Operating Expenses <sup>(2)</sup>	266,246	288,954	297,846	316,578	317,237
Adjusted Net Revenue Available for Debt Service	\$ 32,276	\$ 17,229	\$ 34,332	\$ 42,506	\$ 35,591
Debt Service on Electric Revenue Bonds <sup>(3)</sup>	\$ 17,272	\$ 12,183	\$ 14,934	\$ 15,334	\$ 15,612
Adjusted Revenues in Excess of Debt Service Requirements	\$ 15,004	\$ 5,046	\$ 19,398	\$ 27,172	\$ 19,979
Debt Service Coverage Ratio <sup>(4)</sup>	1.87	1.41	2.30	2.38	2.17

\* Numbers may not add up due to independent rounding.

(1) Adjusted Revenue includes operating revenues and non-operating revenues, other income (excluding unrealized gains or losses and developer contributions), net wholesale transactions and renewable energy credits, and excludes any gain on retirement of fixed assets or equity in joint powers agency projects accounted for on the equity method of accounting. Fiscal Year 2012-13 adjusted revenue was recalculated in 2014 to include renewable energy credit. Also includes Rate Stabilization Fund (formerly Cost Reduction Fund) transfers related to operating revenues. In Fiscal Years 2012-13, 2013-14 and 2014-15, transfers from the Cost Reduction Fund included in Adjusted Revenues were \$7.43 million, \$10.0 million and \$8.0 million, respectively. In Fiscal Years 2015-16 and 2016-17, \$2.7 million and \$34 million were transferred into the Rate Stabilization Fund, respectively. See "Rates and Charges" and "Cash Reserves" above.

(2) Adjusted Operating Expenses include operating expenses (including joint powers agency obligation payments) and other expenses, less depreciation and amortization expense and contribution-in-lieu to the General Fund. Adjusted Operating Expenses do not include any loss on retirement of fixed assets or any loss on joint powers agency projects accounted for on an equity method of accounting.

(3) Includes net swap payments and letter of credit fees relating to variable rate electric revenue bonds.

(4) Coverage of senior and subordinate lien electric revenue bonds only. Excludes joint powers agency obligations, the costs of which are a component of Adjusted Operating Expenses. See footnote (2).

Source: City of Santa Clara.



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## **APPENDIX B**

### **NCPA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016**

The combined financial statements of Northern California Power Agency and Associated Power Corporations as of and for the year ended June 30, 2017 have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report. Baker Tilly Virchow Krause, LLP has not been engaged to perform and has not performed, since the date of its report included therein, any procedures on the financial statements addressed in such report. Baker Tilly Virchow Krause, LLP has also not performed any procedures relating to this Official Statement. The June 30, 2016 combined financial statements of Northern California Power Agency and Associated Power Corporations were audited by Moss Adams LLP.

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**AND**

**ASSOCIATED POWER CORPORATIONS**

**Reports on Audit of Combined Financial Statements  
and  
Supplementary Information**

**For the Years Ended June 30, 2017 and 2016**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**Reports on Audit of Combined Financial Statements**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Northern California Power Agency and Associated Power Corporations  
Roseville, California

### ***Report on the Financial Statements***

We have audited the accompanying combined financial statements of Northern California Power Agency and Associated Power Corporations (the Agency), which comprise the combined statement of net position as of and for the year ended June 30, 2017, and the related combined statements of revenue, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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 California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. 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 combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the combined 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 Agency'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Northern California Power Agency and Associated Power Corporations as of June 30, 2017, and the respective changes in combined financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Commissioners  
Northern California Power Agency and Associated Power Corporations

### ***Prior Period Financial Statements***

The combined financial statements of the Northern California Power Agency and Associated Power Corporations, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated October 19, 2016, expressed an unmodified opinion on those combined statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's combined financial statements. The combining statements of net position, combining statements of revenues, expenses and changes in net position, combining statements of cash flows (combining financial statements) are presented for purposes of additional analysis and is not a required part of the combined financial statements.

The combining financial statements are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The fiscal 2017 information has been subjected to auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements as of and for the year ended June 30, 2017 are fairly stated, in all material respects, in relation to the combined financial statements as a whole. The fiscal 2016 combining statements were subjected to the auditing procedures applied in the audit of those basic financial statements by other auditors, whose report on such information stated it was fairly stated in all material respects in relation to the 2016 combined financial statements as a whole.

The schedule of generation entitlement shares has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Baker Tilly Veichau Krause, LLP*

Madison, Wisconsin  
October 17, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

The management of Northern California Power Agency (the Agency or NCPA) offers the following narrative discussion and analysis of its financial performance for the years ended June 30, 2017 and 2016. This discussion should be read in conjunction with the Agency's combined financial statements and accompanying notes, which follow this section.

#### **BACKGROUND**

The Northern California Power Agency is a joint powers agency formed by member public entities under the laws of the State of California to provide cost effective wholesale power, energy-related services, and advocacy on behalf of public power consumers. The Agency's purposes are for purchasing, generating, transmitting, and selling electrical energy and for providing other related services to its members as each may require. The Agency provides a portion of certain of its members' power needs and certain of its members also self-provide and/or purchase power and transmission from other public and private sources.

NCPA is governed by a Commission comprised of one representative for each member. The Commission is responsible for the general management of the affairs, property, and business of the Agency. Under the direction of the General Manager, the staff of the Agency is responsible for providing various administrative, operating and planning services for the Agency.

The Agency's project construction and development programs have been individually financed by project revenue bonds that are collateralized by the Agency's assignment of all payments, revenues, and proceeds associated with its interest in each project. Each of the Agency's members may choose which projects it wishes to participate in, and is known as a "project participant" for each such project. Each project participant has agreed to pay its proportionate share of debt service and other costs of the related project; notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason (that is, the take-or-pay member agreements). Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Power sales by the Agency to its members for their resale include both sales of power to project participants generated by operating plants and power purchased from outside sources. Collections for power sales are designed to recover costs that include budgeted annual operating costs and debt service. Additional amounts for operating reserves or cost stabilization may be included in collections under the terms of bond indentures. The Agency's collections for electric service are not subject to the regulatory jurisdiction of the California Public Utilities Commission (CPUC) or the Federal Energy Regulatory Commission (FERC). Rather, the Agency's collections are established annually in connection with its budget, which is approved by its governing Commission.

Various legal and tax considerations caused the Agency to provide that separate not-for-profit corporations should be delegated by the Agency to own the geothermal electrical generating projects undertaken by the Agency ("the Associated Power Corporations"). The Associated Power Corporations, consisting of Northern California Municipal Power Corporation Nos. Two and Three, have delegated to the Agency the authority to construct, operate, and manage their respective geothermal plants and related assets. The Agency, in return for financing the costs of acquisition and construction, acquires all the capacity and energy generated by the plants.

Because the Agency is a separate, special-purpose governmental entity that serves its participating members, who are also the Agency's principal customers, the net results of operations flow through to its participating members as either net revenues or net expenses.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

#### **FINANCIAL REPORTING**

For accounting purposes, the Agency is a special-purpose governmental entity that is engaged in a business-type activity, principally as a supplier of wholesale electricity and transmission to its member participants. As such, the Agency's financial statements are presented as an enterprise type fund.

The records of the Agency and the Associated Power Corporations are maintained substantially in accordance with the FERC Uniform System of Accounts. Accounting principles generally accepted in the United States of America are applied by the Agency in conformance with pronouncements of the Governmental Accounting Standards Board (GASB). The combined financial statements encompass the Agency and Associated Power Corporations on an accrual accounting basis. All significant intercompany balances and transactions have been eliminated from the combined amounts reported.

In accordance with GASB Statement of Government Accounting Standards No. 62, Codification of Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting (GASB No. 62), the Agency has recorded as regulatory assets and liabilities certain items of expense and revenue that otherwise would have been charged to operations as such items will be recovered in the future years' operations. The Agency expects to recover these items in collections over the term of the related debt obligations it has issued or when the obligation is paid.

Effective for fiscal year ended June 30, 2016, the Agency adopted GASB Statement of Government Accounting Standards No. 72, Fair Value Measurement and Application. This Statement establishes standards for fair value measurements of assets and liabilities. The definition of *fair value* is the price in an orderly transaction between market participants at the measurement date. No adjustments were needed as a result of adopting this Statement.

#### **COMBINED STATEMENTS OF NET POSITION, COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, AND COMBINED STATEMENTS OF CASH FLOWS**

The combined statements of net position includes all the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual method of accounting, as well as information about which assets can be used for general purposes and which assets are restricted as a result of bond covenants and other commitments. The combined statement of net position provides information about the nature and amount of resources and obligations at a specific point in time. The combined statements of revenues, expenses, and changes in net position report all the revenues and expenses during the time periods indicated. The combined statements of cash flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses, such as payments for debt service and capital additions.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

### FINANCIAL HIGHLIGHTS

The following is a summary of the Agency's combined financial position and results of operations for the years ended June 30, 2017, 2016, and 2015.

Condensed Statement of Net Position	June 30,		
	(in thousands)		
	2017	2016	2015
<b>Assets</b>			
Current assets	\$ 88,453	\$ 83,366	\$ 81,501
Restricted assets	221,783	211,759	204,769
Electric plant, net	559,841	588,870	618,708
Other assets	236,269	249,574	249,659
Total Assets	1,106,346	1,133,569	1,154,637
Deferred outflows of resources	61,612	63,441	67,424
	\$ 1,167,958	\$ 1,197,010	\$ 1,222,061
<b>Liabilities and Net Position</b>			
Long-term debt, net	\$ 737,022	\$ 776,982	\$ 816,936
Current liabilities	101,550	91,653	93,224
Non-current liabilities	218,427	214,612	199,980
Total Liabilities	1,056,999	1,083,247	1,110,140
Deferred inflows of resources	76,899	85,800	81,930
Net position:			
Net investment in capital assets	(62,191)	(62,193)	(60,971)
Restricted	58,269	66,282	64,688
Unrestricted	37,982	23,874	26,274
	\$ 1,167,958	\$ 1,197,010	\$ 1,222,061
Condensed Statements of Revenues, Expenses and Changes in Net Position	Years Ended June 30,		
	(in thousands)		
	2017	2016	2015
Operating revenues *	\$ 466,738	\$ 467,101	\$ 423,887
Operating expenses	(418,307)	(421,507)	(378,672)
Net operating revenues	48,431	45,594	45,215
Other expenses	(21,561)	(38,860)	(38,260)
Future refundable costs	(13,274)	(140)	(2,292)
Refunds to participants	(7,499)	(8,622)	(6,905)
Change in net position	6,097	(2,028)	(2,242)
Net position, beginning of year	27,963	29,991	32,233
Net position, end of year	\$ 34,060	\$ 27,963	\$ 29,991

\*A reclassification of \$14,457,000 was made for FY 2016 between Operating Revenues and Operating Expenses for comparability purpose.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

##### Current Assets

*2017 Compared to 2016* - Current assets increased \$5.1 million or 6.1% from the prior year, primarily due to higher energy sales during May and June. The higher energy sales resulted from increased hydroelectric generation as a result of a significant snowpack and heavy rainfall during the winter months.

*2016 Compared to 2015* - Current assets increased \$1.9 million or 2.3% from the prior year, primarily due to net cash inflow from operating and investing activities offset by decrease in California Independent System Operator (CAISO) receivables.

##### Restricted Assets

*2017 Compared to 2016* - Restricted assets increased \$10.0 million or 4.7% from the prior year. This is primarily a result of net increase in participants' General Operating Reserves of \$4.7 million and collections of budgeted reserves and deposits of \$5.3 million.

*2016 Compared to 2015* - Restricted assets increased \$7.0 million or 3.4% from the prior year. This is primarily a result of net participants' contributions to their General Operating Reserves of \$5.4 million and collections of budgeted reserves and deposits of \$3.6 million.

##### Electric Plant, net

*2017 Compared to 2016* - The Agency has invested approximately \$559.8 million in plant assets and construction work in progress, net of accumulated depreciation, at June 30, 2017. Net utility plant comprises approximately 47.9% of the Agency's assets. The \$29.1 million or 4.9% decrease from the prior year consists of \$30.7 million in depreciation, offset by net capital expenditures of \$0.1 million. For additional detail, refer to Note B – Significant Accounting Policies.

*2016 Compared to 2015* - The Agency has invested approximately \$588.9 million in plant assets and construction work in progress, net of accumulated depreciation, at June 30, 2016. Net utility plant comprises approximately 49.2% of the Agency's assets. The \$29.8 million or 4.8% decrease from the prior year consists of \$30.6 million in depreciation, offset by net capital expenditures of \$0.8 million. For additional detail, refer to Note B – Significant Accounting Policies.

##### Deferred Outflows

*2017 Compared to 2016* - Total deferred outflows of resources decreased \$1.8 million or 2.9% due to the scheduled amortization of excess of cost on refunding of debt of \$6.2 million offset by increase of deferred pension contribution of \$4.4 million.

*2016 Compared to 2015* - Total deferred outflows of resources decreased \$4.0 million or 5.9% due to the scheduled amortization of excess of cost on refunding of debt of \$7.8 million offset by increase of deferred pension contribution of \$3.8 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS

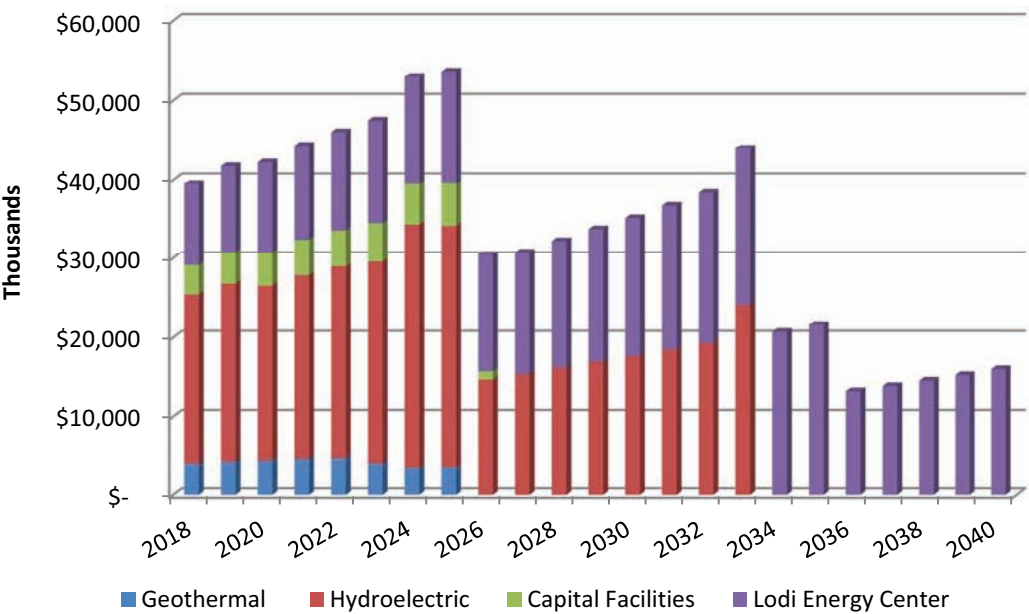
LIABILITIES

Long-Term Debt, net

*2017 Compared to 2016* - Long-term debt, net decreased \$40.0 million or 5.1% in 2017 as a result of scheduled principal payments of \$37.2 million, net premium amortization of \$2.3 million, and a decrease for the net transfer of the current portion of long-term debt of \$2.2 million offset by a net increase of \$1.7 million related to the Geothermal Project 3 Revenue Refunding Bonds 2016 Series A that partially refunded the Geothermal Project 3 Revenue Bonds 2009 Series A debt. For additional detail, refer to Note E – Projects and Related Financing.

*2016 Compared to 2015* - Long-term debt, net decreased \$40.0 million or 4.9% in 2016 as a result of scheduled principal payments of \$35.6 million, net premium amortization of \$2.7 million, and a net increase in the current portion of long-term debt of \$1.6 million. For additional detail, refer to Note E – Projects and Related Financing.

The following table shows the Agency’s scheduled annual debt service principal payments through FY 2041 as of June 30, 2017:



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

#### **Current Liabilities**

*2017 Compared to 2016* - Current liabilities increased by \$9.9 million or 10.8% in 2017. This is primarily due to increases in accounts payable of \$6.0 million, increases in operating reserves of \$2.5 million and increases in current portion of long-term debt of \$2.2 million offset by decreases in accrued interest of \$0.8 million.

*2016 Compared to 2015* - Current liabilities decreased by \$1.6 million or 1.7% in 2016. This is primarily due to decreases in operating reserves of \$3.6 million and decreases in accrued interest of \$0.6 million offset by increases in accounts payable of \$1.0 million and increases in current portion of long-term debt of \$1.6 million.

#### **Other Non-Current Liabilities**

*2017 Compared to 2016* - Non-current liabilities increased by a net of \$3.8 million or 1.8% in 2017. This was primarily due to increased net pension liability of \$6.8 million and increased operating reserves of \$4.1 million for budget collections offset by decreased interest rate swap liability of \$7.1 million.

*2016 Compared to 2015* - Non-current liabilities increased by a net of \$14.6 million or 7.3% in 2016. This was primarily due to increased net pension liability of \$0.5 million, increased interest rate swap liability of \$5.7 million and increased operating reserves of \$8.4 million for participants' budget collections.

#### **Deferred Inflows**

*2017 Compared to 2016* - Total deferred inflows of resources decreased \$8.9 million or 10.4% due to the recognition of PG&E-CPUC gas pipeline settlement of \$4.3 million, deferral of certain revenues related to the inventory and prepaids totaling \$2.5 million and net pension expense amortization of \$2.1 million.

*2016 Compared to 2015* - Total deferred inflows of resources increased \$3.9 million or 4.7% due to the recognition of certain revenues related to the inventory and prepaids and higher than expected actuarial pension earnings to be adjusted in future collections.

### **CHANGES IN NET POSITION**

The Agency is intended to operate on a not-for-profit basis. Therefore, net position primarily represents differences between total revenues collected, using rates based on estimated operating expenses and debt service, and the total actual expenses incurred. In subsequent periods of operation, excess collections (net of encumbrances) may be refunded to participants or appropriated for other uses at the discretion of the Agency's governing Board of Commissioners. In the event the Agency incurs a net expense at year-end, the balance would be subject to recovery in participant rates under the terms of the related participating member agreements. See Notes A, B and E to the Combined Financial Statements.

#### **Operating Revenues**

Operating revenues consist of Participants Revenue, California Independent System Operator (CAISO) Energy Sales and Ancillary Services (A/S) Revenues and Other Revenues.

*2017 Compared to 2016* - Operating revenues for fiscal year 2017 were approximately \$4 million or 0.1% lower than in the prior fiscal year. This was the net result of the following: (1) lower other third party revenues of \$7.2 million due to reduced generation resulting in decreased energy sales into the CAISO market from

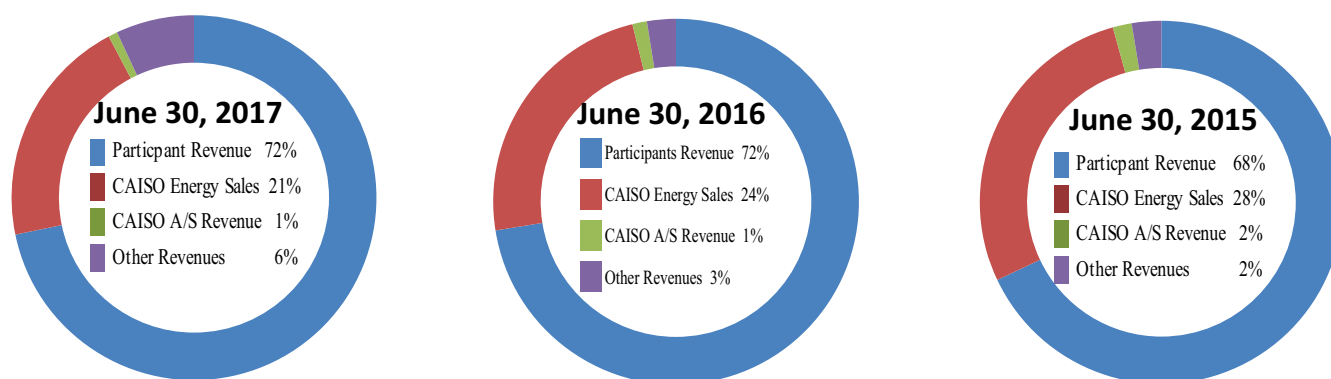
## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

generation plants, and (2) higher operating revenues from Agency participants of \$6.8 million due to higher collections for CAISO costs and energy purchases.

*2016 Compared to 2015* - Operating revenues for fiscal year 2016 were approximately \$43.2 million or 10.2% higher than in the prior fiscal year. This was the net result of the following: (1) higher operating revenues from Agency participants of \$40.2 million or 14.0% due to higher collections for CAISO costs and energy purchases, and (2) higher other third party revenues of \$3.0 million due to higher CAISO energy sales.

### OPERATING REVENUES BY SOURCES



### Operating Expenses

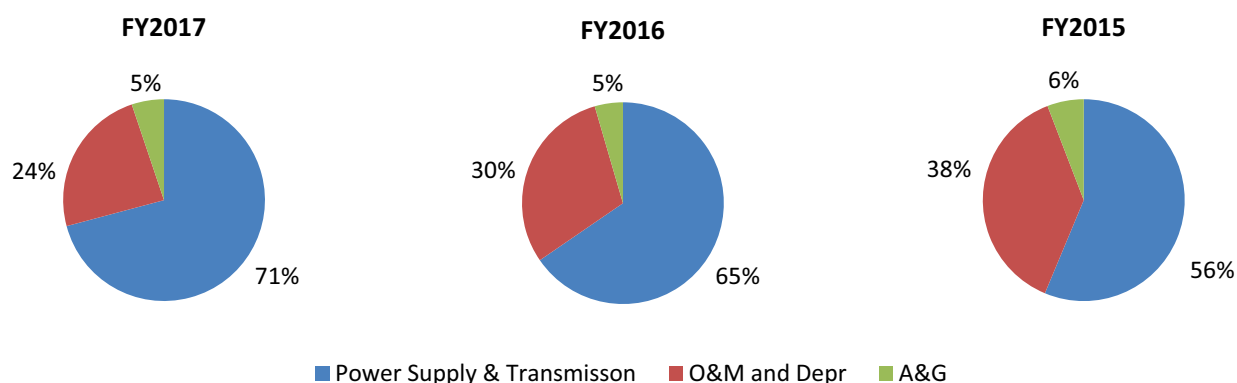
*2017 Compared to 2016* - Operating expenses were \$418.3 million in FY 2017, a decrease of \$3.2 million from FY 2016. Purchased power expense was \$10.2 million higher in 2017 mainly due to increased energy purchased to fulfill energy requirements. Operations expense decreased \$16.5 million primarily due to decreased fuel usage for the LEC. The LEC generated 300.6 MWh in FY 2017 compared to 1,076.9 MWh in FY 2016 due to economic reasons. Maintenance expenses were \$5.7 million lower than in FY 2016 due to decreased plant maintenance costs. Additionally, the increase in transmission costs of \$5.4 million was due to increased CAISO wheeling access charges during the year.

*2016 Compared to 2015* - Operating expenses were \$421.5 million in FY 2016, an increase of \$42.8 million from FY 2015. Purchased power expense was \$29.5 million higher in 2016 mainly due to increased energy purchased to fulfill energy requirements. Operations expense decreased \$21.5 million primarily due to decreased fuel usage for the LEC. The LEC generated 1,076.9 MWh in FY 2016 compared to 1,668.7 MWh in FY 2015. Maintenance expenses were \$1.0 million higher than in FY 2015 due to increased plant maintenance costs. Additionally, the increase in transmission costs of \$38.0 million was due to increased CAISO wheeling access and transmission access charges during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The following charts compare the components of Operating Expenses in fiscal years ended June 30, 2017, 2016, and 2015:



### FINANCING ACTIVITIES

During 2017, 2016 and 2015 the Agency continued to implement strategies to further improve its competitive position and financial flexibility. These actions included: (1) monitoring current financial market conditions for financing or refinancing opportunities; and (2) providing rating agencies annual updates on all projects.

In September 2016, the Agency issued Geothermal Revenue Refunding Bond 2016 Series A (\$17,530,000) to refund a portion of Geothermal Revenue Bond 2009 Series A. The refunding was completed through the issuance of \$17,530,000 fixed rate tax exempt debt (2016 Series A) with a yield of 1.67% with varying principal maturities ranging from \$265,000 to \$3,425,000 through July 1, 2024. The refunding is estimated to have decreased project debt service by an estimated \$1.69 million over the next 8 years, which results in an estimated economic gain to the Agency of approximately \$1.03 million.

Each year the Agency has either informal discussions or sometimes formal presentations with each of the credit rating agencies in order to maintain ongoing communications. Standard and Poor's, Moody's, and Fitch affirmed their current ratings on all projects in October 2014, December 2015, and May of 2016, respectively.

Ratings assigned to the Agency's outstanding project bonds as of June 30, 2017 are as follows:

Debt Credit Ratings:	Standard & Poor's	Fitch	Moody's
Geothermal	A-, stable	A+, stable	A1, stable
Hydroelectric	A+, stable	A+, stable	A1, stable
Capital Facilities	A-, stable	Not rated	A2, stable
Lodi Energy Center (Issue One)	A-, stable	A, stable	A2, stable
Lodi Energy Center (Issue Two)	AAA, stable	Not rated	Aa2, stable

### SUMMARY

The management of the Agency is responsible for preparing the information in this management's discussion and analysis, combined financial statements and notes to the combined financial statements. Financial statements were prepared according to accounting principles generally accepted in the United States of America, and they fairly portray the Agency's financial position and operating results. The notes to the financial statements are an integral part of the basic financial statements and provide additional financial information.

# Agency Financials



# COMBINED STATEMENTS OF NET POSITION

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	June 30,	
	2017	2016
ASSETS	(in thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 45,779	\$ 49,642
Investments	24,825	22,209
Accounts receivable		
Participants	997	690
Other	5,650	495
Interest receivable	171	120
Inventory and supplies	9,746	9,122
Prepaid expenses	1,285	1,088
<b>TOTAL CURRENT ASSETS</b>	<b>88,453</b>	<b>83,366</b>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	80,265	56,669
Investments	141,042	154,757
Interest receivable	476	333
<b>TOTAL RESTRICTED ASSETS</b>	<b>221,783</b>	<b>211,759</b>
<b>ELECTRIC PLANT</b>		
Electric plant in service	1,501,733	1,500,739
Less: accumulated depreciation	(942,713)	(911,976)
	559,020	588,763
Construction work-in-progress	821	107
<b>TOTAL ELECTRIC PLANT</b>	<b>559,841</b>	<b>588,870</b>
<b>OTHER ASSETS</b>		
Regulatory assets	236,245	249,519
Unused vendor credits	24	55
<b>TOTAL ASSETS</b>	<b>1,106,346</b>	<b>1,133,569</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Excess cost on refunding of debt	48,106	54,348
Pension deferrals	13,506	9,093
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>61,612</b>	<b>63,441</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,167,958</b>	<b>\$ 1,197,010</b>

See notes to combined financial statements.

# COMBINED STATEMENTS OF NET POSITION

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	June 30,	
	2017	2016
	(in thousands)	
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 30,456	\$ 24,473
Member advances	993	993
Operating reserves	20,024	17,535
Current portion of long-term debt	39,495	37,250
Accrued interest payable	10,582	11,402
TOTAL CURRENT LIABILITIES	101,550	91,653
NON-CURRENT LIABILITIES		
Net pension liability	64,589	57,774
Operating reserves and other deposits	138,665	134,577
Interest rate swap liability	15,173	22,261
Long-term debt, net	737,022	776,982
TOTAL NON-CURRENT LIABILITIES	955,449	991,594
TOTAL LIABILITIES	1,056,999	1,083,247
DEFERRED INFLOWS OF RESOURCES		
Regulatory credits	72,439	79,201
Pension deferrals	4,460	6,599
TOTAL DEFERRED INFLOWS OF RESOURCES	76,899	85,800
NET POSITION		
Net investment in capital assets	(62,191)	(62,193)
Restricted for:		
Debt service	57,424	55,766
Other programs	845	10,516
Unrestricted	37,982	23,874
TOTAL NET POSITION	34,060	27,963
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,167,958	\$ 1,197,010

See notes to combined financial statements.

**COMBINED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

	Years Ended June 30,	
	2017	2016
	(in thousands)	
OPERATING REVENUES		
Participants	\$ 334,913	\$ 328,101
Other Third-Party	131,825	139,001
TOTAL OPERATING REVENUES	466,738	467,102
OPERATING EXPENSES		
Purchased power	192,806	182,563
Operations	52,558	69,075
Transmission	103,544	98,170
Depreciation	30,749	30,645
Maintenance	16,970	22,675
Administrative and general	21,680	18,380
TOTAL OPERATING EXPENSES	418,307	421,508
NET OPERATING REVENUES	48,431	45,594
NON OPERATING (EXPENSES) REVENUES		
Interest expense	(34,550)	(48,454)
Interest income	60	3,538
Other	12,929	6,056
TOTAL NON OPERATING EXPENSES	(21,561)	(38,860)
FUTURE RECOVERABLE AMOUNTS	(13,274)	(140)
REFUNDS TO PARTICIPANTS	(7,499)	(8,622)
INCREASE (DECREASE) IN NET POSITION	6,097	(2,028)
NET POSITION, Beginning of year	27,963	29,991
NET POSITION, End of year	\$ 34,060	\$ 27,963

See notes to combined financial statements

# COMBINED STATEMENTS OF CASH FLOW

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	Years Ended June 30,	
	2017	2016
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from participants	\$ 327,844	\$ 329,651
Received from others	135,318	133,087
Payments for employee services	(35,930)	(33,547)
Payments to suppliers for goods and services	(348,243)	(346,293)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>78,989</b>	<b>82,898</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and sales of investments	113,772	178,073
Interest received on cash and investments	2,590	2,119
Purchase of investments	(105,399)	(182,741)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>10,963</b>	<b>(2,549)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of electric plant	(1,720)	(808)
Interest paid on long-term debt	(36,390)	(38,231)
Principal repayment on long-term debt	(37,250)	(35,615)
Proceeds from bond issues	15,416	-
Payments to refund debt	(15,705)	-
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(75,649)</b>	<b>(74,654)</b>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Other proceeds	12,929	6,059
Refunds to participants	(7,499)	(8,622)
<b>NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>5,430</b>	<b>(2,563)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>19,733</b>	<b>3,132</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	106,311	103,179
End of year	<b>\$ 126,044</b>	<b>\$ 106,311</b>

See notes to combined financial statements

# **COMBINED STATEMENTS OF CASH FLOW-Continued**

## **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

	Years Ended June 30,	
	2017	2016
	(in thousands)	
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 48,431	\$ 45,594
Adjustments to reconcile net operating revenues to net cash from operating activities:		
Depreciation	30,749	30,645
	<u>79,180</u>	<u>76,239</u>
CASH FLOWS IMPACTED BY CHANGES IN		
Accounts receivable	(5,462)	966
Inventory, prepaid expense, and unused vendor credits	(790)	(661)
Operating reserves and other deposits	6,577	4,742
Regulatory credits	(6,762)	2,217
Accounts payable	5,983	1,011
Net pension liability and related amounts	263	(1,616)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 78,989</u>	<u>\$ 82,898</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash and cash equivalents - current assets	\$ 45,779	\$ 49,642
Cash and cash equivalents - restricted assets	80,265	56,669
End of year	<u>\$ 126,044</u>	<u>\$ 106,311</u>
NON-CASH TRANSACTIONS:		
Future recoverable/(refundable) costs	\$ (13,274)	\$ (140)
Amortization	(6,069)	(5,062)
Hydro swap change in fair value	7,089	(5,727)
Gain/loss on investments	(7)	-

See notes to combined financial statements

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### NOTE A -- ORGANIZATION

**The Agency** Northern California Power Agency (Agency) was formed in 1968 as a joint powers agency of the State of California. The membership consists of twelve cities with publicly-owned electric utility distribution systems, one port authority, a transit authority, one public utility district, and one associate member. The Agency is generally empowered to purchase, generate, transmit, distribute, and sell electrical energy. Members participate in the projects of the Agency on an elective basis.

Various legal and tax considerations caused the Agency to provide that separate Special District Entities should be delegated by the Agency to own the geothermal electrical generating projects undertaken by the Agency ("the Associated Power Corporations"). The Associated Power Corporations, Northern California Municipal Power Corporations Nos. Two and Three, have delegated to the Agency the authority to construct, operate and manage their respective geothermal plants and related assets. The Agency, in return for financing the costs of acquisition and construction, acquires all the capacity and energy generated by the plants. See Note E – Projects and Related Financing.

The Agency is governed by a Commission comprised of one representative for each member. The Commission is responsible for the general management of the affairs, property, and business of the Agency. Under the direction of the General Manager, the staff of the Agency is responsible for providing various administrative, operating, and planning services for the Agency.

#### NOTE B -- SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting and Principles of Combination** For accounting purposes, the Agency is a special-purpose governmental entity that is engaged in a business-type activity, principally as a supplier of wholesale electricity and transmission to its member participants. As such, the Agency's financial statements are presented as an enterprise type fund.

The records of the Agency and its Associated Power Corporations are maintained substantially in accordance with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts. Accounting principles generally accepted in the United States of America are applied by the Agency in conformance with pronouncements of the Governmental Accounting Standards Board (GASB). The combined financial statements encompass the Agency and Associated Power Corporations on an accrual accounting basis. All significant intercompany balances and transactions have been eliminated from the combined amounts reported.

**Cash and Cash Equivalents** Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, all investments in the Local Agency Investment Fund (LAIF) and cash maintained in interest-bearing depository accounts, which are fully insured or collateralized in accordance with state law. Cash balances may be invested in either overnight repurchase agreements, which are fully collateralized by U.S. Government Securities, or in money market funds invested in short-term U.S. Treasury Securities. The Agency commingles operating cash for investment purposes only. Separate detailed accounting records are maintained for each account's related investments. All cash of the Agency is held by either the Agency's custodian or its primary bank and revenue bond trustee.

Custodial credit risk for cash deposits is the risk that, in the event of the failure of a depository financial institution, the Agency 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. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

having a fair value of 110% to 150% of the Agency's cash on deposit. All of the Agency's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions.

**Investments** The Agency's investments are reported at fair value. Realized and unrealized gains and losses are included in interest income in the Statement of Revenue, Expenses and Changes in Net Position.

**Accounts Receivable** Accounts Receivable consists primarily of amounts due from participants and other governmental entities related to sales of energy and transmission. Amounts are deemed to be collectible and as such, no allowance for uncollectible accounts has been recorded.

**Inventory and Supplies** Inventory and supplies consist primarily of spare parts for the maintenance of plant assets and are stated at average cost.

**Restricted Assets** Cash and cash equivalents, investments and related accrued interest, which are restricted under terms of certain agreements, trust indentures or Commission actions limiting the use of such funds, are included in restricted assets.

**Electric Plant** Electric plant in service is recorded at historical cost. The cost of additions, renewals and betterments is capitalized; repairs and minor replacements are charged to operating expenses as incurred. The original cost of property retired, net of removal and salvage costs, is charged to accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. The provision for depreciation was approximately 2.0% of the average electric plant in service for the Agency during both 2017 and 2016. Depreciation is calculated using the following estimated lives:

Generation and Transmission	25 to 42 years
General Plant	5 to 25 years
Furniture and Fixtures	10 years
Transportation Equipment	5 years
Computer and Electronic Equipment	5 years

A summary of changes in electric plant for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Adjustments	Additions	Deletions	Balance June 30, 2017
	(in thousands)				
Structures and Leasehold Improvements	\$ 319,127	\$ 60	\$ 203	\$ (12)	\$ 319,378
Reservoirs, Dams and Waterways	249,339	(1)	-	-	249,338
Equipment	757,727	(331)	630	-	758,026
Furniture and Fixtures	2,601	271	174	-	3,046
	1,328,794	(1)	1,007	(12)	1,329,788
Accumulated Depreciation	(911,976)	-	(30,749)	12	(942,713)
	416,818		(29,742)	-	387,075
Construction Work-In-Progress	107	-	714	-	821
Land and Land Rights	171,945	-	-	-	171,945
Electric Plant, Net	\$ 588,870	\$ (1)	\$ (29,028)	\$ -	\$ 559,841

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

A summary of changes in electric plant for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
	(in thousands)			
Structures and Leasehold Improvements	\$ 319,069	\$ 58	\$ -	\$ 319,127
Reservoirs, Dams and Waterways	249,339	-	-	249,339
Equipment	757,310	898	(481)	757,727
Furniture and Fixtures	2,413	188	-	2,601
	1,328,131	1,144	(481)	1,328,794
Accumulated Depreciation	(881,412)	(30,645)	81	(911,976)
	446,719	(29,501)	(400)	416,818
Construction Work-In-Progress	44	63	-	107
Land and Land Rights	171,945	-	-	171,945
Electric Plant, Net	\$ 618,708	\$ (29,438)	\$ (400)	\$ 588,870

**Construction Work-In-Progress** Construction work-in-progress (CWIP) includes the capitalized cost of land, material, equipment, labor, interest (net of interest income), certain other financing costs incurred to facilitate the projects and an allocated portion of general and administrative expenses related to the development of electric plant. In addition, CWIP ultimately includes costs incurred during the test and start-up phase of projects prior to commencement of commercial operations.

**Regulatory Assets/Credits** In accordance with GASB No. 62, the Agency has deferred certain items of expense and revenue that otherwise would have been charged to operations because it is probable that such items will be recovered in future years' operations. For items related to Net Pension Liability, the Agency expects to recover these items through participant collections as determined by CalPERS actuarial calculation. For other regulatory items, the Agency expects to recover these items through participant collections over the term of the related debt obligations it has issued. On an ongoing basis, the Agency reviews its operations to determine the continued applicability of these deferrals under GASB No. 62.

The items of expense that have been deferred are net pension liability and those originally paid from bond proceeds, including depreciation, certain bond amortizations, and interest paid from bond proceeds. These amounts are recorded to future recoverable amounts. Revenues used to acquire electric plant have also been deferred to future years. As of June 30, 2017 and 2016, the Agency had accumulated regulatory assets, net of regulatory credits, of approximately \$163,806,000 and \$170,318,000, respectively.

**Debt Related Costs** Debt issuance costs are expensed as incurred. Excess costs on refunding of bonds are considered deferred outflows of resources as prescribed by GASB Statement No. 65 and amortized over the life of the refunding bonds, or the life of the refunded bonds, whichever is shorter. Amortization is computed using the effective interest method and included in interest expense.

**Compensated Absences** Accumulated unpaid compensated absences are accrued as the obligation is incurred. Compensated absences are included in accounts payable and accrued expenses.



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Pensions** For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Long-Term Debt** Long-term debt is stated net of unamortized discounts and premiums. Discounts and premiums are amortized over the term of the related obligation using the effective interest method. Amortization of debt discounts and premiums is included in total interest expense for the period. See Note E - Projects and Related Financing.

**Operating Reserves** The Agency has established various funded operating reserves, in accordance with various bond indentures, project agreements, and prudent utility practice, for anticipated periodic operating costs and related liabilities including, but not limited to, scheduled maintenance other than ordinary repairs and replacements. Certain amounts funded each year are charged to operating expense because the rates established by the Agency for power sales to its members include these costs on a prospective basis. Changes to operating reserve levels are periodically evaluated during the annual budgeting process. A non-project specific, individual participant controlled, general operating reserve is also maintained for participating Agency members.

**Rates** Power sales to participants for their resale include both power generated by operating plants and power purchased from outside sources. Collection rates for power sales are designed to recover costs that include budgeted annual operating costs and debt service. Additional amounts for operating reserves or rate stabilization may be included in collection rates under the terms of bond indentures. During fiscal years 2017 and 2016, no amounts were specifically collected for rate stabilization.

The Agency's collection rates for electric service are not subject to the regulatory jurisdiction of the California Public Utilities Commission (CPUC) or FERC. Rather, the Agency's rates are established annually in connection with its budget, which is approved by its governing Commission.

**Power, Transmission and Fuel Forward Transactions** In the normal course of its business, the Agency is required to manage loads, resources, and energy price risk on behalf of its members. Consequently, the Agency buys and sells power, transmission, and fuel in wholesale markets as required. The Agency does not enter into such agreements solely for trading purposes. All such transactions are normal purchases and sales subject to settlement at the agreed to contract prices for quantities delivered. While authorized to transact forward purchase contracts for terms of up to five years, forward contract purchases at fiscal year ended June 30, 2017 were for periods not greater than four years duration beyond the current fiscal year. In the event of default, undelivered transactions are required to be marked-to-market subject to the following limitations. If the Agency, as buyer, is the defaulting entity, the Agency's termination settlement amount is capped at the agreed to contract cost for all future undelivered commodities. If the selling counterparty is the defaulting entity, the seller's termination settlement is not capped for all future undelivered commodities. The defaulting entity is also subject to resultant transmission charges, brokerage fees, attorney fees, and all other reasonable expenses. See Note H - Commitments and Contingencies, Power Purchase Contracts.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Fair Values of Financial Instruments** The following methods and assumptions were used by the Agency in estimating its fair value disclosures for financial instruments:

*Cash and Cash Equivalents* - The carrying amount reported in the statements of net position for cash and cash equivalents approximates its fair value.

*Investments* - The fair values for investments are based on quoted market prices. See Note C - Investments.

*Swaps* - The fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that were received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. While the current net mark-to-market values are negative, this valuation would be realized only if the swaps were terminated at the valuation date.

**Net Position** The Agency classifies its net position into three components; invested in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* - This component consists of capital assets, net of accumulated depreciation reduced by outstanding debt balances, net of unspent bond proceeds.

*Restricted* - This component consists of net position with constraints placed on their use. Constraints include those imposed by debt indentures and other agreements; grants, laws and regulations of other governments or by the Agency's governing Board of Commissioners.

*Unrestricted* - This component consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

The Agency and the Associated Power Corporations are intended to operate on a not-for-profit basis. Therefore, any balance of net position represents differences between total revenues collected, using collection rates based on estimated operating expenses and debt service, and the total actual expenses incurred. In subsequent periods of operation, excess collections (net of encumbrances) that the participating members do not direct be held by or released to the Agency, are refunded to the participating members. Estimated encumbrances at June 30, 2017 and 2016 were \$3,257,000 and \$2,999,000, respectively. In the event the Agency incurs a negative net position balance, the balance would be subject to recovery in collection rates under the terms of the related take-or-pay member agreements. See Note E – Projects And Related Financing.

**Deferred Outflows and Inflows of Resources** The statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred Outflows of Resources consist of excess cost on refunding of debt and pension deferrals. Pension contributions made in the current year are reported as deferred outflows of resources per GASB No. 71 as the CalPERS' valuation measurement date is June 30, 2016; those contributions will be expensed in fiscal year 2018.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period(s) and will be recognized as revenue at that time. The Agency's deferred inflows of resources are comprised of regulatory credits intended to offset the effects of the collection rate process and pension deferrals projected in the CalPERS actuarial report.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Recent Accounting Pronouncements** In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, effective for financial statements for years beginning after June 15, 2015. This statement clarifies the definition of fair value, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. This statement establishes a three-level hierarchy to the valuation techniques used to measure fair value. Disclosure is required to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

#### **Accounting Pronouncements Effective in Future Fiscal Years**

- **GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the Postemployment Benefits Other than Pensions (OPEB) provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning after June 15, 2017, or the 2017-2018 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 83** – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and reporting for certain asset retirement obligations (AROs). This Statement requires governments to recognize a liability for legal obligations to perform future asset retirement activities related to its tangible capital assets. The Statement is effective for the periods beginning after June 15, 2018, or the 2018-2019 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for the periods beginning after December 15, 2018, or the 2019-2020 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 86** – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement is effective for the periods beginning after June 15, 2017, or the 2017-2018 fiscal year. The Agency has not determined the effect of the statement.
- **GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of the Statement is to recognize in the Financial Statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement is effective for the periods beginning after December 15, 2019, or the 2020-2021 fiscal year. The Agency has not determined the effect of the statement.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Use of Estimates in the Preparation of Financial Statements** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no material effect on net position.

#### NOTE C -- INVESTMENTS

The Agency is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, in certificates of deposit, commercial paper, banker's acceptances, repurchase agreements, passbook savings account demand deposits, municipal bonds, the State Treasurer's LAIF pool, and in other instruments authorized by applicable sections of the Government Code of the State of California. The Agency's investments are stated at fair value.

Investments at June 30, 2017			
<u>Description</u>	Carrying Value	Fair Value	Wtd. Avg Maturity (In years)
	(in thousands)		
U.S. Agencies	\$ 167,404	\$ 165,867	2.79
TOTAL INVESTMENTS	\$ 167,404	\$ 165,867	
Investments at June 30, 2016			
<u>Description</u>	Carrying Value	Fair Value	Wtd. Avg Maturity (In years)
	(in thousands)		
U.S. Agencies	\$ 169,717	\$ 176,966	2.75
TOTAL INVESTMENTS	\$ 169,717	\$ 176,966	

The Agency's investment policy requires investments that assure safety of the principal, liquidity to meet specific obligations of the Agency when due, and investment quality all in compliance with California State law and the Agency's revenue bond indentures. Generally, operating and reserve funds investment maturities are limited to one and five years, except for Geothermal Decommissioning Reserve and debt service reserve funds, which are allowed maturities up to ten years and fifteen years, respectively. All U.S. Government and U.S. Government Agency securities held by the Agency are either in effect or actually AA rated.

All securities owned by, or held on behalf of, the Agency are held by either the Agency's custodian, Union Bank of California, N.A., or its revenue bond trustee, U.S. Bank Trust, N.A.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The Agency's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of the portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

**Credit Risk** To mitigate the risk that an issuer will not fulfill its obligation to the investment, the Agency limits investments to those rated, at a minimum, A or equivalent for long/medium term notes by a nationally recognized statistical rating organization.

**Custodial Credit Risk** This is the risk that in the event of a failure of a depository financial institution, the Agency's deposits may not be returned or the Agency will not be able to recover its deposits, investments, or collateral securities that are in the possession of another party. The Agency's policy mitigates this risk by requiring transactions with approved institutions and firms that have one or more of the following attributes: recognized as a primary government dealer as designated by the Federal Reserve Bank; regional broker/dealer headquartered in the State of California; national or state chartered bank that must be a member of the FDIC; direct issuer of securities eligible for purchase by the Agency; brokers and dealers qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule), must be registered with the Financial Industry Regulatory Authority (FINRA) and must be licensed to do business in the State of California. Capitalization, credit worthiness, experience, reference checks and services offered criteria are evaluated when selecting a custodian.

**Concentration of Credit Risk** This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The investment policy of the Agency contains no limitations on the amount that may be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total Agency investments include the following at June 30, 2017 and June 30, 2016.

#### Concentration of Credit Risk, June 30, 2017

Issuer:	Investment Type	Reported Amount	Percentage of Portfolio
Federal National Mortgage Association	Federal Agency	\$ 59,751,517	36.0%
Federal Home Loan Mortgage Corp.	Federal Agency	40,633,931	24.5%
Federal Farm Credit Bank	Federal Agency	30,655,349	18.5%
Federal Home Loan Bank	Federal Agency	34,816,372	21.0%

#### Concentration of Credit Risk, June 30, 2016

Issuer:	Investment Type	Reported Amount	Percentage of Portfolio
Federal National Mortgage Association	Federal Agency	\$ 65,301,760	36.9%
Federal Home Loan Mortgage Corp.	Federal Agency	43,006,478	24.3%
Federal Farm Credit Bank	Federal Agency	53,394,472	30.2%
Federal Home Loan Bank	Federal Agency	10,263,961	5.8%

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Interest Rate Risk** Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. The Agency manages its exposure to interest rate risk by following a hold-to-maturity investment approach, purchasing a combination of shorter and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

#### **NOTE D -- FAIR VALUE MEASUREMENT**

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, effective for financial statements for years beginning after June 15, 2015. This statement clarifies the definition of fair value, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements.

In accordance with GASB 72, Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability.

Valuation inputs are assumptions that market participants use in pricing an asset or liability. The hierarchy of inputs used to generate the valuation is classified into three different Levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs include quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for an asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs from the asset or liability where there is very little market activity and they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

The Agency's fair value measurements are performed on a recurring basis. Because investing is not a core part of the Agency's mission, the Agency determines that the disclosures related to these investments only need to be disaggregated by major type. The fair value of swaps reflect the nonperformance risk of their client counterparty relating to that liability, and the nonperformance risk of the bank counterparty relating to that asset.

Fair Value of Investments under GASB 72 – Debt and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 Securities are valued using a multi-dimensional relationship model or matrix pricing model utilizing market data including, but not limited to, benchmark yields, reported trades, and broker/dealer quotes.

Fair Value of Swaps under GASB 72 – Fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of a given transaction. The valuations of derivatives transactions provided are indicative values based on mid-market levels as of June 30, 2017. These valuations do not represent the actual terms at which new transactions could be entered into or the actual terms at which existing transactions could be liquidated. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions for interest rate swaps. The observability of inputs used to perform the measurement results in the swap fair values being categorized as Level 2.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The Agency has the following fair value measurements as of June 30, 2017:

		Fair Value Using (thousands)				
		Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
June 30, 2017						
Investments by fair value level						
Debt Securities						
U.S governmental securities	\$	-	\$	-	\$	-
U.S agencies		165,867		34,894		130,973
Total debt securities						
		165,867		34,894		130,973
Total investments by fair value level						
	\$	165,867	\$	34,894	\$	130,973
					\$	-
Derivative Instruments by fair value level						
Swap liability instruments	\$	(15,173)	\$	-	\$	(15,173)
Total Derivative Instruments by fair value level						
	\$	(15,173)	\$	-	\$	(15,173)
					\$	-

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The Agency had the following fair value measurements as of June 30, 2016:

		Fair Value Using (thousands)		
	June 30, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
Debt Securities				
U.S governmental securities	\$ -	\$ -	\$ -	\$ -
U.S agencies	176,966	176,966	-	-
Total debt securities	176,966	176,966	-	-
Total investments by fair value level	\$ 176,966	\$ 176,966	\$ -	\$ -
Derivative Instruments by fair value level				
Swap liability instruments	\$ (22,261)	\$ -	\$ (22,261)	\$ -
Total Derivative Instruments by fair value level	\$ (22,261)	\$ -	\$ (22,261)	\$ -



# NOTES TO COMBINED FINANCIAL STATEMENTS

## NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

### NOTE E -- PROJECTS AND RELATED FINANCING

**Financing Programs** The Agency's project construction and development programs have been individually financed by project revenue bonds that are collateralized by the Agency's assignment of all payments, revenues, and proceeds associated with its interest in each project. Each project participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason (that is, the take-or-pay member agreements).

Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
(in thousands)					
Geothermal Project					
2009 Series A - Original Issue Amount \$35,610 Serial, 4.00-5.50% through 2025	\$ 25,645	\$ -	\$ 18,005	\$ 7,640	\$2,420
2012 Series A - Original Issue Amount \$12,910 Term, 2.289% due 2023	8,875	-	1,280	7,595	1,310
2016 Series A - Original Issue Amount \$17,530 Term, 1.670% due 2024	-	17,530	-	17,530	265
Add: Unamortized Premium	74	-	74	-	-
Total Geothermal Project	34,594	17,530	19,359	32,765	3,995
Hydroelectric Project - Original Issue Amount \$195,610					
1992 Refunding Series A Term, 6.30% due 2019	24,610	-	1,015	23,595	11,440
2008 Refunding Series A - Original Issue Amount \$85,160 Term, adjustable rate-weekly reset, due 2033	85,160	-	-	85,160	-
2008 Refunding Series B (Taxable) - Original Issue Amount \$3,165 Term, adjustable rate-weekly reset, due 2021	1,830	-	290	1,540	305
2008 Refunding Series C - Original Issue Amount \$128,005 Serial, 4.00-5.00% through 2025	88,130	-	11,000	77,130	-
2010 Refunding Series A - Original Issue Amount \$101,260 Serial, 4.00-5.00% through 2024	80,360	-	7,745	72,615	9,640
2012 Refunding Series A - Original Issue Amount \$76,665 Serial, 5.00% through 2033	76,665	-	-	76,665	-
2012 Refunding Series B - Original Issue Amount \$7,120 Serial, 4.32% through 2025	7,120	-	-	7,120	-
Add: Unamortized Premium, net	11,995	-	1,522	10,473	-
Total Hydroelectric Project	375,870	-	21,572	354,298	21,385
Capital Facilities Project - Original Issue Amount \$55,120					
2010 Refunding Series A Serial, 2.00-5.25% through 2026	41,070	-	3,670	37,400	3,760
Add: Unamortized Premium	957	-	194	763	-
Total Capital Facilities Project	42,027	-	3,864	38,163	3,760

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

	Balance July 1, 2016	Additions	Retirements (in thousands)	Balance June 30, 2017	Current Portion
Lodi Energy Center, Issue One					
2010 Series A - Original Issue Amount \$78,330					
Serial, 3.00-5.00% through 2020	\$ 23,120	\$ -	\$ 5,365	\$ 17,755	\$ 5,630
Term, 5.00% due 2025	36,020	-	-	36,020	-
2010 Series B (Federally Taxable - Direct Payment Build America Bonds) - Original Issue Amount \$176,625					
Term, 7.311% due 2040	176,625	-	-	176,625	-
Lodi Energy Center, Issue Two					
2010 Series A - Original Issue Amount \$30,540					
Serial, 3.00-5.00% through 2019	14,270	-	4,585	9,685	4,725
2010 Series B (Federally Taxable - Direct Payment Build America Bonds) - Original Issue Amount \$110,225					
Term, 4.63% due 2020	5,210	-	-	5,210	-
Term, 5.679% due 2035	105,015	-	-	105,015	-
Add: Unamortized Premium	1,481	-	500	981	-
Total Lodi Energy Center Project	361,741	-	10,450	351,291	10,355
Total Long-Term Debt, Net	\$ 814,232	\$ 17,530	\$ 55,245	\$ 776,517	\$ 39,495

Debt service requirements for each of the next five years and in five-year cumulative increments thereafter as of June 30, 2017:

	Principal	Interest (in thousands)	Total
2018	\$ 39,495	\$ 41,783	\$ 81,278
2019	41,730	39,812	81,542
2020	42,200	37,632	79,832
2021	44,275	35,598	79,873
2022	45,950	33,507	79,457
2023-2027	215,290	133,055	348,345
2028-2032	176,220	83,135	259,355
2033-2037	113,360	35,160	148,520
2038-2040	45,780	6,798	52,578
Add: Unamortized Bond Premium	12,217	-	12,217
	\$ 776,517	\$ 446,480	\$ 1,222,997

Interest includes interest requirements for fixed rate debt at their stated rate and variable rate debt covered by interest rate swaps at their fixed swap rate.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Redemption Provisions** As set forth in the bond indentures, the term bonds are subject to redemption prior to maturity in varying amounts at specific dates. At the option of the Agency, the bonds are also subject to early redemption at specific redemption prices and dates.

**Defeased Debt** Various bond refundings were undertaken to defease debt and realize future debt service savings. Debt was defeased by using the proceeds of the refunding issues and other available monies to irrevocably place in trust cash and U.S. Government Securities, which together with interest earned thereon, will be sufficient to pay both the interest and the appropriate maturity or redemption value of the refunded bonds as required.

Accordingly, these defeased debt issues have been considered extinguished for financial reporting purposes. At year-end, the following defeased debt remained outstanding:

	2017	2016
	(in thousands)	
Hydroelectric: Project No. One, 1985 Series A	\$ 12,150	\$ 12,150
Project No. One, 1986 Series A	31,360	36,960
Total Defeased Debt Outstanding	\$ 43,510	\$ 49,110

**Geothermal Project** In addition to a federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2) with combined 165 MW (nameplate rating) turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system, a transmission tap-line, and other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes well pads, access roads, steam wells and re-injection wells.

**Hydroelectric Project** The Agency contracted to finance, manage, construct, and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, the Agency has the right to the electric output of the project for 50 years from February 1982. The Agency also has an option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

As part of a refinancing plan in November 2004, the Agency entered into two forward starting interest rate swaps in an initial notional amount of \$85,160,000 and \$1,574,000. Payments under the swap agreements with Citigroup Financial Products, Inc. began on April 2, 2008. To complete the refinancing transaction and realize the debt service savings under the 2004 swap agreement, on April 2, 2008 the Agency completed a bond refunding of certain maturities of the 1998 Hydroelectric Refunding Series A bonds totaling \$85,870,000 maturing in 2023 to 2032. These fixed rate bonds were refinanced through the issuance of tax-exempt 2008 Hydroelectric Refunding Series A (\$85,160,000) bonds and taxable 2008 Hydroelectric Refunding Series B (\$3,165,000) bonds. Both issues are variable interest rate bonds bearing interest at weekly interest rates, payable semi-annually on July 1 and January 1 each year. To support this financing, the Agency entered into two irrevocable direct pay letter of credit agreements with Citibank N.A. The Citibank letters of credit were for a period of three years and were scheduled to expire on September 27, 2014. On September 10, 2014, the irrevocable letter of credit agreements with Citibank N.A. were terminated. Substitution letters of credit with the Bank of Montreal were issued the same day. The Bank of Montreal letters of credit are for a period of five years and expire on September 9, 2019.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The payment of principal and interest on these issues are not covered by any financial guaranty insurance policies. This 2008 Hydroelectric Refunding and the associated interest rate swaps are estimated to have reduced project debt service by \$11.8 million over the next 24 years providing the Agency with an estimated economic gain (difference between the present values of the old and new debt service payments) of approximately \$5.9 million.

The Agency has entered into two separate pay-fixed, receive-variable interest rate swaps to produce savings or to result in lower costs over the life of each transaction than what the Agency would have paid using fixed-rate debt. While these derivative instruments carry additional risks, the Agency's swap policy and favorable negotiations have helped to reduce such risks.

2008 Hydroelectric Refunding Revenue Bonds Forward Starting Swaps				
Associated Interest Rate Swaps starting April 2, 2008	Series A		Series B (Taxable)	
	Citigroup		Citigroup	
Counterparty to Interest Rate Swap	Financial Products Inc.		Financial Products Inc.	
Notional Value of Interest Rate Swap	\$ 85,160,000		\$1,142,014	
Fair Value--Due from (to) Counterparty	\$(15,394,295)		\$ 221,580	
Credit Downgrade Required Collateral Posting:				
For Counterparty, Fair Value Above	\$10 million		\$10 million	
If S&P or Moody's Credit Rating falls to	A-/A3 and BBB-/Baa3		A-/A3 and BBB-/Baa3	
For Agency (Credit of Agency's Insurer				
National Public Finance Guarantee				
formerly MBIA and NCPA credit),				
Fair Value Above	\$10 million		\$10 million	
If S&P or Moody's Credit Rating falls to	A+/A1		A+/A1	
Termination Date	July 1, 2032		July 1, 2032	
	Terms	Rates	Terms	Rates
Payments to (from) Counterparty	Fixed	3.819 %	Fixed	(5.291) %
Variable Payments (from) to Counterparty	54% LIBOR+.54%*	(0.936) %	100% of LIBOR*	0.727 %
Net Interest Rate Swap Payments		2.883 %		(4.564) %
Variable-Rate Bond Payments	SIFMA**	0.640 %	SIFMA**	1.072 %
Effective Interest Rate on Bonds		3.523 %		(3.492) %

Average to Date: \*1-Month London Inter-Bank Offered Rate

\*\*Securities Industry and Financial Market Association Municipal Swap Index (formerly the Bond Market Association Municipal Swap Index)

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The total fair value of outstanding swap instruments was a net liability of \$15,173,000 and \$22,261,000 at June 30, 2017 and June 30, 2016, respectively. These amounts are reported as a non-current liability. The interest rate swaps beginning in FY 2013 are both ineffective hedges and considered investment derivative instruments. The change in fair value of \$7.1 million is recorded as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position. The net settlement payments of interest on these investment derivative instruments total \$2.5 million and \$2.6 million, which is recorded as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position for FY 2017 and FY 2016, respectively. The value of the swaps noted above reflects the estimated fair value of the swaps at June 30, 2017 as determined by the Agency's financial advisor. The fair value of the swaps will change due to notional amount, amortizations, and interest rate changes.

The following swap agreement risks are common to all the interest rate swaps. The interest rate swaps expose the Agency to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings of the swap may not be realized. The Agency is exposed to interest rate risk on its pay-fixed, receive variable interest rate swaps. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Agency's financial instruments or cash flows. As the LIBOR or SIFMA swap index decreases, the Agency's net payment on swaps increases. In addition, the Agency is exposed to interest rate risk if the counterparty to the swap defaults or if the swap is terminated. The Agency is also exposed to market access risk, the risk that it will not be able to enter credit markets or that credit will become more costly. The Agency's financial rating is tied to the credit strength of the major participants of the specific project for which each financial instrument is issued. The Agency is also exposed to market access risks caused by disruptions in the municipal bond market.

To mitigate the potential for credit risk, the swap counterparties are required by the agreement to post collateral should the fair value exceed certain thresholds as shown above. At June 30, 2017, credit ratings of the counterparties to the swaps were as follows:

Swap Counterparty & Agency's Insurer	Standard & Poor's	Moody's
Citigroup Financial Products Inc.	A+	A1
National Public Finance Guarantee formerly MBIA (the Agency's insurer)	A	A2

The swaps utilized the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. However, an additional provision under the Schedule to the ISDA Master Agreement allows the swap to be terminated by the Agency if the counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's. If a swap is terminated, the applicable bonds would no longer carry a synthetic fixed interest rate. In addition, if a swap has a negative fair value at the time of an early termination, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Combustion Turbine Project** The original project consisted of five combustion turbine units, each nominally rated at approximately 25 megawatts. Concurrent with the final project bond maturity, two units located in Roseville were acquired by an Agency member. The remaining project consists of two units in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time.

**Capital Facilities Project** The project consists of one 49.9 megawatt natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

**Lodi Energy Center (LEC)** The project is a 296 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) located in Lodi, California, next to the Capital Facilities Project discussed above. Pursuant to the Lodi Energy Center Power Sales Agreement, the Agency agreed to operate the LEC and has sold all of the capacity and energy of the LEC to thirteen participants (including four non-members) in accordance with their respective Generation Entitlement Shares (GES). Each participant has agreed to unconditionally provide for its share of the operation and maintenance expenses and all capital improvements based on its GES. The LEC will be operated and maintained by the Agency under the direction of the LEC Project Management and Operations Agreement among the Agency and the LEC Project Participants.

Lodi Energy Center Revenue Bonds, Issue One provided financing for 11 project participants with 55.7857% GES. Lodi Energy Center Revenue Bonds, Issue Two provided financing for the California Department of Water Resources 33.5% GES. The Modesto Irrigation District elected to provide its own financing for its 10.7143% GES of the costs of construction of the project. Modesto Irrigation District is not liable for any Agency debt service obligations for the project.

The Issue One Series B and the Issue Two Series B bonds were issued as Taxable Subsidy Bonds constituting Build America Bonds (BABs) for the purposes of the American Recovery and Reinvestment Act of 2009. The Act provides for a direct payment to the Agency from the federal government equal to 35% of the interest costs. The direct payment was reduced by 6.9% and 6.8% in 2017 and 2016, respectively, due to federal government budget sequestration. Such payments may continue to be affected by sequestrations.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### NOTE F -- RETIREMENT PLAN

##### General Information about the Pension Plans

**Plan Descriptions** The Agency provides a defined benefit retirement plan to all eligible employees under the Public Employees' Retirement System (PERS). The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. In 2012, the Public Employees' Pension Reform Act (PEPRA) became law that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA. Employees hired prior to January 1, 2013, and those new employees not meeting the PEPRA definition of new member, are considered classic members.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 full-time years	5 full-time years
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	60 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	30.697%	30.697%

**Employees Covered** – At June 30, 2017 and 2016, the following employees were covered by the benefit terms for each Plan:

	<u>2017</u>	<u>2016</u>
Inactive employees or beneficiaries currently receiving benefits	119	118
Inactive employees entitled to but not yet receiving benefits	27	26
Active employees	<u>150</u>	<u>152</u>
Total	<u>296</u>	<u>296</u>

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Contributions** Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 and 2015 (the measurement dates), the average active employee contribution rates were 7.866% and 7.881%, respectively, of annual pay and the Agency's contribution rates are 29.474% and 28.234%, respectively, of annual payroll. Employer contribution rates may change if plan contracts are amended.

**Net Pension Liability** The Agency's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured at year end, using annual actuarial valuations as of the previous year end and rolled forward to current year end, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** The total pension liabilities as of June 30, 2017 and 2016 were determined using the following actuarial assumptions:

	<u>2017</u>	<u>2016</u>
Valuation Date	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2016	June 30, 2015
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.2%-12.2% (1)	3.2%-12.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Depending on age and service.

(2) Net of pension plan investment expenses, including inflation.

(3) Derived using CalPERS' specific membership data with projected on-going mortality improvement using Scale BB published by the Society of Actuaries.



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Discount Rate** The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. For the year ended June 30, 2016 and 2015, using this lower discount rate resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. On December 21 2016, CalPERS announced to employers that the CalPERS Board of Administration voted to lower the discount rate assumption, net of administrative expenses, from 7.5% to 7.0% over a three year period as follows:

- FY 2017-2018: 7.375%
- FY 2018-2019: 7.25 %
- FY 2019-2020: 7.00 %

There will be a one year implementation delay for school districts and public agencies deferring the first rate discount decrease to FY 2018-2019. Lowering the discount rate, also known as the assumed rate of return, means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. CalPERS has estimated that the three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll in addition to increases to the current unfunded accrued liability payments.

To mitigate the growing unfunded accrued liability, the Agency implemented a Long-Term Funding Plan for NCPA’s Employee Pension Program which includes accelerated funding of the unfunded liability over a 15 year period. The plan includes: 1) a goal for minimum funding level of 80% within 15 years and annual Commission confirmation of the continued funding of the annual required employer contribution at 100%; 2) shorten the amortization period of the liability to 15 years; 3) research other ways to limit the pension liability; and 4) annual Finance Committee review in conjunction with annual CalPERS actuarial valuations and recommendation to the Commission as needed.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1-10<sup>1</sup></b>	<b>Real Return Years 11+<sup>2</sup></b>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### Changes in the Net Pension Liability

The change in the Net Pension Liability for each Plan follows:

Description	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016</b>	\$ 135,846,223	\$ 78,072,198	\$ 57,774,025
Service cost incurred	3,152,017	-	3,152,017
Interest on total pension liability	10,328,232	-	10,328,232
Differences between actual and expected experience	581,539	-	581,539
Change in assumption	-	-	-
Change in benefits	-	-	-
Contributions - employer	-	5,406,928	(5,406,928)
Contributions - employee	-	1,453,722	(1,453,722)
Projected earnings on investments	-	434,144	(434,144)
Differences between projected and actual earnings on plan investments	-	-	-
Benefit payments	(5,988,393)	(5,988,393)	-
Administrative expense	-	(47,581)	47,581
Net changes	8,073,395	1,258,820	6,814,575
<b>Balance at June 30, 2017</b>	\$ 143,919,618	\$ 79,331,018	\$ 64,588,600

Description	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$ 132,170,818	\$ 74,910,678	\$ 57,260,140
Service cost incurred	3,256,167	-	3,256,167
Interest on total pension liability	9,734,270	-	9,734,270
Differences between actual and expected experience	-	-	-
Change in assumption	(2,354,661)	-	(2,354,661)
Change in benefits	-	-	-
Contributions - employer	-	5,584,985	(5,584,985)
Contributions - employee	-	1,433,343	(1,433,343)
Projected earnings on investments	-	1,754,108	(1,754,108)
Differences between projected and actual earnings on plan investments	(1,437,389)	-	(1,437,389)
Benefit payments	(5,522,982)	(5,522,982)	-
Administrative expense	-	(87,934)	87,934
Net changes	3,675,405	3,161,520	513,885
<b>Balance at June 30, 2016</b>	\$ 135,846,223	\$ 78,072,198	\$ 57,774,025

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** The following presents the net pension liability of the Plan, calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

2017	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
<b>Plan's Net Pension Liability</b>	\$ 83,586,138	\$ 64,588,600	\$ 48,792,228

2016	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
<b>Plan's Net Pension Liability</b>	\$ 75,790,453	\$ 57,774,025	\$ 42,788,940

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions** For the years ending June 30, 2017 and 2016, the Agency incurred pension expense of \$6,016,714 and \$4,565,372, respectively. At June 30, 2017 and 2016, the Agency has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,254,577	\$ -
Changes in assumptions	-	(1,233,393)
Differences between actual and expected experience	439,700	(752,919)
Net differences between projected and actual earnings on plan investments	6,811,477	(2,473,421)
Total	<u>\$ 13,505,754</u>	<u>\$ (4,459,733)</u>

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,906,603	\$ -
Changes in assumptions	-	(1,794,027)
Differences between actual and expected experience	-	(1,095,154)
Net differences between projected and actual earnings on plan investments	3,185,968	(3,710,132)
Total	<u>\$ 9,092,571</u>	<u>\$ (6,599,313)</u>

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

Pension contributions subsequent to measurement date of \$6,254,577 and \$5,906,603 reported as deferred outflows of resources for years ending June 30, 2017 and 2016, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively. Amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in future pension expense as follows:

<b>Measurement Period Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2017	\$ (95,749)
2018	(95,748)
2019	1,863,257
2020	1,119,684
2021	-
Thereafter	-
Total	<u>\$ 2,791,444</u>

**Payable to the Pension Plan** At June 30, 2017 and 2016, the Agency did not have an outstanding amount of contributions payable to the pension plan required for the years ended.

#### NOTE G -- OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Agency contracts with the CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) for employee medical insurance. In connection with this plan, the Agency provides medical insurance to all active employees and their families, as well as all qualified retirees (and spouses), subject to certain limitations. The Agency has maintained an actuarially based restricted fund for the sole purpose of paying medical insurance premiums for qualified retired employees (and spouses) participating in the CalPERS medical plan. In 2007, the Agency became a participant in the CalPERS California Employers' Retiree Benefit Trust (CERBT), a pre-funding OPEB plan, which is an irrevocable multi-employer trust and plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. The Agency makes actuarially determined Annual Required Contributions (ARC) to this OPEB plan. The ARC represents the forecasted funding level required to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years; there were 28 years remaining as of June 30, 2015, the last actuarial report date. Actuarial valuations of the fund are obtained every two years, as required by CalPERS.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### Summary of certain plan provisions and benefits in effect during fiscal year ended June 30, 2017:

Required service for eligibility	Pre-1/1/2009 Hires, 5 full-time years On or After 1/1/2009 Hires, 10 full-time years
Minimum retirement age	50
Benefit payments	Monthly for life
Vesting for eligible employees	Pre-1/1/2009 Hires, 100% at 5 years On or After 1/1/2009 Hires, 50% at 10 years; 5%/year after
Maximum monthly benefit	90% of Sacramento Kaiser Family rate

The annual required contribution and funded status of the OPEB plan were determined based on current cost trends of the CalPERS health plans in which the employees currently participate at the time of the actuarial valuation. The June 30, 2015 actuarial valuation was prepared on the basis of the OPEB assumption model, as prescribed by the CalPERS, in effect at the time of the valuation. At fiscal year-end June 30, 2017, the Agency had 150 active eligible employees and 119 retirees drawing benefits under this program.

The funded status of the plan and the annual required contributions are subject to periodic revision based on actual results, changes in assumptions or plan provisions, and new estimates of expected future circumstances. Future actuarial valuations will be performed every two years, as prescribed by CalPERS.

The Agency's annual required contribution (based on actuarially established rates) was determined as part of a June 30, 2015, actuarial valuation using the entry age normal actuarial cost method. The primary actuarial assumptions included: valuation using the Entry Age Normal Cost Method, 7.00% annual discount rate, payroll growth of 0.29% to 10.87%, 2.50% inflation, and maximum employer contribution increases derived from the Getzen Model for developing long-term health care cost trends.

To mitigate the growing OPEB unfunded accrued liability, the Agency implemented a Long-Term Funding Plan for the NCPA Retiree Medical Plan which includes: 1) establish a goal to obtain a minimum funding level of 80% within 15 years and confirm the policy of funding 100% or more of the ARC each year; 2) reduce actuarial liability by developing a cap for health care premiums going forward; 3) shorten the amortization period used in the actuarial calculations from 28 years to 15 years; 4) consider additional funding sources for increased funding of the ARC, including further budget reductions or new revenues (from members or new services/customers); and 5) conduct new actuarial studies on a biennial basis as required and review the updated results with the Finance Committee, who will make recommendations for revision to the Commission as needed.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### NOTE H -- COMMITMENTS AND CONTINGENCIES

**Power Exchange Agreement** On behalf of certain of its members, the Agency has entered into a seasonal exchange agreement with Seattle City Light whereby the companies exchange 60 megawatts of summer capacity and 90,580 megawatt hours of energy in exchange for a return of 46 megawatts of capacity and 108,696 megawatt hours of energy in the winter. The term of the agreement will terminate in May 2018.

**Power Purchase Contracts** The Agency had commitments of approximately \$12.0 million in connection with various power purchase contracts as of June 30, 2017. The contracts, extending through December 2019, are normal purchases at agreed to contract prices for fixed quantities of energy. Certain of the Agency's members have individually entered into certain other long-term contracts, which the Agency dispatches and schedules for them. See Note B - Summary of Significant Accounting Policies.

**Fuel Supply Agreements** The Agency has entered into the following agreements to provide natural gas fuel supply for use in its generation resources:

- A 30-year agreement terminating in October 2023 with various natural gas pipeline management companies under which the Agency has acquired firm natural gas pipeline transportation capacity in four separate natural gas pipelines between Alberta, Canada and northern California. The estimated minimum annual natural gas transmission commitment is approximately \$720,000. The Agency's firm natural gas pipeline transportation capacity is scheduled by Noble Americas Gas & Power Corp. pursuant to the term and conditions of an Asset Management Agreement for Pipeline Transportation Capacity that became effective on January 1, 2015.
- On behalf of the participants in the Combustion Turbine Project Number One and the Capital Facilities project, the Agency entered into an agreement with EDF Trading North America, LLC (EDF) effective January 1, 2013 to provide natural gas supply and scheduling, nomination, balancing and settlement services. The contract automatically renews each year on January 1, unless terminated earlier by six-months written notice by either party.
- The Agency and Mercuria Energy Gas Trading, LLC (Mercuria) agreement to provide the gas supply and nomination, imbalance, and settlement services for the Agency's Lodi Energy Center project terminated on August 31, 2016. Effective September 1, 2016, the Agency and EDF entered into an agreement to provide these services to the Agency's Lodi Energy Center.
- The Agency had approximately \$10.0 million of gas purchase commitments at June 30, 2017. The commitments, extending through December 2020, are normal purchases at agreed to prices for fixed quantities of gas.

**Western Area Power Administration Base Resource** A number of the Agency's members, who had an aggregate 18.87957% of the Base Resource Contract with the Western Area Power Administration to receive electric power from the Central Valley Project in California, have assigned their shares to the Agency in order to create a power resource portfolio for the mutual benefit of participating Agency members. The assignments terminate the earlier of December 31, 2024 or 60 days after Western approves a reassignment.

**Geothermal Royalties** Under terms of federal geothermal leasehold agreements, the Agency is required to pay royalties to the United States (U.S.) on the value of geothermal steam produced. Currently, the effective rate of such royalties is 3.6% of an amount based on the Agency's monthly weighted average cost of third-party wholesale electricity purchases made by Agency members participating in the Geothermal Project.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The U.S. Department of the Interior, Office of Natural Resources Revenue maintains the right to periodically review and withdraw their approval or to change this methodology should operations, market conditions, or Federal regulations change.

**Geothermal Steam Production & Decommissioning** Steam for the Agency's geothermal plants comes from lands in the Geysers area, which are leased by the Agency from the federal government. The Agency operates these steam-supply areas. Operation of the geothermal plants at high generation levels, together with high steam usage by others in the same area, resulted in a decline in the steam production from the steam wells at a rate greater than expected. As a result, by April 1988, for the purpose of slowing the decline in the steam field capability, the Agency changed its steam field production from base-load to load-following and reduced average annual generation. These changes were effective in reducing the decline in steam production.

Beginning in 1991, along with other steam field operators in the area, the Agency began implementing various operating strategies to further reduce the rate of decline in steam production. The Agency has modified both steam turbine units at Plant 1 and the associated steam collection system to enable generation with lower pressure steam at higher mass-flow rates to optimize the utilization of the available steam resource.

The Agency also entered into agreements with other producers in the Geysers area to finance and construct the Southeast Geysers Effluent Pipeline Project, which was completed in September 1997 and began operating soon thereafter. The 26-mile pipeline collects wastewater from Lake County Sanitation District treatment plants at Clearlake and Middletown and delivers the wastewater to the Agency and the other Geysers steam field operators for injection into the steam field. A second pipeline enhancement project to further augment the wastewater injection program was completed in 2004.

Based on current operating protocols and forecasted operations, the Agency expects both the average and peak capacity to continue to decrease, reaching approximately 66 MWG (megawatts gross) by calendar year 2039.

Under terms of the federal geothermal leasehold agreements, which became effective August 1, 1974, the leasehold had a 10-year primary term with provision for renewal as long thereafter as geothermal steam is produced or utilized, but not longer than 40 years. At the expiration of that period, if geothermal steam is still being produced, the Agency has preferential right to renew the leasehold for a second term. The leasehold also requires the Agency to remove its leasehold improvements including the geothermal plants and steam gathering system when, and if, the Agency abandons the leasehold. The Agency obtained an updated decommissioning costs study in December, 2016. These decommissioning costs are currently estimated to total approximately \$59.3 million. The Agency has been collecting monies to pay the expected decommissioning costs since 2007 and currently holds approximately \$16.2 million in a reserve for such purpose as of June 30, 2017.

### CLAIMS AND LITIGATION

**California Energy Crisis** During 2000 and 2001, California experienced extreme fluctuations in the prices and supplies of natural gas and electricity in much of the State. While there has been progress in addressing these issues, uncertainty remains. As a result, no assurance can be given that measures undertaken, together with measures to be taken in the future, will prevent the recurrence of shortages, price volatility or other energy problems that have adversely affected California electric utilities in the past. The Agency has settled with the plaintiffs in related litigation, and while the settlement has been approved by FERC, there are still some claims by others that remain ongoing. Although the Agency considers these claims to be lacking in merit, no assurance thereof can be given until all proceedings are finally concluded.



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

**Greenhouse Gas (GHG) Emissions** The California Global Warming Solutions Act of 2006 (also known as California Assembly Bill 32 or AB 32) requires the gradual reduction of state-wide GHG emissions to the 1990 level by 2020. The California Air Resources Board (CARB) is the state agency charged with monitoring GHG levels and adopting regulations to implement and enforce AB 32. The CARB has approved various regulations, including regulations that established a state-wide, comprehensive “cap-and-trade” program that sets a gradually declining limit (or “cap”) on the amount of GHGs that may be emitted by the major sources of GHG emissions each year. GHG emissions are measured in metric tons (MT) of carbon dioxide-equivalent greenhouse gases (CO<sub>2e</sub>) per year.

The cap and trade program’s first two-year compliance period, which began January 1, 2013, applies to the electricity generation and large industrial sectors. The next compliance period, from January 1, 2015 through December 31, 2017, expanded to include the natural gas supply and transportation sectors, effectively covering all the capped sectors until 2020. In July 2017, CARB adopted an updated set of cap-and-trade regulations that extends the cap-and-trade program to 2030. The updated regulations continue the direct allocation of allowances to distribution utilities which in turn can be transferred by members to the Agency.

The Agency’s Lodi Energy Center gas plant, Steam Injected Gas Turbine gas plant and electricity imports (purchased power) are subject to the compliance rules established by CARB for the cap-and-trade program. As such, the Agency acquires sufficient compliance instruments to cover its compliance obligations or receives transfers of required compliance instruments from its project participants. At June 30, 2017, the Agency had a cumulative compliance obligation of 902,456 MT with 1,097,509 MT of acquired allowances to meet its compliance obligation.

**Other Factors Affecting the Electric Utility Industry** Electric industry market participants, such as the Agency and its members, continue to face numerous potential risks and uncertainties including, but not limited to, significant volatility in energy prices and increased transmission and ancillary services costs; new federal and state renewable energy, operating efficiency, and environmental standards; and, global pressures on economic and financial market conditions. The Agency and its members continue to study and to take various actions in an effort to mitigate and manage these risk and uncertainties. However, the Agency cannot predict either the ultimate outcome of these ongoing changes or whether such outcome will have a material adverse effect on its financial position or results of operations.

**Other Legal Matters** The Agency is engaged in various legal proceedings before federal and state courts and various administrative tribunals incidental to the Agency’s operations.

Based on its review of the aforementioned proceedings with outside legal counsel, the Agency believes that the ultimate aggregate liability, if any, resulting from these proceedings will not have a materially adverse effect on the combined financial position or results of operations of the Agency.

**Claims** On September 9, 2015, a major wildfire (The Valley Fire) occurred in the California counties of Lake, Napa, and Sonoma. The fire burned approximately 74,000 acres and destroyed approximately 1,960 structures including homes, commercial properties, and other minor structures. The Agency’s Geysers geothermal and effluent projects are located in Lake County, and some of those facilities were damaged in the fire. Damage and reparation costs totaled \$1.74 million in 2015 and 2016. A Presidential Disaster Declaration was issued on September 22, 2015. Public Assistance was added to the Disaster Declaration on October 9, 2015. The Agency is seeking cost recovery from its insurance policy and public assistance grants and will record those proceeds in other non-operating revenue in the fiscal year in which they are received.

In December, 2015, the Hydroelectric Project Adit 4 Tunnel Spoils incurred water related damage that required remediation to stabilize the site and prevent further erosion to Clark Creek. The Adit 4 Tunnel Spoils (Spoils)

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

are located approximately 1.5 miles up canyon from the Collierville Powerhouse in Calaveras County and are part of the water conveyance tunnel between McKays Point Diversion Dam and the Collerville Power House. Damage and reparation costs are estimated to be \$4.5 million, and construction is projected to be completed by November 2017, with the exception of minor road repairs that may be deferred until Spring 2018. The Agency is seeking cost recovery from its insurance policy; however, recovery is inestimable at this time. NCPA will record any proceeds in other non-operating revenue in the fiscal year in which they are received.

During the period of January 3-12, 2017, severe winter storms caused flooding and mudslides in many California Counties. As a result of those storms, the Beaver Creek Diversion Dam and McKays Point Reservoir filled with sediment and debris and Beaver Creek required emergency dredging after the river flows receded during the summer. Additionally, much of the Project was inaccessible for weeks as a result of numerous road failures. Repair costs are estimated at \$2.1 million and are projected to be completed by November 2017. On February 14, 2017, a Presidential Disaster Declaration was issued including federal disaster assistance. The Agency is seeking cost recovery from its insurance policy and public assistance grants.

# Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)  
NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**Schedule of Changes in the Net Pension Liability and  
Related Ratios Last 10 Years \***

	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>
<b>Total Pension Liability</b>			
Service cost	\$ 3,152,017	\$ 3,256,167	\$ 3,220,329
Interest on total pension liability	10,328,232	9,734,270	9,285,364
Differences between expected and actual experience	581,539	(1,437,389)	-
Changes in assumptions	-	(2,354,661)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(5,988,393)	(5,522,982)	(5,059,144)
<b>Net change in total pension liability</b>	<b>8,073,395</b>	<b>3,675,405</b>	<b>7,446,549</b>
<b>Total pension liability - beginning</b>	<b>135,846,223</b>	<b>132,170,818</b>	<b>124,724,269</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 143,919,618</b>	<b>\$ 135,846,223</b>	<b>\$ 132,170,818</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 5,406,928	\$ 5,584,985	\$ 5,507,642
Contributions - employee	1,453,722	1,433,343	1,410,488
Net investment income	434,144	1,754,108	10,868,237
Benefit payments	(5,988,393)	(5,522,982)	(5,059,144)
Administrative expense	(47,581)	(87,934)	-
<b>Net change in plan fiduciary net position</b>	<b>1,258,820</b>	<b>3,161,520</b>	<b>12,727,223</b>
<b>Plan fiduciary net position - beginning</b>	<b>78,072,198</b>	<b>74,910,678</b>	<b>62,183,455</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 79,331,018</b>	<b>\$ 78,072,198</b>	<b>\$ 74,910,678</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 64,588,600</b>	<b>\$ 57,774,025</b>	<b>\$ 57,260,140</b>
Plan fiduciary net position as a percentage of the total pension liability	55.12%	57.47%	56.68%
Covered - employee payroll	\$ 18,121,290	\$ 18,365,293	\$ 17,596,462
Net pension liability as percentage of covered-employee payroll	356.42%	314.58%	325.41%

**Notes to Schedule:**

**Benefit changes** The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers to Two Years Additional Service Credit (aka Golden Handshakes).

**Changes in assumptions** In 2016, GASB 68 was modified to state that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

\* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION - Continued**  
**(UNAUDITED)**  
**NORTHERN CALIFORNIA POWER AGENCY**  
**AND ASSOCIATED POWER CORPORATIONS**

**Schedule of Plan Contributions**  
**Last 10 Years \***

	<b>FY 2017</b>		<b>FY 2016</b>		<b>FY 2015</b>	
Actuarially Determined Contribution	\$	5,406,928	\$	5,065,861	\$	5,029,697
Contributions in Relation to the						
Actuarially Determined Contribution		(6,254,577)		(5,584,985)		(5,507,642)
Contribution Deficiency (Excess)	\$	(847,649)	\$	(519,124)	\$	(477,945)
Covered-Employee Payroll <sup>1</sup>	\$	18,990,529	\$	18,365,293	\$	17,596,462
Contributions as a Percentage of						
Covered-Employee Payroll <sup>1</sup>		32.94%		30.41%		31.30%

<sup>1</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Pensionable earnings are covered employee payroll reduced for earnings and other earnings adjustments not subject to pension contributions.

\* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION- Continued**  
**(UNAUDITED)**  
**NORTHERN CALIFORNIA POWER AGENCY**  
**AND ASSOCIATED POWER CORPORATIONS**

**Trend Information for the OPEB Plan**

Fiscal Year Ended	Annual Required Contribution	Annual OPEB Cost	Actual OPEB Contributions	Net OPEB Obligation	Percentage of OPEB Cost Contributed
June 30, 2013	\$ 1,049,873	\$ 1,049,873	\$ 1,506,882	\$ (457,009)	144%
June 30, 2014	\$ 871,135	\$ 871,135	\$ 2,094,609	\$ (1,223,474)	240%
June 30, 2015	\$ 889,447	\$ 889,447	\$ 1,535,620	\$ (646,173)	173%
June 30, 2016	\$ 2,301,880	\$ 2,306,684	\$ 1,486,108	\$ 820,576	64%

**Funded Status of the OPEB Fund**

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Actuarial Accrued Unfunded Liability (a) - (b)	Funded Ratio (b) / (a)	Annual Covered Payroll (c)	Unfunded Actuarial Accrued Liability as % of Payroll [(a) - (b)] / (c)
June 30, 2008	\$ 16,114,250	\$ 12,213,980	\$ 3,900,270	75.8%	\$ 15,491,511	25.2%
June 30, 2010	\$ 18,936,156	\$ 13,975,353	\$ 4,960,803	73.8%	\$ 16,355,901	30.3%
June 30, 2011*	\$ 21,599,763	\$ 14,464,987	\$ 7,134,776	67.0%	\$ 16,672,248	42.8%
June 30, 2013	\$ 22,477,396	\$ 17,529,070	\$ 4,948,326	78.0%	\$ 17,564,711	28.2%
June 30, 2015**	\$ 36,724,032	\$ 22,291,159	\$ 14,432,873	60.7%	\$ 17,941,846	80.4%

\* The discount rate was changed from 7.75%, which was used in all prior years' actuarial valuations, to 7.61% for June 30, 2011 through June 30, 2014, as prescribed by CalPERS.

\*\* The discount rate was changed from 7.61% to 7.00% for the June 30, 2015 actuarial valuation, as prescribed by CalPERS.

## **SUPPLEMENTAL INFORMATION**

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2017

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 1	\$ -	\$ 1	\$ 1	\$ 72	\$ -	\$ -	\$ 39	\$ 45,665	\$ 45,779
Investments	-	-	-	-	-	-	-	-	24,825	24,825
Accounts receivable										
Participants	-	-	64	225	-	-	608	48	52	997
Other	-	-	-	-	-	-	5,150	-	500	5,650
Interest receivable	-	-	-	-	-	-	61	-	110	171
Inventory and supplies	4,509	1,079	642	1,405	2,111	-	-	-	-	9,746
Prepaid expenses	320	274	24	34	260	-	-	18	355	1,285
Due from Agency and other programs*	18,334	18,611	2,307	(745)	10,147	-	9,950	5,225	(63,829)	-
TOTAL CURRENT ASSETS	23,164	19,964	3,038	920	12,590	-	15,769	5,330	7,678	88,453
RESTRICTED ASSETS										
Cash and cash equivalents	10,478	31,922	957	-	5,104	-	3,893	-	27,911	80,265
Investments	16,767	28,290	5,008	-	20,191	-	18,509	-	52,277	141,042
Interest receivable	48	115	16	-	45	-	-	-	252	476
TOTAL RESTRICTED ASSETS	27,293	60,327	5,981	-	25,340	-	22,402	-	80,440	221,783
ELECTRIC PLANT										
Electric plant in service	568,991	394,274	64,826	36,245	423,640	7,736	-	663	5,358	1,501,733
Less: accumulated depreciation	(531,919)	(252,562)	(46,157)	(34,295)	(66,941)	(7,736)	-	(358)	(2,745)	(942,713)
	37,072	141,712	18,669	1,950	356,699	-	-	305	2,613	559,020
Construction work-in-progress	670	-	-	-	107	-	-	-	44	821
TOTAL ELECTRIC PLANT	37,742	141,712	18,669	1,950	356,806	-	-	305	2,657	559,841
OTHER ASSETS										
Regulatory assets	733	146,009	11,471	-	21,652	-	-	-	56,380	236,245
Unused vendor credits	14	-	-	-	-	-	-	-	10	24
TOTAL OTHER ASSETS	747	146,009	11,471	-	21,652	-	-	-	56,390	236,269
TOTAL ASSETS	88,946	368,012	39,159	2,870	416,388	-	38,171	5,635	147,165	1,106,346
DEFERRED OUTFLOWS OF RESOURCES										
Excess cost on refunding of debt	1,831	44,223	2,052	-	-	-	-	-	-	48,106
Pension deferrals	-	-	-	-	-	-	-	-	13,506	13,506
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,831	44,223	2,052	-	-	-	-	-	13,506	61,612
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 90,777	\$ 412,235	\$ 41,211	\$ 2,870	\$ 416,388	\$ -	\$ 38,171	\$ 5,635	\$ 160,671	\$ 1,167,958

\* Eliminated in Combination



OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2017											
	GENERATING & TRANSMISSION RESOURCES						Purchased Power & Transmission	Associated Member Services	Other Agency	Combined	
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission					
LIABILITIES											
CURRENT LIABILITIES											
Accounts payable and accrued expenses	\$ 162	\$ 730	\$ -	\$ 16	\$ 1,110	\$ -	\$ 19,475	\$ 597	\$ 8,366	\$ 30,456	
Member advances	791	-	-	-	-	-	-	202	-	993	
Operating reserves	6,213	250	513	643	12,405	-	-	-	-	20,024	
Current portion of long-term debt	3,995	21,385	3,760	-	10,355	-	-	-	-	39,495	
Accrued interest payable	425	8,044	775	-	1,338	-	-	-	-	10,582	
TOTAL CURRENT LIABILITIES	11,586	30,409	5,048	659	25,208	-	19,475	799	8,366	101,550	
NON-CURRENT LIABILITIES											
Net pension liability	-	-	-	-	-	-	-	-	64,589	64,589	
Operating reserves and other deposits	17,738	15,920	-	-	1,716	-	22,464	39	80,788	138,665	
Interest rate swap liability	-	15,173	-	-	-	-	-	-	-	15,173	
Long-term debt, net	28,770	332,913	34,403	-	340,936	-	-	-	-	737,022	
TOTAL NON-CURRENT LIABILITIES	46,508	364,006	34,403	-	342,652	-	22,464	39	145,377	955,449	
TOTAL LIABILITIES	58,094	394,415	39,451	659	367,860	-	41,939	838	153,743	1,056,999	
DEFERRED INFLOWS OF RESOURCES											
Regulatory credits	19,610	4,023	995	2,111	42,321	-	-	305	3,074	72,439	
Pension deferrals	-	-	-	-	-	-	-	-	4,460	4,460	
TOTAL DEFERRED INFLOWS OF RESOURCES	19,610	4,023	995	2,111	42,321	-	-	305	7,534	76,899	
NET POSITION											
Net investment in capital assets	(6,360)	(36,963)	(6,922)	-	(12,783)	-	-	-	837	(62,191)	
Restricted for:											
Debt service	8,520	30,815	5,206	-	12,883	-	-	-	-	57,424	
Other programs	(269)	1,502	-	-	(39)	-	-	-	(349)	845	
Unrestricted	11,182	18,443	2,481	100	6,146	-	(3,768)	4,492	(1,094)	37,982	
TOTAL NET POSITION	13,073	13,797	765	100	6,207	-	(3,768)	4,492	(606)	34,060	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 90,777	\$ 412,235	\$ 41,211	\$ 2,870	\$ 416,388	\$ -	\$ 38,171	\$ 5,635	\$ 160,671	\$ 1,167,958	

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2017

	GENERATING & TRANSMISSION RESOURCES									Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	
OPERATING REVENUES										
Participants	\$ 8,277	\$ 26,539	\$ 7,354	\$ 2,899	\$ 36,145	\$ -	\$ 235,251	\$ 18,129	\$ 319	\$ 334,913
Other third-party	27,602	34,127	468	1,498	15,823	-	52,292	15	-	131,825
TOTAL SALES FOR RESALE	35,879	60,666	7,822	4,397	51,968		287,543	18,144	319	466,738
OPERATING EXPENSES										
Purchased power	-	-	-	-	3,000	-	189,806	-	-	192,806
Operations	15,264	3,398	1,478	1,699	17,133	-	5,057	8,502	27	52,558
Transmission	758	2,758	85	176	384	-	99,378	5	-	103,544
Depreciation	3,820	9,582	2,213	178	14,607	5	-	47	297	30,749
Maintenance	5,572	5,170	703	1,361	4,057	-	-	107	-	16,970
Administrative and general	4,133	3,557	565	616	4,191	-	-	7,196	1,422	21,680
Intercompany (sales) purchases, net*	(601)	225	56	117	276	-	-	(73)	-	-
TOTAL OPERATING EXPENSES	28,946	24,690	5,100	4,147	43,648	5	294,241	15,784	1,746	418,307
NET OPERATING REVENUES	6,933	35,976	2,722	250	8,320	(5)	(6,698)	2,360	(1,427)	48,431
NON OPERATING (EXPENSES) REVENUES										
Interest expense	(989)	(15,741)	(1,885)	-	(15,935)	-	-	-	-	(34,550)
Interest income	16	89	31	-	109	-	155	36	(376)	60
Other	833	28	1,200	-	8,634	-	1,957	41	236	12,929
TOTAL NON OPERATING (EXPENSES) REVENUES	(140)	(15,624)	(654)	-	(7,192)	-	2,112	77	(140)	(21,561)
FUTURE RECOVERABLE AMOUNTS	(1,178)	(13,003)	(1,606)	-	2,495	5	-	-	13	(13,274)
REFUNDS TO PARTICIPANTS	(691)	(2,787)	97	33	(385)	-	(1,166)	(2,572)	(28)	(7,499)
INCREASE (DECREASE) IN NET POSITION	4,924	4,562	559	283	3,238	-	(5,752)	(135)	(1,582)	6,097
NET POSITION, Beginning of year	8,149	9,235	206	(183)	2,969	-	1,984	4,627	976	27,963
NET POSITION, End of year	\$ 13,073	\$ 13,797	\$ 765	\$ 100	\$ 6,207	\$ -	\$ (3,768)	\$ 4,492	\$ (606)	\$ 34,060

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF CASH FLOW

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2017											
GENERATING & TRANSMISSION RESOURCES											
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Received from participants	\$ 7,290	\$ 26,510	\$ 7,210	\$ 2,500	\$ 30,658	\$ -	\$ 234,643	\$ 18,388	\$ 645	\$ 327,844	
Received from others	29,608	35,418	468	1,498	15,823	-	48,717	15	3,771	135,318	
Payments for employee services	(11,532)	(5,498)	(878)	(1,184)	(6,021)	-	-	(10,817)	-	(35,930)	
Payments to suppliers for goods and services	(14,602)	(9,284)	(1,950)	(2,266)	(25,358)	-	(288,868)	(5,340)	(575)	(348,243)	
Payments from(to) other programs *	601	(225)	(56)	(117)	(276)	-	-	73	-	-	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>11,365</b>	<b>46,921</b>	<b>4,794</b>	<b>431</b>	<b>14,826</b>	<b>-</b>	<b>(5,508)</b>	<b>2,319</b>	<b>3,841</b>	<b>78,989</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Proceeds from maturities and sales of investments	16,003	37,975	4,476	-	21,311	-	5,075	-	28,932	113,772	
Interest received on cash and investments	504	523	49	-	239	-	387	36	852	2,590	
Purchase of investments	(13,776)	(23,378)	(5,051)	-	(25,428)	-	(5,093)	-	(32,673)	(105,399)	
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>2,731</b>	<b>15,120</b>	<b>(526)</b>	<b>-</b>	<b>(3,878)</b>	<b>-</b>	<b>369</b>	<b>36</b>	<b>(2,889)</b>	<b>10,963</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>											
Acquisition and construction of electric plant	(962)	(338)	-	-	(186)	-	-	(86)	(148)	(1,720)	
Interest paid on long-term debt	(1,120)	(16,869)	(1,934)	-	(16,467)	-	-	-	-	(36,390)	
Principal repayment on long-term debt	(3,580)	(20,050)	(3,670)	-	(9,950)	-	-	-	-	(37,250)	
Proceeds from bond issues	15,416	-	-	-	-	-	-	-	-	15,416	
Payments to refund debt	(15,705)	-	-	-	-	-	-	-	-	(15,705)	
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(5,951)</b>	<b>(37,257)</b>	<b>(5,604)</b>	<b>-</b>	<b>(26,603)</b>	<b>-</b>	<b>-</b>	<b>(86)</b>	<b>(148)</b>	<b>(75,649)</b>	
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>											
Other proceeds	833	28	1,200	-	8,634	-	1,957	41	236	12,929	
Refunds to participants	(691)	(2,787)	97	33	(385)	-	(1,166)	(2,572)	(28)	(7,499)	
Payments from(to) other programs *	(3,845)	(4,893)	(477)	(464)	4,562	-	5,692	70	(645)	-	
<b>NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,703)</b>	<b>(7,652)</b>	<b>820</b>	<b>(431)</b>	<b>12,811</b>	<b>-</b>	<b>6,483</b>	<b>(2,461)</b>	<b>(437)</b>	<b>5,430</b>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,442</b>	<b>17,132</b>	<b>(516)</b>	<b>-</b>	<b>(2,844)</b>	<b>-</b>	<b>1,344</b>	<b>(192)</b>	<b>367</b>	<b>19,733</b>	
Beginning of year	6,037	14,790	1,474	1	8,020	-	2,549	231	73,209	106,311	
End of year	\$ 10,479	\$ 31,922	\$ 958	\$ 1	\$ 5,176	\$ -	\$ 3,893	\$ 39	\$ 73,576	\$ 126,044	

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION (UNAUDITED)

COMBINING STATEMENT OF CASH FLOW - Continued

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2017											
GENERATING & TRANSMISSION RESOURCES											
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined	
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS FROM OPERATING ACTIVITIES											
Operating income	\$ 6,933	\$ 35,976	\$ 2,722	\$ 250	\$ 8,320	\$ (5)	\$ (6,698)	\$ 2,360	\$ (1,427)	\$ 48,431	
Adjustments to reconcile net operating revenues to net cash from operating activities:											
Depreciation	3,820	9,582	2,213	178	14,607	5	-	47	297	30,749	
	10,753	45,558	4,935	428	22,927	-	(6,698)	2,407	(1,130)	79,180	
CASH FLOWS IMPACTED BY CHANGES IN											
Accounts receivable	2	-	(64)	(225)	-	-	(5,313)	220	(82)	(5,462)	
Inventory, prepaid expense, and unused vendor credits	(397)	(42)	3	(7)	(316)	-	-	(2)	(29)	(790)	
Operating reserves and other deposits	2,004	1,291	-	393	(1,923)	-	1,130	(541)	4,223	6,577	
Regulatory credits	(987)	(29)	(80)	(174)	(5,487)	-	-	39	(44)	(6,762)	
Accounts payable	(10)	143	-	16	(375)	-	5,373	196	640	5,983	
Net pension liability and related amounts	-	-	-	-	-	-	-	-	263	263	
NET CASH FROM OPERATING ACTIVITIES	\$ 11,365	\$ 46,921	\$ 4,794	\$ 431	\$ 14,826	\$ -	\$ (5,508)	\$ 2,319	\$ 3,841	\$ 78,989	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION											
Cash and cash equivalents - current assets	\$ 1	\$ -	\$ 1	\$ 1	\$ 72	\$ -	\$ -	\$ 39	\$ 45,665	\$ 45,779	
Cash and cash equivalents - restricted assets	10,478	31,922	957	-	5,104	-	3,893	-	27,911	80,265	
End of year	\$ 10,479	\$ 31,922	\$ 958	\$ 1	\$ 5,176	\$ -	\$ 3,893	\$ 39	\$ 73,576	\$ 126,044	

OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2016

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 1	\$ -	\$ 1	\$ 1	\$ 71	\$ -	\$ -	\$ 231	\$ 49,337	\$ 49,642
Investments	-	-	-	-	-	-	-	-	22,209	22,209
Accounts receivable										
Participants	-	-	-	-	-	-	-	268	422	690
Others	2	-	-	-	-	-	445	-	48	495
Interest receivable	-	-	-	-	24	-	43	-	53	120
Inventory and supplies	4,150	1,079	642	1,402	1,849	-	-	-	-	9,122
Prepaid expenses	241	232	27	30	206	-	-	16	336	1,088
Due from Agency and other programs*	14,489	13,718	1,830	(1,209)	14,709	-	15,642	5,295	(64,474)	-
TOTAL CURRENT ASSETS	18,883	15,029	2,500	224	16,859	-	16,130	5,810	7,931	83,366
RESTRICTED ASSETS										
Cash and cash equivalents	6,036	14,790	1,473	-	7,949	-	2,549	-	23,872	56,669
Investments	19,465	43,324	4,453	-	16,205	-	18,741	-	52,569	154,757
Interest receivable	65	110	16	-	20	-	-	-	122	333
TOTAL RESTRICTED ASSETS	25,566	58,224	5,942	-	24,174	-	21,290	-	76,563	211,759
ELECTRIC PLANT										
Electric plant in service	568,711	393,936	64,826	36,245	423,459	7,736	-	577	5,249	1,500,739
Less: accumulated depreciation	(528,111)	(242,980)	(43,944)	(34,117)	(52,334)	(7,731)	-	(311)	(2,448)	(911,976)
	40,600	150,956	20,882	2,128	371,125	5	-	266	2,801	588,763
Construction work-in-progress	-	-	-	-	102	-	-	-	5	107
TOTAL ELECTRIC PLANT	40,600	150,956	20,882	2,128	371,227	5	-	266	2,806	588,870
OTHER ASSETS										
Regulatory assets	1,912	159,012	13,077	-	19,158	(5)	-	-	56,365	249,519
Unused vendor credits	55	-	-	-	-	-	-	-	-	55
TOTAL OTHER ASSETS	1,967	159,012	13,077	-	19,158	(5)	-	-	56,365	249,574
TOTAL ASSETS	87,016	383,221	42,401	2,352	431,418	-	37,420	6,076	143,665	1,133,569
DEFERRED OUTFLOWS OF RESOURCES										
Excess cost on refunding of debt	-	52,091	2,257	-	-	-	-	-	-	54,348
Pension deferrals	-	-	-	-	-	-	-	-	9,093	9,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	52,091	2,257	-	-	-	-	-	9,093	63,441
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 87,016	\$ 435,312	\$ 44,658	\$ 2,352	\$ 431,418	\$ -	\$ 37,420	\$ 6,076	\$ 152,758	\$ 1,197,010

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2016

	GENERATING & TRANSMISSION RESOURCES						Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission				
LIABILITIES										
CURRENT LIABILITIES										
Accounts payable and accrued expenses	\$ 172	\$ 587	\$ -	\$ -	\$ 1,485	\$ -	\$ 14,102	\$ 401	\$ 7,726	\$ 24,473
Member advances	791	-	-	-	-	-	-	202	-	993
Operating reserves	6,233	250	513	250	10,289	-	-	-	-	17,535
Current portion of long-term debt	3,580	20,050	3,670	-	9,950	-	-	-	-	37,250
Accrued interest payable	766	8,428	837	-	1,371	-	-	-	-	11,402
TOTAL CURRENT LIABILITIES	11,542	29,315	5,020	250	23,095	-	14,102	603	7,726	91,653
NON-CURRENT LIABILITIES										
Net pension liability	-	-	-	-	-	-	-	-	57,774	57,774
Operating reserves and other deposits	15,714	14,629	-	-	5,755	-	21,334	580	76,565	134,577
Interest rate swap liability	-	22,261	-	-	-	-	-	-	-	22,261
Long-term debt, net	31,014	355,820	38,357	-	351,791	-	-	-	-	776,982
TOTAL NON-CURRENT LIABILITIES	46,728	392,710	38,357	-	357,546	-	21,334	580	134,339	991,594
TOTAL LIABILITIES	58,270	422,025	43,377	250	380,641	-	35,436	1,183	142,065	1,083,247
DEFERRED INFLOWS OF RESOURCES										
Regulatory credits	20,597	4,052	1,075	2,285	47,808	-	-	266	3,118	79,201
Pension deferrals	-	-	-	-	-	-	-	-	6,599	6,599
TOTAL DEFERRED INFLOWS OF RESOURCES	20,597	4,052	1,075	2,285	47,808	-	-	266	9,717	85,800
NET POSITION										
Net investment in capital assets	(7,415)	(34,427)	(6,839)	-	(13,512)	-	-	-	-	(62,193)
Restricted for:										
Debt service	8,199	29,665	5,105	-	12,797	-	-	-	-	55,766
Other programs	14	16,134	-	-	(5,632)	-	-	-	-	10,516
Unrestricted	7,351	(2,137)	1,940	(183)	9,316	-	1,984	4,627	976	23,874
TOTAL NET POSITION	8,149	9,235	206	(183)	2,969	-	1,984	4,627	976	27,963
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 87,016	\$ 435,312	\$ 44,658	\$ 2,352	\$ 431,418	\$ -	\$ 37,420	\$ 6,076	\$ 152,758	\$ 1,197,010

# OTHER FINANCIAL INFORMATION

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS (000's omitted)

For the Year Ended June 30, 2016

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
OPERATING REVENUES										
Participants	\$ 8,068	\$ 37,076	\$ 7,360	\$ 2,718	\$ 29,538	\$ -	\$ 221,529	\$ 21,671	\$ 141	\$ 328,101
Other third-party	29,803	16,999	328	571	38,980	-	52,320	-	-	139,001
TOTAL SALES FOR RESALE	37,871	54,075	7,688	3,289	68,518		273,849	21,671	141	467,102
OPERATING EXPENSES										
Purchased power	-	-	-	-	4,827	-	177,736	-	-	182,563
Operations	14,813	3,852	1,220	1,026	30,032	-	6,030	12,102	-	69,075
Transmission	880	817	52	(27)	915	-	95,529	4	-	98,170
Depreciation	3,898	9,415	2,212	178	14,601	16	-	34	291	30,645
Maintenance	8,338	3,837	888	1,523	7,994	-	-	95	-	22,675
Administrative and general	4,018	3,153	548	585	4,252	-	-	7,255	(1,431)	18,380
Intercompany (sales) purchases, net*	(546)	197	70	105	247	-	-	(73)	-	-
TOTAL OPERATING EXPENSES	31,401	21,271	4,990	3,390	62,868	16	279,295	19,417	(1,140)	421,508
NET OPERATING REVENUES	6,470	32,804	2,698	(101)	5,650	(16)	(5,446)	2,254	1,281	45,594
NON OPERATING (EXPENSES) REVENUES										
Interest expense	(1,480)	(28,770)	(2,003)	-	(16,201)	-	-	-	-	(48,454)
Interest income	391	833	121	-	412	-	480	38	1,263	3,538
Other	271	23	761	39	4,523	-	-	220	219	6,056
TOTAL NON OPERATING (EXPENSES) REVENUES	(818)	(27,914)	(1,121)	39	(11,266)	-	480	258	1,482	(38,860)
FUTURE RECOVERABLE AMOUNTS	(1,093)	625	(1,542)	-	2,767	16	-	-	(913)	(140)
REFUNDS TO PARTICIPANTS	(2,018)	(3,375)	8	338	1,286	-	(831)	(3,075)	(955)	(8,622)
INCREASE (DECREASE) IN NET POSITION	2,541	2,140	43	276	(1,563)	-	(5,797)	(563)	895	(2,028)
NET POSITION, Beginning of year	5,608	7,095	163	(459)	4,532	-	7,781	5,190	81	29,991
NET POSITION, End of year	\$ 8,149	\$ 9,235	\$ 206	\$ (183)	\$ 2,969	\$ -	\$ 1,984	\$ 4,627	\$ 976	\$ 27,963

\* Eliminated in Combination

OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF CASH FLOW

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2016																				
GENERATING & TRANSMISSION RESOURCES																				
						Purchased Power & Transmission	Associated Member Services	Other Agency	Combined Total											
Geothermal		Hydroelectric		Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission													
CASH FLOWS FROM OPERATING ACTIVITIES																				
Received from participants	\$	7,251	\$	37,097	\$	7,276	\$	2,534	\$	32,710	\$	-	\$	221,529	\$	21,559	\$	(305)	\$	329,651
Received from others		31,063		18,246		328		571		38,980		-		54,834		-		3,522		147,544
Payments for employee services		(11,135)		(4,978)		(841)		(1,104)		(5,638)		-		-		(9,851)		-		(33,547)
Payments to suppliers for goods and services		(18,005)		(6,747)		(1,863)		(1,998)		(47,312)		-		(274,679)		(8,764)		(1,382)		(360,750)
Payments from(to) other programs *		546		(197)		(70)		(105)		(247)		-		-		73		-		-
NET CASH FLOWS FROM OPERATING ACTIVITIES		9,720		43,421		4,830		(102)		18,493		-		1,684		3,017		1,835		82,898
CASH FLOWS FROM INVESTING ACTIVITIES																				
Proceeds from maturities and sales of investments		14,238		56,929		4,894		-		34,498		-		10,140		-		57,374		178,073
Interest received on cash and investments		283		449		48		-		250		-		399		38		652		2,119
Purchase of investments		(15,740)		(60,708)		(4,482)		-		(36,108)		-		(10,190)		-		(55,513)		(182,741)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,219)		(3,330)		460		-		(1,360)		-		349		38		2,513		(2,549)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES																				
Acquisition and construction of electric plant		(20)		(311)		-		-		(108)		-		-		(167)		(202)		(808)
Interest paid on long-term debt		(1,608)		(17,629)		(2,059)		-		(16,935)		-		-		-		-		(38,231)
Principal repayment on long-term debt		(3,445)		(19,105)		(3,585)		-		(9,480)		-		-		-		-		(35,615)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		(5,073)		(37,045)		(5,644)		-		(26,523)		-		-		(167)		(202)		(74,654)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES																				
Other proceeds		271		23		762		39		4,523		-		-		219		222		6,059
Refunds to participants		(2,018)		(3,375)		8		338		1,286		-		(831)		(3,075)		(955)		(8,622)
Payments from(to) other programs *		(1,056)		(1,575)		65		(275)		(233)		-		(322)		75		3,321		-
NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		(2,803)		(4,927)		835		102		5,576		-		(1,153)		(2,781)		2,588		(2,563)
NET CHANGE IN CASH AND CASH EQUIVALENTS																				
Beginning of year		5,412		16,671		993		1		11,834		-		1,669		124		66,475		103,179
End of year	\$	6,037	\$	14,790	\$	1,474	\$	1	\$	8,020	\$	-	\$	2,549	\$	231	\$	73,209	\$	106,311

\* Eliminated in Combination



OTHER FINANCIAL INFORMATION

COMBINING STATEMENT OF CASH FLOW - Continued

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2016											
GENERATING & TRANSMISSION RESOURCES											
Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined		
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES											
Operating income	\$ 6,470	\$ 32,804	\$ 2,698	\$ (101)	\$ 5,650	\$ (16)	\$ (5,446)	\$ 2,254	\$ 1,281	\$ 45,594	
Adjustments to reconcile net operating revenues to net cash from operating activities:											
Depreciation	3,898	9,415	2,212	178	14,601	16	-	34	291	30,645	
	10,368	42,219	4,910	77	20,251	-	(5,446)	2,288	1,572	76,239	
CASH FLOWS IMPACTED BY CHANGES IN											
Accounts receivable	(2)	-	-	-	-	-	1,502	(244)	(290)	966	
Inventory, prepaid expense, and unused vendor credits	(596)	53	5	6	(327)	-	-	(16)	214	(661)	
Operating reserves and other deposits	1,262	1,247	-	-	(2,625)	-	1,012	456	3,390	4,742	
Regulatory credits	(817)	21	(84)	(184)	3,172	-	-	132	(23)	2,217	
Accounts payable	(495)	(119)	(1)	(1)	(1,978)	-	4,616	401	(1,412)	1,011	
Net pension liability and related amounts	-	-	-	-	-	-	-	-	(1,616)	(1,616)	
NET CASH FROM OPERATING ACTIVITIES	\$ 9,720	\$ 43,421	\$ 4,830	\$ (102)	\$ 18,493	\$ -	\$ 1,684	\$ 3,017	\$ 1,835	\$ 82,898	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION											
Cash and cash equivalents - current assets	\$ 1	\$ -	\$ 1	\$ 1	\$ 71	\$ -	\$ -	\$ 231	\$ 49,337	\$ 49,642	
Cash and cash equivalents - restricted assets	6,036	14,790	1,473	-	7,949	-	2,549	-	23,872	56,669	
End of year	\$ 6,037	\$ 14,790	\$ 1,474	\$ 1	\$ 8,020	\$ -	\$ 2,549	\$ 231	\$ 73,209	\$ 106,311	

GENERATION ENTITLEMENT SHARES - UNAUDITED

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS

	Table of Generation Entitlement Shares					LEC Debt Shares	
	Geothermal Project No. 3	Hydroelectric Project No. One	Capital Facilities Project	Combustion Turbine No. One	Lodi Energy Center (LEC)	LEC Indenture Group A	LEC Indenture Group B
<b>NCPA Member Participants:</b>							
Alameda	16.8825%	10.0000%	19.0000%	21.8200%			
BART					6.6000%	11.8310%	
Biggs	0.2270%			0.1970%	0.2679%	0.4802%	
Gridley	0.3360%			0.3500%	1.9643%	3.5212%	
Healdsburg	3.6740%	1.6600%		5.8330%	1.6428%	2.9448%	
Lodi	10.2800%	10.3700%	39.5000%	13.3930%	9.5000%	17.0295%	
Lompoc	3.6810%	2.3000%	5.0000%	5.8330%	2.0357%	3.6491%	
Palo Alto		22.9200%					
Plumas-Sierra REC	0.7010%	1.6900%		1.8170%	0.7857%	1.4084%	
Roseville	7.8830%	12.0000%	36.5000%				
Santa Clara	44.3905%	37.0200%		41.6670%	25.7500%	46.1588%	
Ukiah	5.6145%	2.0400%		9.0900%	1.7857%	3.2010%	
<b>Other Participants:</b>							
Azuza					2.7857%	4.9936%	
California Dept. of Water Resources					33.5000%		100.0000%
Modesto Irrigation District					10.7143%		
Power & Water Resources Pooling Agency					2.6679%	4.7824%	
Turlock Irrigation District	6.3305%						
	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.000%	100.000%
	Note A	Note A, B		Note A	Note B		

Note A: Project Entitlement shares are after transfers among participants.

Note B: Project Generation Shares may vary from project cost shares due to varied financing and fuel supply arrangements.

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## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix C regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and NCPA takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each Series of the 2018 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested

by an authorized representative of DTC. The deposit of 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2018 Bond documents. For example, Beneficial Owners of 2018 Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to NCPA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and interest payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from NCPA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee, or NCPA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of NCPA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2018 Bonds at any time by giving reasonable notice to NCPA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2018 Bond certificates are required to be printed and delivered.

NCPA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2018 Bond certificates will be printed and delivered to DTC.

## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain provisions of the Indenture. This summary is not to be considered a full statement of the terms of the Indenture and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not defined in this summary or elsewhere in the Official Statement have the respective meanings set forth in the Indenture.

#### **Certain Definitions**

“Act” means the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of California, as amended and supplemented and shall also include the provisions of any other law applicable to NCPA by virtue of being a public entity pursuant to said Chapter 5 of Division 7 of Title 1 including, without limitation, Article 10 and Articles 11 of Chapter 3 of Division 2 of Title 5 of said Government Code, as each thereof may be amended and supplemented.

“Additional Bonds” means all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 203 of the Original Indenture and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

“Adjustable Rate Bond” means, as of any date of determination, any Bond not bearing interest from such date to the maturity thereof at a specified, fixed rate; provided, however, that each Adjustable Rate Bond shall also be an Option Bond with a Purchase Date on the Business Day next succeeding the termination of each Adjustment Period for such Bond.

“Adjusted Aggregate Debt Service” means, as of any date of calculation and with respect to any period, the sum of the amounts of Adjusted Debt Service during such period for all Series of Bonds, other than Lender Bonds; provided, however, that in computing such Adjusted Aggregate Debt Service, each Series of Adjustable Rate Bonds shall be deemed to bear the Assumed Interest Rate applicable thereto.

“Adjusted Debt Service” means, with respect to any Series of Bonds, as of any date of calculation and with respect to any period, the Debt Service for such Series of Bonds for such period which would result if the Principal Installment for such Series due on the final maturity date of such Series were adjusted over the period specified pursuant to the next sentence so that the Bonds of such Series would have Substantially Equal Debt Service for each Fiscal Year of such period and that such Principal Installment would be fully paid at the end of such period, assuming timely payment of all principal or Redemption Price, if any, of and interest on the Bonds of such Series in accordance with such adjustments and computing the interest component of Debt Service on the basis of the true interest cost actually incurred on such Series of Bonds (determined by the true, actuarial method of calculation which consists of calculating true interest cost from the actual delivery date of such Series of Bonds as opposed to calculating it from the date of such Series of Bonds). Such adjustment shall be made over a period which shall begin with the final maturity date of such Series and end on such date or a date which shall be specified in the Supplemental Indenture authorizing such Series of Bonds, which date shall be not later than the earlier to occur of (i) 40 years after the date of such Bonds or (ii) the termination date of the Third Phase Agreement. For purposes of computing such true interest cost for any Series of Bonds containing Adjustable Rate Bonds each such Adjustable Rate Bond shall be deemed to bear the Assumed Interest Rate applicable thereto.

“Agreement of Attornment” means the Agreement of Attornment, dated March 22, 1985, by and among NCPA, the Calaveras County Water District and Sierra Constructors, as the same may be amended and supplemented from time to time in accordance with its terms and terms of the Indenture.

“Beneficial Owner” means, with respect to the 2018 Bonds, any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the 2018 Bonds.

“Business Day” means, with respect to the 2018 Bonds, any day of the year on which banks in New York, New York are not required or authorized to remain closed and on which the Trustee, the Paying Agent and the New York Stock Exchange are open.

“Capital Improvements” shall mean all renewals or replacements of or repairs, additions, improvements, modifications or betterments chargeable to the capital account of the Project, which are (i) consistent with Prudent Utility Practice and determined necessary by the Commission to keep the Project in good operating condition or to prevent a loss of revenue therefrom, (ii) required by any governmental agency having jurisdiction over the Project, or (iii) required by the Indenture; provided, however, that Capital Improvements shall not include any additional generating units in addition to the number of generating units presently included in the Project.

“Debt Service Reserve Requirement” means, as of any date of calculation, and with respect to the Debt Service Reserve Account (which does not secure the 2018 Bonds), an amount equal to the greatest amount of Adjusted Aggregate Debt Service for the Participating Bonds for the then current or any future Fiscal Year and, with respect to a Series Debt Service Reserve Account, the amount, if any, specified as such with respect to such Series Debt Service Reserve Account pursuant to the Indenture.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel acceptable to the Insurer to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not result in the inclusion of interest on any Bonds in gross income for federal income tax purposes.

“Future Bonds” means all Bonds issued when the Eleventh Supplemental Indenture of Trust became effective, i.e., July 1, 1998.

“Initial Facilities” means those facilities included in or required by the FERC License and all associated facilities, rights, land and interest in land, properties, studies, reports, equipment, transmission facilities and improvements appurtenant thereto and necessary or convenient therewith including without limitation any payments to other parties such as contributions in and of construction in connection with the transmission of the output of the facilities included in the definition of the “Project” under the Power Purchase Contract.

“Interest Payment Date” means, with respect to each Series of Bonds, the dates during each year on which interest on such Series of Bonds is scheduled to be paid as specified in, or determined in accordance with, the Indenture or Supplemental Indenture authorizing such Series of Bonds.

“Investment Securities” means and includes any of the following securities, if and to the extent the same are at the time legal for investment of NCPA’s funds:

- (i) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including a receipt, certificate or any other evidence of an ownership interest in the aforementioned obligations, or in specified portions thereof (which may consist of specified portions of interest thereon) and also including advance refunded tax-exempt bonds secured by the aforementioned obligations;

- (ii) Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued, or the principal of and interest on which are unconditionally guaranteed, by the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association, the United States Postal Service or any other agency or instrumentality of or corporation wholly owned by the United States of America;

- (iii) New Housing Authority Bonds or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions to be paid by the United States of America or any agency thereof;

(iv) Direct and general obligations, to the payment of which the full faith and credit of the issuer is pledged, of any State of the United States or any political subdivision thereof which at the time of investment is rated by any nationally recognized bond rating agency and assigned by such agency a rating which denotes a security with investment characteristics at least equal to the investment characteristics of a security presently rated by Moody's Investors Service, Inc. or Standard & Poor's Corporation as "A" or better;

(v) Bank time deposits evidenced by certificates of deposit, and banker's acceptances, issued by any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation; provided either that the aggregate of such bank time deposits and bankers' acceptances issued by any bank, trust company or banking association does not exceed at any one time ten per centum (10%) of the aggregate of the capital stock, surplus and undivided profits of such bank, trust company or banking association and that such capital stock, surplus and undivided profits shall not be less than Twenty-Five Million Dollars (\$25,000,000), or that such deposits are fully and continuously secured by a valid and perfected security interest in obligations described in paragraph (i), (ii) or (iii) of this definition; and

(vi) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation, or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected security interest in obligations described in paragraph (i), (ii) or (iii) of this definition.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by NCPA by notice in writing to the Trustee and acceptable to the Insurer.

"NCPA Operating Expenses" means (i) costs incurred by NCPA pursuant to the Third Phase Agreement, (ii) any other current expenses or obligations required to be paid by NCPA under the provisions of the Project Agreements or by law, all to the extent properly allocable to the Project, or required to be incurred under or in connection with the performance of the Third Phase Agreement, (iii) the fees and expenses of the Fiduciaries, (iv) fees incurred pursuant to any lending or credit facility or agreement, including, without limitation, the Reimbursement Agreements, and (v) all other costs (including overhead) properly allocable to the Project. NCPA Operating Expenses shall not include any costs or expenses for new construction or any allowance for depreciation of the Project.

"NCPA Revenues" means (i) all revenues, income, rents and receipts derived or to be derived by NCPA from or attributable to the Project or the Power Purchase Contract or to the payment of the costs of the Project received or to be received by NCPA under the Third Phase Agreement or the Power Purchase Contract or under any other contract for the sale by NCPA of the Project or any part thereof or any contractual arrangement with respect to the use of the Project or any portion thereof or the services or capacity thereof, (ii) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering business interruption loss relating to the Project, (iii) any receipts under the Construction Contract or the Agreement of Attornment, other than insurance proceeds required to be deposited in the Construction Fund in accordance with the provisions of the Indenture, and (iv) interest received or to be received on any moneys or securities (other than in the Construction Fund) held pursuant to the Indenture and required to be paid into the Revenue Fund.

"Participating Bonds" means all Bonds Outstanding prior to the Eleventh Supplemental Indenture of Trust becoming effective (July 1, 1998) and all Future Bonds other than Future Bonds which are specified in the Supplemental Indenture authorizing such Future Bonds not to be Participating Bonds in accordance with the provisions of the Indenture.

"Power Purchase Contract" means the Revised Power Purchase Contract, dated as of March 1, 1985, by and between NCPA and CCWD as the same may be amended and supplemented from time to time in accordance with its terms and the terms of the Indenture.



“Project” means the Initial Facilities and all Capital Improvements.

“Project Agreements” means, prior to the respective termination dates thereof, the Indenture, the Third Phase Agreement, the Power Purchase Contract, the Construction Contract, the Agreement of Attornment and any other contract designated a Project Agreement by the Commission of NCPA.

“Prudent Utility Practice” means any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition, taking into account the fact that Prudent Utility Practice is not intended to be limited to the optimum practice, methods or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturers’ warranties and requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the Project, but also to appropriate structures, landscaping, paving, signs, lighting, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project.

“Securities Depository” means, with respect to a Series of the 2018 Bonds, the securities depository designated in the Supplemental Indenture with respect to such Series and its successors and assigns or if (a) the then incumbent Securities Depository resigns from its functions as depository for such Series of the 2018 Bonds, or (b) NCPA discontinues use of the then incumbent Securities Depository for such Series of the 2018 Bonds pursuant to such Supplemental Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository for such Series of the 2018 Bonds.

“Series Debt Service Reserve Account” means each Account within the Debt Service Fund established with respect to a Series of Future Bonds which are not Participating Bonds, including the 2018 Bonds, pursuant to the Indenture.

“Sinking Fund Installment” means with respect to a Series of the 2018 Bonds, the amount required by the Supplemental Indenture with respect to such Series to be paid by NCPA on any single date for the retirement of 2018 Bonds of such Series.

“Substantially Equal Adjusted Aggregate Debt Service” means, with respect to any period of similar Fiscal Years for all Outstanding Bonds, other than Lender Bonds, that the greatest Adjusted Aggregate Debt Service for any Fiscal Year in such period is not in excess of one hundred and twenty-five percent of the Adjusted Aggregate Debt Service for any preceding Fiscal Year in such period.

“Substantially Equal Debt Service” means, with respect to any period of Fiscal Years for any Series of Bonds, other than Lender Bonds, that the greatest Debt Service for such Bonds for any Fiscal Year in such period is not in excess of one hundred and twenty-five percent of the smallest Debt Service for such Bonds for any Fiscal Year in such period.

“Supplemental Indenture” shall mean any indenture supplemental to or amendatory of the Indenture, entered into by NCPA and the Trustee in accordance with the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by NCPA by notice in writing to the Trustee and acceptable to the Insurer.

“Trust Estate” means (A) subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (i) the proceeds of the sale of the Bonds,

other than Lender Bonds, (ii) the NCPA Revenues and (iii) all amounts on deposit in the Funds established by the Indenture, including the investments, if any, thereof, to the extent held by the Trustee; (B) all right, title and interest of NCPA in, to and under the Third Phase Agreement; (C) all right, title and interest of NCPA in, to and under the Power Purchase Contract; and (D) all right, title and interest of NCPA in, to and under the Construction Contract and the Agreement of Attornment.

“2018 Bonds” means collectively, the 2018 Series A Bonds and the 2018 Series B Bonds.

“2018 Series A Bonds” means the Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A.

“2018 Series B Bonds” means the Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B.

### **Pledge Effected by the Indenture**

NCPA has pledged and assigned the Trust Estate to the Trustee for the benefit of the Bondholders.

### **Nature of Obligation**

The Indenture provides that the principal, Redemption Price, if any, and Purchase Price thereof, and interest on the Bonds shall be payable solely from the NCPA Revenues and other funds pledged by NCPA under the Indenture and shall not constitute a charge against the general credit of NCPA. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of NCPA or any Project Participant is pledged to the payment of the principal, Redemption Price, if any, and Purchase Price of, or interest on the Bonds. NCPA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State of California or any public agency (other than NCPA) or any member of NCPA or any Project Participant. Neither the members of the Commission of NCPA nor any officer or employee of NCPA shall be individually liable for the Bonds or in respect of any undertakings by NCPA under the Indenture.

### **Application of NCPA Revenues**

NCPA Revenues are pledged by the Indenture to payment of the principal, Redemption Price, if any, and Purchase Price of, and interest on the Bonds, subject to the provisions of the Indenture permitting application for other purposes. The Indenture establishes the following Funds and Accounts for the application of Bond proceeds and NCPA Revenues:

**FUNDS****HELD BY**

Revenue Fund.....	NCPA
Operating Reserve Fund.....	Trustee
Operating Fund.....	NCPA
Debt Service Fund* .....	Trustee
Debt Service Account	
Debt Service Reserve Account	
Subordinated Indebtedness Fund.....	Trustee
Note Fund .....	Trustee
Reserve and Contingency Fund.....	NCPA
Renewal and Replacement Account	
Reserve Account	
General Reserve Fund .....	NCPA
Rate Stabilization Account	
General Account	

All NCPA Revenues received are to be deposited promptly in the Revenue Fund upon receipt thereof. Amounts in the Revenue Fund are to be paid monthly in the following order of priority for application therefrom as follows:

(1) To the Operating Reserve Fund, the amount, if any, required so that the balance in said Fund shall equal \$100,000 or such greater or lesser amount as shall be recommended by the Consulting Engineer to be on deposit in said Fund .

(2) To the Operating Fund, a sum which, together with any amount in the Operating Fund not set aside as a general reserve for NCPA Operating Expenses or as a reserve for working capital, is equal to the total moneys appropriated for NCPA Operating Expenses in the Annual Budget for the then current month. In addition, if the Supplemental Indenture authorizing a Series of Bonds so provides, amounts from the proceeds of such Bonds may be deposited in the Operating Fund and set aside as a reserve for working capital. Amounts in the Operating Fund shall be paid out from time to time by NCPA for reasonable and necessary NCPA Operating Expenses. The Indenture provides for the application of excess amounts in the Operating Fund to make up any deficiencies in certain other funds established under the Indenture with any balance to be deposited in the General Account of the General Reserve Fund.

(3) To the Debt Service Fund (i) for credit to the General Debt Service Subaccount, the amount, if any, required so that the balance in said subaccount, plus the amounts on deposit in all the other subaccounts in the Debt Service Account to the extent available to pay Accrued Aggregate Debt Service, as of the last day of the then current month, shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; (ii) for credit to the Debt Service Reserve Account, the amount, if any, required for such Account to equal the Debt Service Reserve Requirement for the Debt Service Reserve Account as of the last day of the then current month; and (iii) for credit to each Series Debt Service Reserve Account established for Future Bonds, the amount, if any, required for each such Account to equal the applicable Debt Service Reserve Requirement for such Series Debt Service Reserve Account as of the last day of the then current month; provided that the transfers to the Debt Service Reserve Account and each Series Debt Service Reserve Account shall be made to the Debt Service Reserve Account and each Series Debt Service Reserve Account without preference or priority between such transfers made in accordance with clauses (ii) and (iii) of this subsection (a), and in the event of any insufficiency of such moneys ratably based on the amount required to be deposited in each such Account, without any discrimination or preference. The Trustee will apply amounts in the General Debt Service Subaccount in the Debt Service Account to the payment of principal of and interest on the Bonds. In addition, the Trustee may, and if directed by NCPA

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\* If provided in a Supplemental Indenture authorizing a Series of Future Bonds which are not Participating Bonds, the Debt Service Fund shall include a Series Debt Service Reserve Account for each such Series of Future Bonds as to which a debt service reserve is to be established.

must, apply certain amounts in the Debt Service Account to the purchase or redemption of Bonds to satisfy sinking fund requirements prior to the due date of any Sinking Fund Installment. The Trustee must pay out of the Debt Service Account the amount required for the redemption of Bonds called for redemption pursuant to sinking fund requirements on any redemption date.

Amounts in the Debt Service Reserve Account are to be applied on the last business day of each month to make up any deficiency in the Debt Service Account with respect to Participating Bonds. Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account with respect to Participating Bonds, is sufficient to pay in full all Outstanding Participating Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account. So long as the amount in the Debt Service Fund available for such purpose is sufficient to pay all then Outstanding Participating Bonds in full (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made in the Debt Service Reserve Account. Whenever moneys on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement with respect to such Account, the excess will be deposited in the Revenue Fund.

In the event of the refunding of Participating Bonds, the Trustee shall, upon the direction of NCPA with the advice of Bond Counsel, withdraw from the Debt Service Reserve Account any and all of the amounts on deposit therein and hold such amounts for the payment of the principal or Redemption Price, if applicable, and interest on such Participating Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter the Participating Bonds being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal shall not be less than the Debt Service Reserve Requirement for the Debt Service Reserve Account.

Amounts in each Series Debt Service Reserve Account are to be applied on the last business day of each month to make up any deficiency in the Debt Service Account with respect to the Future Bonds secured by such Series Debt Service Reserve Account. Whenever the amount in a Series Debt Service Reserve Account, together with the amount in the Debt Service Account with respect to the Future Bonds secured by such Series Debt Service Reserve Account, is sufficient to pay in full all Future Bonds secured by such Series Debt Service Reserve Account then Outstanding in accordance with their terms, the funds on deposit in such Series Debt Service Reserve Account will be transferred to the Debt Service Account and applied to the payment or redemption of the Series of Future Bonds secured by such Series Debt Service Reserve Account. So long as the amount in the Debt Service Fund with respect to a Series of Future Bonds secured by a Series Debt Service Reserve Account is sufficient to pay all such Future Bonds then Outstanding in full (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made in such Series Debt Service Reserve Account. Whenever moneys on deposit in a Series Debt Service Reserve Account exceed the Debt Service Reserve Requirement with respect to such Account, the excess will be deposited in the Revenue Fund.

In the event of the refunding of Future Bonds secured by a Series Debt Service Reserve Account, the Trustee shall, upon the direction of NCPA with the advice of Bond Counsel, withdraw from the Series Debt Service Reserve Account securing such Future Bonds any and all of the amounts on deposit therein and hold such amounts for the payment of the principal or Redemption Price, if applicable, and interest on such Future Bonds; provided that such withdrawal shall not be made unless immediately thereafter the Future Bonds being refunded shall be deemed to have been paid pursuant to the Indenture,.

(4) To the Subordinated Indebtedness Fund, the amount, if any, required so that the balance in said Fund shall equal all principal and interest on outstanding Subordinated Indebtedness accrued and unpaid and to accrue to the end of the then current calendar month. The Trustee will apply amounts in the Subordinated Indebtedness Fund to the payment of interest and reserves on Subordinated Indebtedness in accordance with the provisions of the resolution, agreement or contract relating to the issuance of such Subordinated Indebtedness. However, if at any time the amounts in the Debt Service Fund are less than the amounts required by the Indenture, and there is not on deposit in the General Reserve Fund or in the Reserve and Contingency Fund or in the Note Fund available moneys sufficient to cure such deficiency, the

Trustee will transfer from the Subordinated Indebtedness Fund the amount necessary to make up such deficiency.

(5) To the Note Fund, the amount, if any, required so that the balance in said Fund shall equal all interest on outstanding Notes accrued and unpaid and to accrue to the end of the then current calendar month. The Trustee will apply amounts in the Note Fund to the payment of interest on Notes in accordance with the provisions of the resolution, agreement or contract relating to the issuance of such Notes. However, if at any time the amounts in the Debt Service Fund are less than the amounts required by the Indenture, and there is not on deposit in the General Reserve Fund or in the Reserve and Contingency Fund available moneys sufficient to cure such deficiency, the Trustee will transfer from the Note Fund the amount necessary to make up such deficiency.

(6) To the Reserve and Contingency Fund, for credit to (a) the Renewal and Replacement Account, the amount, if any, provided for deposit therein during the then current month in the current Annual Budget; and (b) the Reserve Account, the amount, if any, required so that the balance in said Account shall equal \$3,000,000 or such greater or lesser amount as shall be recommended by the Consulting Engineer to be on deposit in said Account.

Amounts in the Renewal and Replacement Account will be applied to the cost of Capital Improvements. To the extent not provided for in the then current Annual Budget or by reserves in the Operating Fund or from the proceeds of Bonds, amounts in the Reserve Account will be applied to the costs of Capital Improvements to the extent amounts in the Renewal and Replacement Account are not sufficient therefor, and to the payment of extraordinary operating and maintenance costs of the Project and contingencies.

If at any time the amounts in the Debt Service Fund are less than the amounts required by the Indenture, and there are not on deposit in the General Reserve Fund available moneys sufficient to cure such deficiency, then the Trustee will transfer from the Reserve Account and the Renewal and Replacement Account, in that order, the amount necessary to make up such deficiency.

Amounts in the Renewal and Replacement Account or the Reserve Account not required to meet any deficiencies in the Debt Service Fund or for any of the purposes for which such Accounts were established shall be transferred to the Operating Fund to the extent, if any, deemed necessary by NCPA, to make up any deficiencies therein. Any remaining excess shall be deposited into the General Account of the General Reserve Fund.

(7) To the Rate Stabilization Account of the General Reserve Fund, the amount, if any, provided for deposit therein during the then current month in the Annual Budget and, to the General Account of the General Reserve Fund, the balance, if any, in the Revenue Fund. NCPA must transfer from the General Reserve Fund: (a) to the Debt Service Fund amounts necessary to make up any deficiencies in required payments to the Debt Service Fund; and (b) to the Renewal and Replacement Account and the Reserve Account in the Reserve and Contingency Fund the amount necessary to make up any deficiencies in payments to said Accounts.

Amounts in the General Reserve Fund not required to meet any of the deficiencies described above will, upon determination of NCPA, be applied to or set aside for any one or more of the following: (a) transfer to the Revenue Fund; (b) the purchase or redemption of any Bonds, and expenses and reserves in connection therewith; (c) NCPA Operating Expenses or reserves therefor; (d) payments into any separate account or accounts established in the Construction Fund; (e) Capital Improvements or reserves therefor; (f) payment of principal of and interest on Subordinated Indebtedness or purchase or redemption of Subordinated Indebtedness; (g) payment of principal of and interest on Notes; and (h) any other lawful purpose of NCPA related to the Project. Bonds purchased or redeemed with amounts in the General Reserve Fund may be credited to Sinking Fund Installments thereafter to become due (other than the next due).

Deposits from the Revenue Fund into the Debt Service Fund, the Subordinated Indebtedness Fund, the Note Fund, the Reserve and Contingency Fund and the General Reserve Fund are to be made as soon as practicable in each month after the deposit of NCPA Revenues into the Revenue Fund, the Operating Reserve Fund and the Operating Fund have been made for such month, but not later than the last business day of such month.

### **Certain Requirements of and Conditions to Issuance of Bonds**

Bonds shall be authenticated by the Trustee pursuant to the Indenture upon compliance with certain requirements and conditions, including the following:

(a) The Trustee shall have received an Opinion of Bond Counsel to the effect that the Bonds of the Series being issued have been duly and validly authorized, issued and are valid and binding obligations of NCPA and as to certain other matters concerning the Indenture.

(b) The Trustee shall have received the amount, if any, necessary for deposit: (A) in the Debt Service Reserve Account so that the amount in such Account shall equal the Debt Service Reserve Requirement with respect to such Account calculated immediately after the authentication and delivery of each Series of Participating Bonds and (B) in the Series Debt Service Reserve Account, if any, established with respect to each Series of Future Bonds, so that the amount in such Account shall equal the Debt Service Reserve Requirement, if any, with respect to such Account calculated immediately after the authentication and delivery of such Series of Future Bonds;

(c) Except in the case of Lender Bonds and Refunding Bonds, NCPA shall have certified that it is not in default in the performance of its agreements under the Indenture. In the case of Refunding Bonds such certificate may state that upon the application of the proceeds of the Refunding Bonds, NCPA will not be in default in the performance of its agreements under the Indenture.

The Indenture also provides that Principal Installments will be established at the time of issuance for each Series of Bonds so as to comply with the following:

(a) Principal Installments shall commence not later than the later of (A) the first day of the eighth Fiscal Year following the end of the Fiscal Year of authentication and delivery of such Series of Bonds or (B) the first day of the fifth Fiscal Year following the end of the Fiscal Year in which NCPA estimates that the Project will reach its Date of Firm Operation, and shall terminate not later than the date on which the Third Phase Agreement terminates.

(b) Such Principal Installments shall result in either (A) Substantially Equal Debt Service for the Bonds of such Series for the Fiscal Year immediately preceding the due date of the first such Principal Installment to occur subsequent to the Date of Firm Operation of the Project and for each Fiscal Year thereafter to and including the final maturity date of such Series or (B) Substantially Equal Adjusted Aggregate Debt Service for all Outstanding Bonds, including such Series being issued, for the first Fiscal Year in which Principal Installments become due on all Series of Bonds then Outstanding, including such Series being issued, beginning however no earlier than the Fiscal Year immediately preceding the due date of the first Principal Installment to occur subsequent to the Date of Firm Operation of the Project, and for each Fiscal Year thereafter to and including the Fiscal Year immediately preceding the latest maturity of any Series of Bonds Outstanding immediately prior to the issuance of such Series being issued or the Fiscal Year immediately preceding the latest maturity of such Series being issued, whichever is earlier (using in the case of any Series of Bonds sold by competitive bidding a net effective interest rate for the Bonds of such Series as estimated by NCPA); provided that, if the first Principal Installment of any Series of Bonds shall be less than 12 months after the date of issuance thereof, it shall be assumed, for purposes of this calculation, that interest accrued on such Series for the entire 12-month period preceding the first Principal Installment at the same rate as interest accrued for the actual portion of such period during which such Series of Bond was Outstanding.

### **Additional Bonds**

NCPA may issue one or more series of Additional Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the Project including paying the principal of and interest on any Subordinated Indebtedness or Notes issued for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the Project upon compliance with the conditions to issuance described above.

### **Refunding Bonds**

One or more Series of Refunding Bonds may be issued to refund any Outstanding Bonds of one or more Series or one or more maturities within a Series. Refunding Bonds shall be authenticated and delivered by the Trustee pursuant to the Indenture upon compliance with certain requirements and conditions, including the receipt by the Trustee of either (i) moneys sufficient to pay the applicable Redemption Price of the refunded Bonds to be redeemed plus the amount required to pay principal of refunded Bonds not to be redeemed together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, or (ii) Investment Securities in such amounts and having such terms as required by the Indenture to pay the principal or Redemption Price, if applicable, and interest due on and before the redemption date or maturity date, as the case may be.

### **Debt Service Reserves for Future Bonds**

Each Series of Future Bonds shall constitute Participating Bonds unless the Supplemental Indenture authorizing such Series of Future Bonds provides that such Series of Future Bonds shall not be Participating Bonds and, if such Series of Future Bonds is to be secured by a Series Debt Service Reserve Account, provides for the establishment of such Series Debt Service Reserve Account and establishes the Debt Service Reserve Requirement for such Account; provided, however, that each Series of Future Bonds shall constitute Participating Bonds unless at or prior to the issuance of such Series of Future Bonds the Trustee shall have received written confirmation from each rating agency then rating the Outstanding Bonds that the issuance of such Series of Future Bonds as other than Participating Bonds, in and of itself, will not result in the withdrawal or reduction in the rating of any Bonds, other than such Series of Future Bonds, to be Outstanding upon the issuance of such Series of Future Bonds.

### **Notice of Redemption**

The Trustee shall give notice of the redemption of any Bonds to be redeemed, which notice shall specify the redemption date and the place or places where amounts due upon redemption will be payable, and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable.

With respect to the redemption of any Bonds, the Trustee will mail a copy of such notice, not less than thirty (30) days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books.

Receipt of such notice shall not be a condition precedent to such redemption of the Bonds and failure to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds. Upon the request of NCPA, the Trustee shall also give notice of redemption to certain securities depositories and bond services as specified in the Indenture.

### **Interchangeability and Transfer**

Bonds, other than Lender Bonds, upon surrender thereof at the principal corporate trust office of the Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Holder or his

duly authorized attorney, may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and of other authorized denominations.

Except for Option Bonds deemed tendered but not actually tendered, Bonds shall be transferable only upon the books of NCPA, which shall be kept for such purposes at the principal corporate trust office of the Bond Registrar, by the Holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Register duly executed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, other than a Lender Bond, NCPA shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, NCPA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. For every such exchange or transfer of Bonds, NCPA or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

### **Investment of Certain Funds and Accounts**

The Indenture provides that certain Funds and Accounts held thereunder may, and in the case of the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund, the Subordinated Indebtedness Fund, and the Note Fund, subject to the terms of agreements relating to the issuance of the Subordinated Indebtedness and Notes, must, be invested to the fullest extent practicable in Investment Securities; provided that certain of such Funds and Accounts can only be invested in certain types of Investment Securities. The Indenture provides that such investments will mature no later than such times as necessary to provide moneys when reasonably expected to be needed for payments from such Funds and Accounts and provides specific limitations on the terms of investments for moneys in certain Funds and Accounts.

Prior to the completion of the Initial Facilities, interest and investment earnings (net of which (a) represents a return of accrued interest paid in connection with the purchase of any investment or (b) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts will be paid into the Construction Fund and after such date all such interest shall be paid into the Revenue Fund; except that to the extent provided in the Supplemental Indenture authorizing a Series of Additional Bonds to pay the Cost of Acquisition and Construction of Capital Improvements, all such interest earned on any moneys or investments in the account established in the Construction Fund for such Capital Improvements shall be retained in said account.

The Trustee may deposit moneys in all Funds and Accounts held by it under the Indenture in banks or trust companies organized under the laws of any state of the United States or national banking associations ("Depositaries"). All moneys held under the Indenture by the Trustee or any Depositary must be (1) either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (i) through (iv), inclusive, of the definition of "Investment Security" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which the Trustee or such Depositary is located, regarding security for the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee, the Depositaries or any Paying Agent to give security for the deposit of any moneys held in trust by it and set aside for the payment of principal or Redemption Price or Purchase Price of, or interest on, any Bonds or to give security for any moneys which are represented by obligations or certificates of deposit purchased as an investment of such moneys.

In computing the amount in any Fund created under the Indenture, obligations purchased as an investment of moneys therein shall be valued at the amortized costs of such obligations or the market value thereof, whichever is lower, exclusive of accrued interest except that obligations purchased as an investment of moneys in the Debt Service Reserve Account are to be valued at the amortized cost thereof.



## **Covenants**

### **Encumbrances: Disposition of Properties**

NCPA will not issue bonds, notes, debentures or other evidences of indebtedness, other than the Bonds, payable out of or secured by a pledge or assignment of the NCPA Revenues or other moneys, securities or funds held or set aside by NCPA, or the Fiduciaries under the Indenture, nor will it create, or cause to be created, any lien or charge thereon; provided, however, that nothing contained in the Indenture shall prevent NCPA from issuing, if and to the extent permitted by law, (1) evidences of indebtedness (a) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of the Project or (b) payable out of, or secured by a pledge and assignment of, NCPA Revenues to be derived on and after the discharge of the pledge of NCPA Revenues provided in the Indenture or (2) Subordinated Indebtedness or Notes issued in accordance with the provisions of the Indenture.

NCPA may, however, acquire, construct or finance through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the Project for the purposes of the Indenture and may secure such bonds, notes or other evidences of indebtedness by a mortgage of the facilities so financed or by a pledge of, or lien on, the revenues therefrom or any lease or other agreement with respect thereto or any revenues derived from such lease or other agreement; provided that such bonds, notes or other evidences of indebtedness shall not be payable out of or secured by the NCPA Revenues or any Fund or Account held under the Indenture and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the NCPA Revenues or from any such Fund or Account.

NCPA will not sell, lease, mortgage or otherwise dispose of the Project or consent to the sale, lease, mortgage or other disposal of the Project other than in accordance with the Third Phase Agreement.

### **Rate Covenant**

NCPA covenants in the Indenture that so long as any Bonds are Outstanding it will have good right and lawful power to establish charges and cause to be collected amounts with respect to the use of the Project, subject to the terms of the Third Phase Agreement. NCPA covenants in the Indenture that it will at all times establish charges and cause to be collected amounts with respect to the use of the Project, as shall be required to provide NCPA Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of all the following:

- (a) NCPA Operating Expenses during such Fiscal Year;
- (b) An amount equal to the Aggregate Debt Service for such Fiscal Year;
- (c) The amount, if any to be paid during such Fiscal Year into the Debt Service Reserve Account and each Series Debt Service Reserve Account in the Debt Service Fund;
- (d) The amount, if any, to be paid during such Fiscal Year into the Subordinated Indebtedness Fund;
- (e) The amount, if any, to be paid during such Fiscal Year into the Note Fund;
- (f) The amount to be paid during such Fiscal Year into the Reserve and Contingency Fund for credit to the Renewal and Replacement Account and the Reserve Account therein; and
- (g) All other charges or liens whatsoever payable out of NCPA Revenues during such Fiscal Year.

In estimating Aggregate Debt Service on any Adjustable Rate Bonds for purposes of the preceding paragraph, NCPA shall be entitled to assume that such Adjustable Rate Bonds will bear such interest rate or rates as

NCPA shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Adjustable Rate Bonds at the time of determination of Aggregate Debt Service.

NCPA will not furnish or supply or cause to be furnished or supplied any use or service of the Project free of charge to any person, firm or corporation, public or private, and NCPA will, consistent with the Project Agreements and upon the direction of the Trustee, enforce the payment of any and all accounts owing to NCPA by reason of the Project by discontinuing such use or service, or by filing suit therefor, as soon as practicable 30 days after any such accounts are due, or by both such discontinuance and by filing suit.

#### **Covenants with Respect to Third Phase Agreement and Project Agreements**

NCPA covenants that it will receive and deposit in the Revenue Fund all amounts payable to it under the Third Phase Agreement or otherwise payable to it pursuant to any contract for use of the Project or any part thereof. NCPA will enforce the provisions of the Third Phase Agreement and duly perform its covenants and agreements thereunder, and will not agree to or permit any rescission of or amendment to, or otherwise take any action under or in connection with, the Third Phase Agreement which would reduce the payments required thereunder or which would in any manner materially impair or materially adversely affect the rights or security of Bondholders under the Indenture; provided, however, NCPA is specifically authorized to make certain amendments relating to billing procedures and the sale price of surplus power and energy under the Third Phase Agreement and is also not prohibited from making any other amendments to the Third Phase Agreement.

Subject to the terms of the Indenture, NCPA will enforce or cause to be enforced the provisions of the Project Agreements to which it is a party and duly perform its covenants and agreements thereunder. NCPA will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Project Agreements which will in any manner materially impair or materially adversely affect the rights of NCPA thereunder or the rights or security of the Bondholders under the Indenture.

#### **Annual Budget**

NCPA will file with the Trustee an Annual Budget prepared in accordance with the Third Phase Agreement for each Fiscal Year commencing with the first Power Supply Year. The Annual Budget will set forth the estimated NCPA Revenues and NCPA Operating Expenses of the Project by month for such Fiscal Year and shall include monthly appropriations for the estimated amount to be deposited in each month of such Fiscal Year in the Revenue Fund, including provision for any general reserve for NCPA Operating Expenses and the amount to be deposited in the Renewal and Replacement Account, the Reserve Account in the Reserve and Contingency Fund, the Rate Stabilization Account in the General Reserve Fund and the requirements, if any, for the amounts estimated to be expended from each Fund and Account. NCPA shall review quarterly its estimates set forth in the Annual Budget and in the event such estimates do not substantially correspond with the actual NCPA Revenues, NCPA Operating Expenses or other requirements, NCPA shall adopt an amended Annual Budget for the remainder of such Fiscal Year. NCPA is also required to adopt such an amended Annual Budget if there are at any time during the year extraordinary receipts or payments of unusual costs. NCPA may also at any time in accordance with the provisions of the Third Phase Agreement, adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

#### **Insurance**

NCPA will at all times after commencement of construction of the Project, insure the Project or cause the Project to be insured against such causes customarily insured against and in such amounts as are usually obtained. NCPA will also use its best efforts to maintain or cause to be maintained any additional or other insurance which NCPA deems necessary or advisable to protect its interests and those of the Bondholders. If any useful portion of the Project is damaged or destroyed, NCPA shall, as expeditiously as possible, continuously and diligently enforce its right to cause to be prosecuted the reconstruction or replacement thereof. The proceeds of any insurance, including the proceeds of any self-insurance fund, paid on account of damage or destruction (other than any business interruption loss insurance) shall be held by the Trustee and applied, to the extent necessary, to pay the costs of reconstruction or replacement. The proceeds of any business interruption loss insurance shall be paid into the Revenue Fund unless otherwise required by the Third Phase Agreement.

### **Accounts and Reports**

NCPA will keep or cause to be kept proper and separate books of records and accounts relating to the Project and each Fund and Account established by the Indenture and relating to the costs and charges under the Third Phase Agreement. Such books, together with the Third Phase Agreement and all other books and papers of NCPA relating to the Project, will at all times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding.

NCPA will file annually with the Trustee an annual report for each Fiscal Year, accompanied by an Accountant's Certificate, relating to the Project, including a statement of assets and liabilities as of the end of such Fiscal Year, a statement of NCPA Revenues and NCPA Operating Expenses and a statement as to the existence of any default under the provisions of the Indenture.

NCPA will notify the Trustee forthwith of any Event of Default or default in the performance by NCPA of a provision of the Indenture. NCPA will file annually with the Trustee a certificate of an Authorized NCPA Representative stating whether, to the best of the signer's knowledge and belief, NCPA has complied with its covenants and obligations in the Indenture and whether there is then existing an Event of Default or other event which would become an Event of Default upon the lapse of time or the giving of notice, or both, and if any such default or Event of Default so exists, specifying the same and the nature and the status thereof.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture will be available for inspection of Bondholders at the office of the Trustee and will be mailed to each Bondholder who files a written request therefor with the Trustee. The Trustee may charge each Bondholder requesting such reports, statements or other documents a reasonable fee to cover reproduction, handling and postage.

### **Extension of Payment of Bonds**

NCPA covenants in the Indenture that it will not extend or assent to the extension of the maturity of any of the Bonds, other than Lender Bonds, or claims for interest. If the maturity of any of the Bonds, other than Lender Bonds, or claims for interest is extended, such Bonds or claims for interest shall not be entitled, in the case of any default under the Indenture, to the benefit of the Indenture or any payment out of NCPA Revenues, Funds or the moneys held by the Trustee or by any Paying Agent or any Depositary, except moneys held in trust for payment of (i) the principal of all Bonds Outstanding the maturity of which has not been extended, (ii) the portion of accrued interest on the Bonds which is not represented by such extended claims for interest and (iii) the accrued interest on the Lender Bonds. Nothing herein shall be deemed to limit the right of NCPA to issue Option Bonds or Refunding Bonds and neither such issuance nor the exercise by the Holder of any Option Bond of any of the rights appertaining to such Option Bond shall be deemed to constitute an extension of maturity of Bonds.

### **Amendments and Supplemental Indentures**

Any of the provisions of the Indenture may be amended by NCPA, with the written consent of the Banks, by a Supplemental Indenture upon the consent of the Holders of at least sixty percent in principal amount in each case of (1) all Bonds then Outstanding and (2) if less than all of the several Series of Outstanding Bonds are affected, the Bonds of each affected Series; excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any of such Bonds remain Outstanding. Any such amendment may not permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of or interest on any Outstanding Bond or make any reduction in principal, Redemption Price, Purchase Price or interest rate without the consent of each affected Holder, or reduce the percentages of consents required for a further amendment.

NCPA may enter into, with the written consent of the Banks (without the consent of any Holders of the Bonds or the Trustee), a Supplemental Indenture to close the Indenture against, or impose additional limitations upon, the issuance of Bonds or other evidences of indebtedness; to authorize Bonds of a Series; to add to the restrictions to be observed by NCPA contained in the Indenture; to add to the covenants of NCPA contained in the

Indenture; to confirm any lien or pledge under the Indenture; to authorize the establishment of a fund or funds for self-insurance; to authorize Subordinated Indebtedness or Notes; and to modify any of the provisions of the Indenture in any other respect if (i) no Bonds will be Outstanding at such time or (ii) such modification shall be, and be expressed to be, effective only after all Bonds then Outstanding cease to be Outstanding and all Bonds authenticated and delivered after the adoption of such Supplemental Indenture specifically refer to such Supplemental Indenture in the text of such Bonds. NCPA may enter into, with the written consent of the Banks, a Supplemental Indenture which shall be effective upon the consent of the Trustee (without the consent of any Holders of the Bonds) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision in the Indenture; or to clarify matters or questions arising under the Indenture and not contrary to or inconsistent with the Indenture.

### **Trustee; Payment Agents**

The Trustee may at any time resign on 60 days' notice to NCPA and the Banks. Such resignation will take effect on the date specified in such notice, or, if a successor Trustee has been appointed, such resignation will take effect immediately upon the appointment of such successor. The Trustee may at any time be removed by the Holders of a majority in principal amount of the Bonds then Outstanding. Successor Trustees may be appointed by the Banks and the Holders of a majority in principal amount of Bonds then Outstanding, and failing such an appointment NCPA shall appoint a successor to hold office until the Banks and the Bondholders act. The Trustee and each successor Trustee, if any, must be a bank, trust company, or national banking association doing business and having its principal office in New York, New York or Chicago, Illinois or Los Angeles, California or San Francisco, California and having capital stock and surplus aggregating at least \$50,000,000, if there be such an entity willing and able to accept the appointment. The Indenture requires the appointment by NCPA of one or more Paying Agents (which may include the Trustee).

Pursuant to the Indenture, the Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and has not been cured, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Subject to the above, neither the Trustee nor any Paying Agent shall be liable in connection with the performance of its duties under the Indenture except for its own negligence, misconduct or default.

NCPA will cause to be paid to the Trustee and any Paying Agent or Depositary reasonable compensation for all services rendered under the Indenture and all reasonable expenses, charges, counsel fees and other disbursements, incurred in the performance of its duties under the Indenture. Each Trustee, Paying Agent or Depositary has a lien on any and all funds held by it under the Indenture securing its rights to compensation except that the proceeds of Drawings under the Letters of Credit or any funds taken into account in calculating the amount drawn under a Letter of Credit are not available for such purpose. NCPA also agrees to indemnify and save each Trustee, Paying Agent or Depositary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture and which are not due to its negligence, misconduct or default.

### **Defeasance**

The pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of NCPA to the Bondholders under the Indenture will cease, terminate and become void and be discharged and satisfied whenever all Bonds have been paid in full. Bonds or interest installments will be deemed to have been paid for the purpose of the defeasance referred to above in this paragraph if on the maturity or redemption date thereof Eligible Moneys have been set aside and held in trust by the Paying Agents for such payment. Bonds, other than Lender Bonds, will be deemed to have been so paid prior to the maturity or redemption date thereof whenever the following conditions are met: (1) there have been deposited with the Trustee either Eligible Moneys in an amount which will be sufficient, or Investment Securities purchased with Eligible Moneys the principal of and the interest on which when due, will provide moneys which, together with the Eligible Moneys deposited, will be sufficient, to pay when due principal or Redemption Price, if applicable, and interest due and to become due on such Bonds, (2) in the case of Bonds to be redeemed prior to maturity, NCPA has given to the Trustee irrevocable instructions to mail

the notice of redemption therefor, and (3) NCPA has given to the Trustee irrevocable instructions to (i) mail, as soon as practicable, notice to the Holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay principal or Redemption Price, if applicable, on such Bonds and (ii) publish a similar notice.

For purposes of determining whether Adjustable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Investment Securities and moneys, if any, in accordance with the preceding paragraph, the interest to come due on such Adjustable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Assumed Interest Rate; provided, however, that if on any date, as a result of such Adjustable Rate Bonds having borne interest at less than the Assumed Interest Rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Adjustable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Adjustable Rate Bonds in order to satisfy the preceding paragraph, the Trustee shall, if requested by NCPA, pay the amount of such excess to NCPA free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Indenture.

Option Bonds shall be deemed to have been paid in accordance with the first paragraph of this heading only if there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal or Redemption Price, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the first paragraph of this heading, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal of and Redemption Price, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by NCPA, pay the amount of such excess to NCPA free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture.

### **Events of Default and Remedies**

Events of Default specified in the Indenture include (i) failure to pay principal or Redemption Price of any Bond when due; (ii) failure to pay any interest installment on any Bond or the unsatisfied balance of any Sinking Fund Installment thereon when due; (iii) failure to pay the Purchase Price of any Option Bond at the time required by the Indenture and such default shall continue for 10 days; (iv) as specified under any Reimbursement Agreement (none of which is in effect); (v) if there is default by NCPA for 120 days after written notice thereof from the Trustee or the Holders of not less than 10% in principal amount of the Bonds then Outstanding in the observance or performance of any other covenants, agreements or conditions contained in the Indenture or in the Bonds; (vi) NCPA shall apply for or consent to the appointment of a receiver or admit in writing its inability to pay its debts generally as they become due; and (vii) a proceeding shall be instituted in any court of competent jurisdiction under any law relating to bankruptcy, insolvency, reorganization or relief of debtors and the same shall result in an entry of an order for relief or continue undismissed or pending unstayed for a period of 60 days. Upon the happening of any such Event of Default described in clause (i), (ii), (iii), (v), (vi) or (vii) above, the Trustee or the Holders of not less than 25% in principal amount of the Bonds then Outstanding may declare the principal of and accrued interest on all Bonds then Outstanding due and payable (subject to a rescission of such declaration upon the curing of such default before the Bonds have matured).

Upon the occurrence of any Event of Default which has not been remedied, NCPA will, if demanded by the Trustee, (1) account, as a trustee of an express trust, for all NCPA Revenues and other moneys, securities and funds pledged or held under the Indenture and (2) cause to be paid over to the Trustee (a) forthwith, all moneys, securities and fund then held by NCPA in any Fund under the Indenture and (b) as received, all NCPA Revenues. The Trustee will apply all moneys, securities, funds and NCPA Revenues received during the continuance of any Event of Default in the following order: (1) to payment of the reasonable and proper charges, expenses and liabilities of the Trustee, the Depositaries and Paying Agents, (2) to the payment of NCPA Operating Expenses, and (3) to the payment of interest on and principal or Redemption Price of the Bonds without preference or priority of interest over principal or Redemption Price or of principal or Redemption Price over interest, unless the principal of all Bonds has not been declared due and payable, in which case first to the payment of interest on and second to the payment of

principal or Redemption Price of those Bonds which have become due and payable in order of their due dates, and in the amount available for such payment thereof, ratably, according to the amounts of interest or principal or Redemption Price, respectively, due on such date. In addition, the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of the Project.

If an Event of Default has occurred and has not been remedied, the Trustee may, and on request of the Holders of not less than 25% in principal amount of Bonds Outstanding must, proceed to protect and enforce its rights and the rights of the Bondholders under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Indenture or in aid of the execution of any power granted in the Indenture or any remedy granted under the Act, or for an accounting against NCPA as if NCPA were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Indenture. The Trustee may, and upon the request of the Holders of a majority in principal amount of the Bonds then Outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the Indenture or to preserve or protect the interests of the Trustee and of the Bondholders.

Upon the occurrence of an Event of Default, NCPA shall give notice to each Project Participant that such Project Participant shall make the payments due by it under the Third Phase Agreement directly to the Trustee.

Except as otherwise provided in the last sentence of this paragraph and except for the rights specifically conferred on the Banks and the Banks' Agent pursuant to the Indenture, no Bondholder will have any right to institute any suit, action or proceeding for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless (1) such Bondholder previously has given the Trustee written notice of an Event of Default, (2) the Holders of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers and institute such suit, action or proceeding, (3) there has been offered to the Trustee adequate security and indemnity against its costs, expenses and liabilities to be incurred and (4) the Trustee has refused to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity. The Indenture provides that nothing therein or in the Bonds affects or impairs NCPA's obligation to pay the Bonds and interest thereon due or the right of any Bondholder to enforce such payment of his Bonds.

The Banks' Agent or the Holders of not less than a majority in principal amount of Bonds then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction.

#### **Notice of Default**

The Trustee shall promptly mail written notice of the occurrence of any Event of Default to each Holder of Bonds at his address, if any, appearing on the registry books of NCPA.

#### **Unclaimed Moneys**

Any moneys held by the Trustee, a Paying Agent or Depositary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at maturity or by call for redemption (unless such moneys were not held at the time of such maturity or call for redemption, and then which remain unclaimed for six years after the date of deposit of such moneys with the Trustee, Paying Agent or Depositary), shall, at the written request of NCPA and after meeting certain publication requirements, be repaid to NCPA, and such Trustee, Paying Agent or Depositary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to NCPA for the payment of such Bonds.

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## APPENDIX E

### PROPOSED FORMS OF CONTINUING DISCLOSURE AGREEMENTS

#### CONTINUING DISCLOSURE AGREEMENT BY AND BETWEEN THE NORTHERN CALIFORNIA POWER AGENCY AND U. S. BANK NATIONAL ASSOCIATION

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the Northern California Power Agency and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. NCPA and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by NCPA and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by NCPA pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Chairman, the General Manager, the Assistant General Manager, Finance and Administrative Services, and the Treasurer-Controller of NCPA or his or her designee, or such other officer or employee as NCPA shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by NCPA and which has filed with the Dissemination Agent a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.



“Listed Event” means any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean the original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) With respect to the 2018 Bonds, NCPA shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year of NCPA (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of NCPA may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for NCPA, NCPA shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, NCPA shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from NCPA, the Dissemination Agent shall contact NCPA to determine if NCPA is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with NCPA certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** NCPA’s Annual Report shall contain or include by reference the following:

- (i) A summary of the peak generating capability of the Project for the prior Fiscal Year;
- (ii) A summary of the average generating capability of the Project for the prior Fiscal Year;
- (iii) A summary of total energy generated with respect to the Project for the prior Fiscal Year; and

(iv) The audited financial statements of NCPA for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over NCPA and by the Governmental Accounting Standards Board. If NCPA's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of NCPA or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. NCPA shall clearly identify each such other document so included by reference.

#### **SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, NCPA shall give, or cause to be given, notice of occurrence of any of the following events with respect to the 2018 Bonds not later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) adverse tax opinions or the issuance by the Internal Revenue Service of a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes; or
- (ix) bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (iv), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and

orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, NCPA shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2018 Bonds, if material, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2018 Bonds or other material events affecting the tax status of the 2018 Bonds;

(ii) modifications to rights of the Owners of the 2018 Bonds;

(iii) optional, unscheduled or contingent 2018 Bond calls;

(iv) release, substitution or sale of property securing repayment of the 2018 Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional trustee or the change of name of a trustee;

(c) Whenever NCPA obtains knowledge of the occurrence of a Listed Event described in Section 5(b), NCPA shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If NCPA obtains knowledge of the occurrence of a Listed Event described in Section 5(a), or if NCPA has determined that knowledge of the occurrence of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, NCPA shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) or shall state that NCPA shall itself report such occurrence.

(e) If NCPA determines that the Listed Event described in Section 5(b) would not be material under applicable federal securities laws, NCPA shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by NCPA to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(vii) and (b)(iii) need not be given under this subsection any earlier than the notice

(if any) of the underlying event is given to Bondholders of affected 2018 Bonds pursuant to the Indenture.

**SECTION 6. Termination of Reporting Obligation.** The obligations of NCPA under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds. If such termination occurs prior to the final maturity of the 2018 Bonds, NCPA shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

**SECTION 7. Dissemination Agent.** NCPA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by NCPA pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association. NCPA shall be responsible for all fees and associated expenses of the Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, NCPA and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, NCPA shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by NCPA. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent NCPA from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If NCPA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, NCPA shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of NCPA or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds and the furnishing by such Bondholders of indemnity satisfactory to the Trustee against its costs and expenses, including, without limitation, fees and expenses of its attorneys, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause NCPA or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement

in the event of any failure of NCPA or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and NCPA satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and NCPA shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in the County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent NCPA has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to NCPA. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by NCPA. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. NCPA covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, NCPA also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination

Agent has been advised of such loss or damage and regardless of the form of action. The obligations of NCPA under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with NCPA, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from NCPA. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to NCPA for response. NCPA shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for NCPA, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To NCPA: Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678  
Attention: General Manager  
Telephone: (916) 781-3636  
Fax: (916) 783-7693

To the Dissemination Agent: U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

NCPA and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed the Disclosure Agreement to be executed as of the date set forth above.

**NORTHERN CALIFORNIA POWER AGENCY**

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

**U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

## EXHIBIT A

### NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Northern California Power Agency (“NCPA”)

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”)

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that NCPA has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between NCPA and U. S. Bank National Association, as Dissemination Agent. [NCPA anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent on behalf of the Northern California  
Power Agency

cc: NCPA



**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
[SIGNIFICANT SHARE PROJECT PARTICIPANT]  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the [Significant Share Project Participant] (the “Project Participant”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. The Project Participant and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Project Participant and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by the Project Participant pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the General Manager of the Project Participant, or his or her designee, or such other officer or employee as the Project Participant shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Project Participant and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SECTION 3. Provision of Annual Reports.**

(a) The Project Participant shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Project Participant (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Project Participant may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Project Participant, the Project Participant shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Project Participant shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Project Participant, the Dissemination Agent shall contact the Project Participant to determine if the Project Participant is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the Project Participant certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** The Project Participant’s Annual Report shall contain or include by reference the following:

(i) A summary of the operating results and selected balance sheet information for the Project Participant’s electric system for the most recently completed fiscal year;

(ii) A summary of power supply resources of the Project Participant’s electric system in tabular form for the most recently completed fiscal year;

(iii) A summary of customers, energy sales, revenues and peak demand of the Project Participant’s electric system in tabular form for the most recently completed fiscal year; and

(iv) The audited financial statements of the Project Participant’s electric utility fund for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Project Participant and by the Governmental Accounting Standards Board. If the Project Participant’s electric utility

fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Project Participant or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The Project Participant shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting.** Notices required by Section 3(a) or Section 8 of this Disclosure Agreement shall be filed with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Project Participant under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds.

**SECTION 7. Dissemination Agent.** The Project Participant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Project Participant pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Project Participant and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Project Participant shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Project Participant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Project Participant from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the Project Participant chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the Project Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Report.

**SECTION 10. Default.** In the event of a failure of the Project Participant or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Project Participant or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Project Participant or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and the Project Participant satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Project Participant shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in the County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Project Participant has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to the Project Participant. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Project Participant. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Project Participant covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction

or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Project Participant also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Project Participant under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Project Participant, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Project Participant. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Project Participant for response. The Project Participant shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Project Participant, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Project Participant, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Project Participant: [Significant Share Project Participant]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To the Dissemination Agent: U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

The Project Participant and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**[SIGNIFICANT SHARE PROJECT  
PARTICIPANT]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

## EXHIBIT A

### NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Northern California Power Agency ("NCPA")

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the "2018 Bonds")

Name of Obligated Party [Significant Share Project Participant] (the "Project Participant")

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that the Project Participant has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between the Project Participant and U. S. Bank National Association, as Dissemination Agent. [The Project Participant anticipates that the Annual Report will be filed by \_\_\_\_\_. ]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION, as Trustee  
on behalf of the Northern California Power Agency

cc: the Project Participant

**APPENDIX F**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

[Delivery Date]

Commission  
Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678

Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Northern California Power Agency (the “Agency”) in connection with issuance of \$68,875,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”), and \$1,340,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and, together with the 2018 Series A Bonds, the “2018 Bonds”). The 2018 Bonds have been issued pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1, and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5, of the Government Code of the State of California and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and the Indenture of Trust, dated as of March 1, 1985 by and between the Agency and U.S. Bank National Association, as successor trustee, as amended and supplemented (the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

The 2018 Bonds have been issued to provide the funds necessary to refund the Agency’s outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C and related purposes.

In such connection, we have reviewed the Indenture, the Hydroelectric Project Member Agreement, the Tax Certificate of the Agency relating to the 2018 Series A Bonds (the “Tax Certificate”), certificates of the Agency, the Trustee, the Project Participants and others, opinions of counsel to the Agency and to each Project Participant, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken



or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2018 Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency, and, with respect to the Hydroelectric Project Member Agreement, the Project Participants. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Hydroelectric Project Member Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2018 Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2018 Bonds, the Indenture, the Hydroelectric Project Member Agreement and the Tax Certificate, and their enforceability, may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty) right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2018 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2018 Bonds constitute the valid and binding special, limited obligations of the Agency payable solely from, and secured solely by, the Trust Estate.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Agency. The Indenture creates a valid pledge of the Trust Estate to secure the payment of the principal and redemption price of, and the interest on, the Bonds, including the 2018 Bonds, to the extent set forth in the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The 2018 Bonds are payable solely from the funds provided in the Indenture and shall not constitute a charge against the general credit of the Agency. The 2018 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Agency or

any of its income or receipts except the Trust Estate. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof, any member of the Agency or any Project Participant is pledged to the payment of the principal or redemption price of, or interest on, the 2018 Bonds. The 2018 Bonds are not a debt of the State of California, and said State or any public agency thereof (other than the Agency), any member of the Agency or any Project Participant is not liable for the payment thereof.

4. The Hydroelectric Project Member Agreement has been duly executed and delivered by the Agency and the Project Participants and constitutes a valid and binding agreement of the parties thereto.

5. Interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2018 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the 2018 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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## APPENDIX G

### DEBT SERVICE REQUIREMENTS ON THE HYDROELECTRIC PROJECT BONDS

The following table shows the combined annual debt service required for the Hydroelectric Project Bonds to be Outstanding upon delivery of the 2018 Bonds. Principal amounts set forth in the table below include sinking fund redemptions.

Year Ended (July 1)	Outstanding Hydroelectric Project Bonds Debt Service <sup>(1)</sup>	2018 Bonds				Aggregate Annual Debt Service
		2018 Series A Bonds		2018 Series B Bonds		
		Principal	Interest	Principal	Interest	
2018	\$ 33,967,009	-	\$ 832,240	-	\$ 7,610	\$ 34,806,859
2019	21,026,744	\$ 8,885,000	3,443,750	\$1,340,000	31,490	34,726,984
2020	21,049,196	10,730,000	2,999,500	-	-	34,778,696
2021	20,866,614	11,310,000	2,463,000	-	-	34,639,614
2022	20,939,996	11,850,000	1,897,500	-	-	34,687,496
2023	25,667,617	11,855,000	1,305,000	-	-	38,827,617
2024	22,111,823	14,245,000	712,250	-	-	37,069,073
2025	21,025,297	-	-	-	-	21,025,297
2026	21,030,291	-	-	-	-	21,030,291
2027	21,041,880	-	-	-	-	21,041,880
2028	21,053,181	-	-	-	-	21,053,181
2029	21,067,622	-	-	-	-	21,067,622
2030	21,115,969	-	-	-	-	21,115,969
2031	21,151,811	-	-	-	-	21,151,811
2032	25,129,267	-	-	-	-	25,129,267
	\$338,244,320	\$68,875,000	\$13,653,240	\$1,340,000	\$39,100	\$422,151,660

<sup>(1)</sup> Excludes the 2008 Series C Bonds which are being refunded with the proceeds of the 2018 Bonds. Interest rate on the 2008 Series A Bonds is assumed to be the swap rate. Interest rate on the outstanding unhedged variable rate Hydroelectric Project Bonds is assumed to bear interest at 4.00% per annum.

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**NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds**

**\$68,875,000**  
**2018 Refunding Series A**

**\$1,340,000**  
**2018 Taxable Refunding Series B**

March 13, 2018

**CONTRACT OF PURCHASE**

Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678

Ladies and Gentlemen:

Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself and Goldman Sachs & Co. LLC, as Underwriters (the “Underwriters”), hereby offers to enter into this Contract of Purchase (this “Purchase Contract”) with you, the Northern California Power Agency (“NCPA”). This offer is made subject to acceptance by NCPA prior to 11:00 P.M., New York time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon NCPA and the Underwriters. The Representative hereby represents that it has been duly authorized to execute this Purchase Contract and to take any action hereunder on behalf of the Underwriters.

NCPA acknowledges and agrees that (i) the purchase and sale of the Bonds (as hereinafter defined) pursuant to this Purchase Contract is an arm’s-length commercial transaction between NCPA and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as the agent or fiduciary of NCPA, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of NCPA with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter or any affiliate of an Underwriter has provided other services or is currently providing other services to NCPA on other matters) and the Underwriters have no obligation to NCPA with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) NCPA has consulted its own legal, financial and other advisors to the extent it has deemed appropriate in connection with the offering and sale of the Bonds.



1. Purchase, Sale and Delivery of the Bonds.

(a) Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters hereby agree to purchase and NCPA hereby agrees to sell to the Underwriters all (but not less than all) of NCPA's \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the "2018 Series A Bonds") and \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the "2018 Series B Bonds" and together with the 2018 Series A Bonds, the "Bonds"). The Bonds shall be dated the date of delivery thereof and shall mature on the dates and in the amounts set forth on Schedule I attached hereto. Interest on the Bonds shall be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2018. The aggregate purchase price of the Bonds shall be \$78,303,444.94 (representing the sum of (i) the purchase price of the 2018 Series A Bonds of \$76,966,592.93 (being the \$68,875,000.00 aggregate principal amount of the 2018 Series A Bonds, plus an original issue premium of \$8,253,396.95, less Underwriters' discount of \$161,804.02), and (ii) the purchase price of the 2018 Series B Bonds of \$1,336,852.01 (being the \$1,340,000.00 aggregate principal amount of the 2018 Series B Bonds, less Underwriters' discount of \$3,147.99)).

(b) The Bonds are to be issued and secured under and pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the "Indenture"), by and between NCPA and U.S. Bank National Association, as successor trustee (the "Trustee"), substantially in the form previously submitted to the Underwriters, with only such changes therein as shall be mutually agreed upon. Capitalized terms used herein and not defined shall have the meanings assigned to them in the Official Statement mentioned below.

The Bonds are being issued by NCPA for the purpose of providing funds, together with other available moneys, to refund NCPA's outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C (the "Refunded Bonds") and to pay the costs of issuance of the Bonds. Pursuant to an Escrow Agreement, dated as of April 1, 2018 (the "Escrow Agreement"), by and between NCPA and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), a portion of the proceeds of the Bonds, together with certain other available moneys, will be deposited into an escrow fund and will either be held as cash or will be used to purchase defeasance securities that will bear interest at such rates and will be scheduled to mature at such times and in such amounts, so that sufficient moneys will be available to pay the redemption price (100.0% of the principal amount) of the Refunded Bonds and accrued interest thereon to the redemption date, July 1, 2018.

NCPA and the Significant Share Project Participants have each agreed, pursuant to a Continuing Disclosure Agreement (each, a "Continuing Disclosure Agreement"), to be dated the Closing Date (as defined below), with the Trustee, to provide to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System (the "EMMA System") a copy of their respective annual audited financial statements, as well as certain operating data relating to the Project and such Project Participants' respective electric systems, and NCPA has agreed to provide to the MSRB notices of certain events relating to the

Bonds. A description of this undertaking is set forth in the Preliminary Official Statement and the Official Statement (both terms as defined below).

(c) At 8:00 A.M., California time, on April 4, 2018, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by NCPA and the Representative (such time and date being herein referred to as the “Closing Date”), NCPA will deliver to the Representative at the offices of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California (“Bond Counsel”), the closing documents hereinafter mentioned. The Bonds, registered to Cede & Co. and in definitive form, will be made available to the Representative one business day prior to the Closing Date (hereinafter defined) at the offices of Bond Counsel, or at such other place as may be designated by the Representative and shall be subsequently delivered on such date through the facilities of DTC by the Fast Automated Securities Transfer (F.A.S.T) system. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. Upon release of the Bonds, the Underwriters will pay the purchase price of each Series of the Bonds as set forth in subsection (a) of this Section 1, in immediately available funds to the order of NCPA. The releases and payments referenced in this subsection (c) are herein called the “Closing.”

## 2. Public Offering; Establishment of Issue Price.

(a) The Underwriters agree to reoffer the Bonds in a bona fide public offering at the initial offering prices or yields set forth in Schedule I attached hereto. After the initial offering, the Underwriters reserve the right to change such public offering prices as the Underwriters shall deem necessary in marketing the Bonds.

(b) The Representative, on behalf of the Underwriters, agrees to assist NCPA in establishing the issue price of the 2018 Series A Bonds and shall execute and deliver to NCPA at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, NCPA and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2018 Series A Bonds.

(c) The Representative confirms that the Underwriters have offered the 2018 Series A Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule I attached hereto. NCPA will treat the first price at which 10% of each maturity of the 2018 Series A Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Schedule 1 to Exhibit A sets forth the maturities of the 2018 Series A Bonds with respect to which the 10% test has been satisfied as of the execution of the Purchase Contract (“10% Test Maturities”). As set forth in Schedule 1 to Exhibit A, all of the maturities of the 2018 Series A Bonds are 10% Test Maturities.

(d) The Underwriters acknowledge that sales of any 2018 Series A Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this Section 2:

(1) “maturity” means 2018 Series A Bonds with the same credit and payment terms; 2018 Series A Bonds with different maturity dates, or 2018 Series A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities,

(2) “public” means any person other than an underwriter or a related party,

(3) “underwriter” means (A) any person that agrees pursuant to a written contract with NCPA (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2018 Series A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2018 Series A Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of 2018 Series A Bonds to the public),

(4) a purchaser of any of 2018 Series A Bonds is a “related party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(5) “sale date” means the date of execution of this Purchase Contract by all parties.

3. Use and Preparation of the Official Statement. NCPA has heretofore delivered to the Underwriters a Preliminary Official Statement dated March 2, 2018 relating to the Bonds (as supplemented or amended with the consent of the Underwriters, the “Preliminary Official Statement”), that NCPA has deemed final as of its date in accordance with paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”). NCPA shall deliver or cause to be delivered to the Underwriters, within seven (7) business days from the date hereof, copies of an official statement relating to the Bonds executed on behalf of and approved for distribution by NCPA in the form of the Preliminary Official Statement, as revised to conform to the terms of this Purchase Contract and to reflect the reoffering terms of the Bonds and with such other changes as shall have been approved by NCPA and consented to by the Underwriters (the “Official Statement”). NCPA shall deliver the Official Statement in “designated electronic format” (as defined in MSRB Rule G-32) and in such quantities as the Underwriters may request in order to comply with paragraph (b)(4) of Rule 15c2-12 and the

rules of the MSRB. NCPA hereby approves the distribution of the Preliminary Official Statement and the Official Statement and authorizes the use of copies of the Official Statement (including any amendment or supplement thereto) and the documents referred to therein in connection with the offering and sale of the Bonds by the Underwriters. The Representative hereby agrees to deliver a copy of the Official Statement to the MSRB in accordance with the applicable rules of the MSRB.

4. Representations of NCPA. NCPA represents to the Underwriters that, as of the date hereof and as of the Closing Date:

(a) NCPA has full legal right, power and authority to cause the Bonds to be authenticated and delivered, to execute and deliver this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party and the Third Phase Agreement, and to perform its obligations contained herein and therein in accordance with the Act and other applicable laws; and, by official action of NCPA prior to or concurrently with the acceptance hereof, NCPA has duly authorized and approved the issuance and delivery of the Bonds and the performance of its obligations contained herein and therein, the execution and delivery of this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party and the Third Phase Agreement and the performance of its obligations contained herein and therein and the consummation by it of all other transactions contemplated by this Purchase Contract, the Official Statement, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party and the Third Phase Agreement to have been performed or consummated at or prior to the Closing Date, all in accordance with the Act and other applicable laws, and NCPA is and will be in compliance with the provisions thereof in all material respects;

(b) NCPA is duly existing as a public entity organized under the laws of the State of California (the "State"), and under the Constitution and laws of the State has full legal right, power and authority to refinance all or part of the acquisition, construction and improvement of the Project;

(c) Between the date hereof and the Closing Date, except as contemplated by the Preliminary Official Statement and the Official Statement, NCPA will not have incurred any material liabilities, direct or contingent, or entered into any material transaction in either case other than in the ordinary course of business, and there shall not have been any material adverse change in the financial condition or prospects of NCPA or the Project;

(d) The performance by NCPA of its obligations contained in the Bonds and the execution and delivery of this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party and the Third Phase Agreement and the performance of its obligations contained herein and therein do not and will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution or agreement to which NCPA is subject or by which it is bound; NCPA is not, in any material respect, in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other

instrument to which it is a party or is otherwise subject and, no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or an event of default under any such instrument;

(e) Except as disclosed in the Preliminary Official Statement and the Official Statement, no litigation is, or at the Closing Date will be, pending or, to the knowledge of NCPA, threatened in any court (i) in any way questioning the corporate existence of NCPA or the titles of the officers of NCPA to their respective offices; (ii) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which NCPA is a party or the Third Phase Agreement or the collection of said revenues, or the pledge thereof, or contesting the powers of NCPA or any authority for the issuance and delivery of the Bonds or the performance of its obligations contained therein or the execution and delivery of this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party or the Third Phase Agreement or the performance of its obligations contained herein or therein, (iii) which would be likely to result in any material adverse change in the business, properties, assets or financial condition of NCPA relating to the Bonds or to have a material adverse effect on the ability of NCPA to meet its obligations under the Bonds, this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party or the Third Phase Agreement; or (iv) asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that if the Representative accepts at the Closing any change in the certificate referred to in Section 5(e)(3) hereof, the representations contained in this Section 4(e) shall be deemed modified to a like extent;

(f) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, NCPA of its obligations in connection with this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party or the Third Phase Agreement or the issuance, offering and sale of the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds;

(g) All material studies undertaken by or on behalf of NCPA with respect to the Project have been disclosed and/or made available to the Representative;

(h) The Joint Powers Agreement and the Third Phase Agreement are and shall be in full force and effect, and neither NCPA nor any of the Project Participants, respectively, is or shall be in default thereunder;

(i) The Bonds, the Indenture, the Third Phase Agreement, the Escrow Agreement, the Continuing Disclosure Agreements and the other documents described in the Preliminary Official Statement and the Official Statement conform in all material respects to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement; and the Bonds, when delivered as provided herein, will be validly issued and outstanding obligations of NCPA entitled to the benefits of the Indenture and the Third Phase Agreement;

(j) NCPA will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as the Underwriters may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for the distribution of the Bonds; provided that NCPA shall not be obligated to take any action that would subject it to the general service of process in any state or jurisdiction where it is not now so subject;

(k) As of its date and at the time of NCPA's acceptance hereof, the Preliminary Official Statement is true, complete, correct and final in all material respects, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, and, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) The Official Statement is and at all times subsequent hereto up to and including the Closing Date will be (unless an event occurs of the nature described in paragraph (m) hereof), true and correct in all material respects; and the Official Statement does not and will not (unless an event occurs of the nature described in paragraph (m) hereof) omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation is made as to any information included in the Official Statement relating to The Depository Trust Company ("DTC") or its book-entry only system;

(m) If between the date hereof and the date which is 25 days after the end of the underwriting period (as determined in accordance with paragraph (o) hereof), an event occurs which might or would cause the information contained in the Official Statement, as previously supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the information therein, in the light of the circumstances under which it was presented, not misleading, NCPA will notify the Representative, and, if in the opinion of NCPA or the Representative, or counsel to the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, NCPA will forthwith prepare and furnish to the Representative (at the expense of NCPA) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel to the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state

a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the end of the underwriting period, NCPA will furnish such information with respect to itself as the Representative may from time to time reasonably request;

(n) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (m) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the end of the underwriting period (as determined in accordance with paragraph (o) hereof), the Official Statement as so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(o) The term “end of the underwriting period” referred to in paragraphs (m) and (n) hereof shall mean the later of such time as (i) NCPA delivers the Bonds to the Representative or (ii) the Underwriters do not retain an unsold balance of the Bonds for sale to the public. Unless the Representative gives notice to the contrary, the end of the underwriting period shall be deemed to be the Closing Date;

(p) After the Closing, NCPA will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Representative shall reasonably object in writing or which shall be disapproved by counsel to the Underwriters;

(q) The financial statements of NCPA contained as Appendix B to the Official Statement do and will fairly present the financial position and results of operations of NCPA as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles applied consistently; and

(r) (e) Except as disclosed in the Preliminary Official Statement and the Official Statement, NCPA has not, in the last five years, failed in any material respect to comply with any previous continuing disclosure undertaking entered into by it under Rule 15c2-12 and as of the date hereof, NCPA is in compliance with all of its continuing disclosure obligations under Rule 15c-12.

5. Conditions to the Obligations of the Underwriters. The Underwriters have entered into this Purchase Contract in reliance upon the representations herein and the performance by NCPA of NCPA’s obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriters’ obligations under this Purchase Contract are and shall be subject to the following further conditions:

(a) The representations of NCPA contained herein shall be true and correct in all material respects at the date hereof and on the Closing Date.

(b) As of the Closing Date, the Official Statement shall not have been amended or supplemented pursuant to Section 4(l) hereof to disclose a material adverse change in or affecting NCPA, the Project Participants, the Bonds or the security and sources of payment therefor, the status of operation of the Hydroelectric Project or the required permits, licenses or approvals relating to the Hydroelectric Project, as each of the foregoing matters were described in the Official Statement prior to such amendment or supplement;

(c) At the time of the Closing, this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreements and the Third Phase Agreement shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by NCPA, all in substantially the forms heretofore submitted to the Representative, with only such changes as shall have been agreed to in writing by the Representative, and such Purchase Contract, Indenture, Escrow Agreement, Continuing Disclosure Agreements and Third Phase Agreement shall be in full force and effect and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative; NCPA shall perform or have performed its obligations required under or specified in this Purchase Contract, the Official Statement, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party and the Third Phase Agreement to be performed at or prior to the Closing; and there shall be in full force and effect such resolution or resolutions of the Commission of NCPA as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) The Underwriters may terminate this Purchase Contract by notification to NCPA if at any time after the date hereof and prior to the Closing Date any of the following shall occur:

(i) legislation shall be enacted by the State of California, the Congress of the United States or introduced and pending in or adopted by either House thereof or a decision by a Court of the State of California or the United States or the Tax Court of the United States shall be rendered or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made with respect to federal or state taxation upon revenues or other income of the general character expected to be derived by NCPA or upon interest received on securities of the general character of the 2018 Series A Bonds in the hands of the holders thereof which, in the judgment of the Underwriters, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices or yields, of the Bonds; or

(ii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general



character of the Bonds is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended or the Trust Indenture Act of 1939, as amended; or

(iii) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(iv) there shall have occurred any new outbreak or escalation of war or similar hostilities or declaration by the United States of a national emergency or war or any other national or international calamity or crisis (including in the financial markets), which, in the judgment of the Underwriters, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices or yields, of the Bonds; or

(v) there shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction or any national securities exchange shall have: (A) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Bonds or similar obligations; or (B) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers, which, in the judgment of the Underwriters, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices or yields, of the Bonds; or

(vi) a general banking moratorium shall have been declared by Federal, New York or California authorities having jurisdiction and shall be in force or a major financial crisis or a material disruption in commercial banking or securities settlement or clearance services shall have occurred, which, in the judgment of the

Underwriters, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices or yields, of the Bonds; or

(vii) any event shall occur, or information shall become known which makes untrue or incorrect in any material respect, as of the time of such event or information becoming known, any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event: (A) NCPA refuses to permit the Official Statement to be supplemented to supply such statement or information or (B) the effect of the Official Statement as so supplemented is, in the judgment of the Underwriters, to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices or yields, of the Bonds; or

(viii) the downgrading, suspension or withdrawal, or any official statement as to the likely downgrading, suspension or withdrawal of any rating of the Bonds or other Hydroelectric Project debt securities of NCPA.

(e) At or prior to the Closing Date, the Underwriters shall receive the following documents:

(1) the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to NCPA, dated the Closing Date, substantially in the form attached as Appendix F to the Official Statement, together with a reliance letter thereon addressed to the Representative, as representative of the Underwriters;

(2) a certificate or certificates, dated the Closing Date, of NCPA executed by its General Manager, its Assistant General Manager/CFO, Finance and Administrative Services, or other appropriate official, to the effect that (A) on the date of the Official Statement and on the Closing Date (unless an event shall have occurred of the nature described in Section 4(l)) and an amendment or supplement as been made to the Official Statement, in which case, including any amendment or supplement to the Official Statement as of such date) (i) the descriptions and statements of or pertaining to NCPA and the Project contained in the Official Statement were and are true and correct in all material respects; (ii) insofar as NCPA and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iii) insofar as the descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement are concerned, such descriptions, statements and data have been obtained from sources which NCPA believes to be reliable and NCPA has no reason to believe that they are untrue in

any material respect (provided that no representation is made as to DTC and its book-entry only system); (B) during the five-day period immediately preceding the Closing Date such official spoke by telephone with the Mayor or other appropriate official of the Significant Share Project Participants and asked each such individual questions relating to the representations to be made by such Significant Share Project Participant in the certificate to be delivered by such Significant Share Project Participant on the Closing Date and the information relating to such Significant Share Project Participant included in the Preliminary Official Statement and the Official Statement (including any amendment or supplement to the Official Statement as of such date), and in the course of such conversations no facts came to the attention of such official that would lead such official to believe that either the ability of any Significant Share Project Participant to comply with its obligations under the Third Phase Agreement has been materially and adversely affected or that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (C) the representations of NCPA in this Purchase Contract were true and correct as of the date made and are true and correct on and as of the Closing Date as if made on and as of the Closing Date, and NCPA has complied with and performed all of its covenants and agreements in this Purchase Contract to be complied with and performed at or prior to the Closing Date;

(3) a certificate dated the Closing Date, by the Chairman of the Commission or other appropriate official of NCPA and Jane E. Luckhardt, Esq., General Counsel to NCPA, to the effect that other than as described in the Preliminary Official Statement and the Official Statement (including any amendment or supplement to the Official Statement as of such date), no litigation is pending (with NCPA having received service of process) or, to their knowledge, threatened in any court (i) in any way questioning the corporate existence of NCPA or the titles of the officers of NCPA to their respective offices; (ii) seeking to restrain or enjoin the delivery of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds; (iii) in any way contesting or affecting the validity of the Bonds, the Indenture, the Escrow Agreement, the Third Phase Agreement, the Continuing Disclosure Agreements or this Purchase Contract; (iv) in any way contesting or affecting the collection of said revenues or the pledge thereof, or contesting the powers of NCPA or any authority for the issuance and delivery of the Bonds and the performance by NCPA of its obligations contained therein or the execution and delivery of the Indenture, the Escrow Agreement, the Third Phase Agreement, the Continuing Disclosure Agreement to which it is a party or this Purchase Contract and the performance of its obligations contained therein or herein; (v) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of NCPA relating to the Project or which would be likely to have a material adverse effect on the ability of NCPA to meet its obligations under the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement to which it is a party or the Third Phase Agreement; or (vi) asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made,

not misleading, which certificate shall be in form and substance acceptable to the Representative (but in lieu of such certificate, the Representative may in its discretion accept an opinion of Bond Counsel or Counsel to NCPA, acceptable to the Representative in form and substance, that in their opinion the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit);

(4) opinions of Orrick, Herrington & Sutcliffe LLP; Jane E. Luckhardt, Esq., and Spiegel & McDiarmid LLP, dated the Closing Date, substantially in the respective forms attached hereto as Exhibits B, C and D, respectively, with such changes as Counsel to the Underwriters may approve;

(5) a defeasance opinion of Bond Counsel relating to the defeasance of the Refunded Bonds, dated the Closing Date and addressed to the Trustee, in form and substance satisfactory to the Representative;

(6) certificates of the Project Participants, dated the Closing Date, substantially in the form attached hereto as Exhibit E, and of the Significant Share Project Participants, dated the Closing Date, substantially in the form attached hereto as Exhibit F (the Representative may, in its discretion, accept a legal opinion to the effect that the issues raised in any pending or threatened litigation mentioned therein are without substance or that the contentions of the plaintiffs therein are without merit);

(7) an opinion of counsel to each Project Participant substantially in the form attached hereto as Exhibit G;

(8) copies of the documents referred to in Section 5(c) in substantially the form previously submitted to the Representative with only changes, amendments, modifications or supplements as agreed to by the Representative;

(9) certified copies of all proceedings relating to the authorization and issuance of the Bonds certified by the General Manager or other appropriate official of NCPA;

(10) a certified copy of the general resolution of the Trustee and Escrow Agent authorizing the execution and delivery of the Indenture, the Escrow Agreement and the Continuing Disclosure Agreements, together with a certificate to the effect that (i) the Trustee and Escrow Agent is a national association existing under the laws of the United States of America; (ii) the Trustee has full corporate trust powers and authority to serve as Trustee under the Indenture and the Continuing Disclosure Agreements and the Escrow Agent has full corporate trust powers and authority to serve as Escrow Agent under the Escrow Agreement; and (iii) the Trustee's and Escrow Agent's actions in executing and delivering the Indenture and the Continuing Disclosure Agreements and the Escrow Agreement, respectively, is in full compliance with and does not conflict with any applicable law or governmental regulation currently in effect and does not conflict

with or violate any contract to which the Trustee or Escrow Agent is a party or any administrative or judicial decision by which the Trustee or Escrow Agent is bound;

(11) An opinion, dated the Closing Date and addressed to NCPA, the Underwriters, the Escrow Agent and the Trustee, of counsel to the Trustee and Escrow Agent, in such form as Bond Counsel and counsel to the Underwriters shall approve;

(12) A copy of the audited financial statements of NCPA included as Appendix B to the Preliminary Official Statement and the Official Statement, together with a letter from Baker Tilly Virchow Krause, LLP (the “Independent Auditors”), in form acceptable to the Underwriter, consenting to the references to such firm and the inclusion of such financial statements of NCPA in the Preliminary Official Statement and the Official Statement, or confirmation from NCPA in a form satisfactory to the Representative that no such consent shall be required under the terms of NCPA’s contract for services of the Independent Auditors;

(13) Tax certifications by NCPA in form and substance acceptable to Bond Counsel;

(14) Evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds;

(15) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code;

(16) A copy of the verification report prepared by Grant Thornton LLP, as verification agent, in connection with the Refunded Bonds;

(17) evidence satisfactory to the Representative that the Bonds shall have been rated at least “Aa3” and “AA–” by Moody’s Investors Service and Fitch Ratings, respectively; and neither of such ratings shall have been suspended, revoked or downgraded;

(18) A copy of any Blue Sky Memorandum with respect to the Bonds, prepared by Underwriters’ Counsel;

(19) an opinion of Norton Rose Fulbright US LLP, Underwriters’ Counsel, dated the Closing Date, substantially in the form attached hereto as Exhibit H; and

(20) such additional certificates, instruments and other documents as the Underwriters may reasonably deem necessary to evidence the truth and accuracy as of the Closing Date of NCPA’s representations and warranties contained in this Purchase Contract and the due performance or satisfaction by NCPA at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by NCPA pursuant to this Purchase Contract.

The opinions and certificates and other material referred to above shall be in form and substance satisfactory to the Representative and to Underwriters' Counsel.

If NCPA shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract and all obligations of the Underwriters hereunder may be terminated by the Underwriters at or at any time prior to the Closing by written notice delivered by the Representative to NCPA, and neither the Underwriters nor NCPA shall have any further obligations hereunder, except that the respective obligations of NCPA and the Underwriters set forth in Sections 6 and 8 hereof shall continue in full force and effect. In the event that the Underwriters fail (other than for a reason permitted under this Purchase Contract) to purchase, accept delivery of and pay for the Bonds on the Closing Date as herein provided, the amount of one percent (1%) of the principal amount of the Bonds will be accepted as and shall constitute full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and shall constitute full release and discharge of all claims and rights hereunder of NCPA against the Underwriters with respect to such failure. The Underwriters and NCPA understand that in such event the actual damages of NCPA may be greater or may be less than such amount. Accordingly, the Underwriters hereby waive any right to claim that the actual damages of NCPA are less than such sum, and the acceptance of this offer by NCPA shall constitute a waiver of any right NCPA may have to additional damages from the Underwriters. Except as set forth in Sections 6 and 8 hereof, no party hereto shall have any further rights against any other party hereunder with respect to such failure.

6. Expenses. NCPA shall pay or cause to be paid (or shall reimburse the Underwriters in the expense portion of the Underwriters' Discount for their payment of) the expenses incident to the performance of its obligations hereunder including but not limited to (a) the cost of the preparation and printing or other reproduction (for distribution on or prior to the date hereof) of the Indenture and the other documents mentioned herein; (b) the fees and disbursements of Orrick, Herrington & Sutcliffe LLP, Spiegel & McDiarmid LLP, Public Financial Management, Inc., the Trustee, the Escrow Agent, the verification agent and any other experts or consultants retained by NCPA; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; (e) the cost of immediately available funds for the Closing; and (f) the cost of preparation and printing or other reproduction of this Purchase Contract and any Blue Sky Memorandum, and of the preparation of the Preliminary Official Statement and the Official Statement and any supplement thereto, including a reasonable number of certified or conformed copies thereof; (g) the cost of printing such copies of the Preliminary Official Statement and the Official Statement and any supplement thereto as the Underwriters may request for use in connection with the public offering of the Bonds; (h) all other expenses incurred by them in connection with their public offering and distribution of the Bonds, including the fee and disbursements of Norton Rose Fulbright US LLP, Counsel to the Underwriters, and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure compliance review; (i) the fees of the California Debt and Investment Advisory Commission; and (j) any expenses incurred on behalf of NCPA's employees, including but not limited to, closing costs, meals, transportation and lodging of those employees. NCPA acknowledges that

the fees payable to the California Debt and Investment Advisory Commission in connection with the Bonds are the legal obligation of the Underwriters and not NCPA and NCPA consents to reimburse the Underwriters for such fees.

7. Notices. Any notice or other communication to be given to NCPA under this Purchase Contract may be given by delivering the same in writing to the Commission, Northern California Power Agency, 651 Commerce Drive, Roseville, California 95678, Attention: General Manager; and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to: Citigroup Global Markets Inc., 444 South Flower Street, 27th Floor, Los Angeles, CA 90071, Attention: Steve Dworkin, Managing Director.

[Remainder of page intentionally left blank.]

8. Parties in Interest; Survival of Representations and Agreements. This Purchase Contract, when accepted by NCPA in writing as heretofore specified, shall constitute the entire agreement between NCPA and the Underwriters with respect to the purchase of the Bonds and is made solely for the benefit of NCPA and the Underwriters (including any successor in business of an Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof. All the representations and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf the Underwriters, (b) delivery of and payment for the Bonds hereunder, and (c) any termination of this Purchase Contract.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.  
GOLDMAN SACHS & CO. LLC

By: Citigroup Global Markets Inc.,  
as Representative of the Underwriters

By:   
Managing Director

Accepted on March \_\_, 2018

NORTHERN CALIFORNIA POWER AGENCY

By: \_\_\_\_\_  
Assistant General Manager/CFO,  
Finance and Administrative Services



8. Parties in Interest; Survival of Representations and Agreements. This Purchase Contract, when accepted by NCPA in writing as heretofore specified, shall constitute the entire agreement between NCPA and the Underwriters with respect to the purchase of the Bonds and is made solely for the benefit of NCPA and the Underwriters (including any successor in business of an Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof. All the representations and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf the Underwriters, (b) delivery of and payment for the Bonds hereunder, and (c) any termination of this Purchase Contract.

Very truly yours,

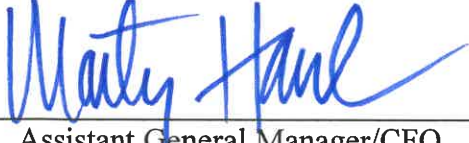
CITIGROUP GLOBAL MARKETS INC.  
GOLDMAN SACHS & CO. LLC

By: Citigroup Global Markets Inc.,  
as Representative of the Underwriters

By: \_\_\_\_\_  
Managing Director

Accepted on March 13, 2018

NORTHERN CALIFORNIA POWER AGENCY

By:   
Assistant General Manager/CFO,  
Finance and Administrative Services

**SCHEDULE I****NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds****\$68,875,000  
2018 Refunding Series A**

<u>Maturity Date (July 1)*</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
2019	\$ 8,885,000	5.00%	1.420%	104.388
2020	10,730,000	5.00	1.550	107.569
2021	11,310,000	5.00	1.650	110.529
2022	11,850,000	5.00	1.790	113.052
2023	11,855,000	5.00	1.910	115.339
2024	14,245,000	5.00	2.000	117.518

\* All of the maturities are 10% Test Maturities.

**\$1,340,000  
2018 Taxable Refunding Series B**

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2019	\$1,340,000	2.35%	100.0

[FORM OF ISSUE PRICE CERTIFICATE]

\$68,875,000

**NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A**

**ISSUE PRICE CERTIFICATE**

The undersigned, Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself and Goldman Sachs & Co. LLC, as Underwriters (as defined below) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Northern California Power Agency (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1 hereto.

2. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule 1 hereto as the “General Rule Maturities.” As set forth in Schedule 1 all of the Maturities of the Bonds are General Rule Maturities.

(b) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March 13, 2018.

(e) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the undersigned’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations

thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this 4<sup>th</sup> day of April, 2018.

CITIGROUP GLOBAL MARKETS INC.

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

Name: \_\_\_\_\_

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

**SCHEDULE 1 TO EXHIBIT A**  
**SALE PRICES OF THE GENERAL RULE MATURITIES**  
**AND INITIAL OFFERING PRICES OF THE**  
**HOLD-THE-OFFERING-PRICE MATURITIES (IF ANY)**  
*(To be Attached)*

**SCHEDULE 2 TO EXHIBIT A**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**  
*(To be Attached)*

## EXHIBIT B

[Letterhead of Orrick, Herrington & Sutcliffe LLP]

[Closing Date]

Citigroup Global Markets Inc.  
as Representative of the Underwriters  
Los Angeles, California

Re: NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds

\$68,875,000  
2018 Refunding Series A

\$1,340,000  
2018 Taxable Refunding Series B

Ladies and Gentlemen:

This letter is addressed to you, as the Underwriters, pursuant to Section 5(e)(4) of the Contract of Purchase, dated March 13, 2018 (the “Contract of Purchase”), between the Northern California Power Agency (the “Agency”) and Citigroup Global Markets Inc., as Representative, on behalf of itself and Goldman Sachs & Co. LLC, as underwriters (the “Underwriters”), providing for the purchase of the Agency’s \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018 and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), between the Agency and U.S. Bank National Association, as successor trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, the Contract of Purchase.

We have delivered our final legal opinion (the “Bond Opinion”) as bond counsel to the Agency concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Agency. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel and as disclosure counsel to the Agency, we have reviewed the Indenture, certain portions of the preliminary official statement of the Agency dated March 2, 2018 with respect to the Bonds (the “Preliminary Official Statement”) and of the official statement of the Agency dated March 13, 2018 with respect to the Bonds (the “Official Statement”), the Contract of Purchase, certificates of the Agency, the Trustee, the Underwriters, the Project Participants and others, opinions of counsels to the Agency, the Project Participants and others, and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth in the numbered paragraphs below.

The opinions and conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate and the Contract of Purchase and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), rights of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The statements contained in the Official Statement under the captions "INTRODUCTION," "PLAN OF REFUNDING," "THE 2018 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS," "TAX MATTERS," "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," "APPENDIX E – PROPOSED FORMS OF CONTINUING DISCLOSURE AGREEMENTS" and "APPENDIX F – PROPOSED FORM OF BOND COUNSEL OPINION," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Act, the Bonds, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreements and the Third Phase Agreement and our Bond Opinion are accurate in all material respects; provided, however, that no opinion is expressed with respect to any statements relating to The Depository Trust Company ("DTC") or its operations.

We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 3 above), completeness or fairness of any of the statements



contained in the Preliminary Official Statement or in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. We do not assume any responsibility for any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. In our capacity as bond and disclosure counsel to the Agency in connection with issuance of the Bonds, we participated in conferences with your representatives, your counsel, representatives of the Agency, Public Financial Management, Inc., the Significant Share Project Participants, their respective counsel and others, during which conferences the contents of the Preliminary Official Statement or the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences, and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned, subject to the following limitations on our role as bond counsel and disclosure counsel to the Agency, we advise you as a matter of fact and not opinion that (a) as of [the pricing date], no facts had come to the attention of the attorneys in our firm rendering legal services with respect to the Bonds and the Preliminary Official Statement which caused us to believe as of its date and as of [the pricing date] that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (b) as of the date of the Official Statement and as the date hereof, no facts had come to the attention of the attorneys in our firm rendering legal services with respect to the Bonds and the Official Statement which caused us to believe as of the date of the Official Statement and as of the date hereof that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, we expressly exclude from the scope of this paragraph and express no opinion or view about (i) any difference in information contained in the Preliminary Official Statement compared to what is contained in the Official Statement, whether or not related to pricing or sale of the Bonds, and whether any such difference is material and should have been included in the Preliminary Official Statement, and (ii) with respect to both the Preliminary Official Statement and the Official Statement, any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation, any management discussion and analysis, any statements about compliance with prior continuing disclosure undertakings, Appendices B through G thereto, or any information about book-entry, DTC, ratings, rating agencies, underwriters, underwriting, swaps or swap providers included or referred to therein or omitted therefrom.

This letter is furnished by us as bond and disclosure counsel to the Agency. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as the Underwriters of the Bonds, is solely for your benefit as such Underwriters and is not to be used, circulated, quoted or otherwise referred to or relied upon by you for any other purpose. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

[Form of Opinion of General Counsel to NCPA]

[Closing Date]

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds

\$68,875,000  
2018 Refunding Series A

\$1,340,000  
2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am general counsel for Northern California Power Agency (“NCPA”). This opinion is being provided in accordance with your request pursuant to the Contract of Purchase, dated March 13, 2018 (the “Contract of Purchase”), between NCPA and Citigroup Global Markets Inc., as Representative, on behalf of itself and Goldman Sachs & Co. LLC, as underwriters (the “Underwriters”), providing for the purchase of NCPA’s \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “Bonds”). Terms used herein which are defined in said Contract of Purchase shall have the meanings specified therein or, if not defined therein, in the official statement dated March 13, 2018, relating to the Bonds (the “Official Statement”).

NCPA is a joint powers agency and a public entity, created under the laws of the State of California and more specifically the Joint Exercise of Power Act (California Government Code §§ 6500 et seq.). Certain of the members of NCPA, to wit, the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara and Ukiah and associate member, the Plumas-Sierra Rural Electric Cooperative, herein called the “Project Participants,” have entered into an agreement with NCPA dated as of September 1, 1982, entitled “Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project,” which, as amended to the date hereof, is referred to as the “Third Phase Agreement.”

## Opinion

It is my opinion that:

1. NCPA has full power, authority and legal right to execute, deliver and perform the Contract of Purchase, the Third Phase Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, dated April 4, 2018 (the “Continuing Disclosure Agreement”), between NCPA and the Trustee and the Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), between NCPA and U.S. Bank National Association, as successor trustee.

2. The execution, delivery and performance by NCPA of the Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement have been duly authorized by all appropriate action and do not and will not (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to NCPA or (ii) result in a breach of or constitute a default under any indenture or loan or credit agreement, lease or instrument to which it is a party or by which it or its properties may be bound or affected.

3. All authorizations, consents, approvals, licenses, exemptions of or registrations with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, necessary to the valid execution, delivery or performance by NCPA of the Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement have been obtained or effected, and are and will remain in full force and effect. I express no opinion regarding notice to or filings with the California Debt and Investment Advisory Commission or with respect to any securities laws.

4. The Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement constitute the legal, valid and binding obligations of NCPA enforceable against NCPA in accordance with their respective terms.

5. The respective obligations of the Project Participants under the Third Phase Agreement are secured by the promise of each Project Participant to make payments out of electric department revenues as an operating expense.

6. NCPA is entitled to receive any and all amounts payable by the Project Participants pursuant to the Third Phase Agreement free and clear of all rights and interests of others except as provided in the Indenture.

7. NCPA has duly authorized, executed and delivered the Official Statement.

8. Except as disclosed in the Preliminary Official Statement and the Official Statement, there are to my knowledge no actions, suits or proceedings pending or threatened against NCPA or its properties before any court or governmental department, commission,

board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely, would have a material adverse effect on the business or financial condition of NCPA.

9. The statements in the Preliminary Official Statement and the Official Statement under the caption “LITIGATION” and the statements as to California law under the captions “RATE REGULATION” and “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” accurately summarize the matters set forth therein.

Without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement (except to the extent expressly set forth in the preceding sentence) and based upon the information made available to me during the preparation of the Preliminary Official Statement and the Official Statement as General Counsel to NCPA, nothing has come to my attention which causes me to believe that the information contained in the Preliminary Official Statement and the Official Statement under the captions “NORTHERN CALIFORNIA POWER AGENCY,” “LITIGATION” and “RATE REGULATION” (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions, as to all of which I express no view), as of its date or as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering my opinions herein, I have made no investigation of, and do not express any opinion with respect to, the following as they may relate to the valid, binding and enforceable nature of the Third Phase Agreement: (i) the legal existence or formation of any of the Project Participants or the incumbency of any official or officer thereof, (ii) the charter, by laws or other governing instrument of any of the Project Participants, (iii) any local or special acts or any ordinance, resolution or other proceedings of any of the Project Participants, including, without limitation, any proceedings relating to the negotiation or authorization of the Third Phase Agreement or the execution, delivery or performance thereof, (iv) any bond resolution, indenture, contract, debt instrument, agreement or other instrument, agreement or other instrument (other than the Third Phase Agreement) or any governmental order, regulation or rule of or applicable to any of the Project Participants, (v) any judicial order, judgment or decree in a proceeding to which any of the Project Participants is a party or (vi) any approval, consent, filing, registration or authorization by or with any regulatory authority or other governmental or public agency, authority or person which may be or has been required for the authorization, execution, delivery or performance by any of the Project Participants of the Third Phase Agreement. NCPA has received, independent from this opinion, opinions with respect to, among other things, the validity and enforceability of the Third Phase Agreement rendered by the respective legal counsel to the Project Participants.

The enforceability of the Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement may be limited by bankruptcy, insolvency, moratorium and similar laws or equitable principles affecting the rights of creditors generally.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed only to the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

No attorney-client relationship has existed or exists between me and yourselves in connection with the Bonds or by virtue of this letter. This letter is solely for the information of, and assistance to, you as the Underwriters and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds except that reference may be made to this letter in any list of closing documents pertaining to the sale of the Bonds.

Sincerely,

JANE E. LUCKHARDT  
General Counsel

**EXHIBIT D**

[Letterhead of Spiegel & McDiarmid LLP]

[Closing Date]

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re:	NORTHERN CALIFORNIA POWER AGENCY	
	Hydroelectric Project Number One Revenue Bonds	
	\$68,875,000	\$1,340,000
	2018 Refunding Series A	2018 Taxable Refunding Series B

Ladies and Gentlemen:

We are counsel to Northern California Power Agency (“NCPA”) in connection with the litigation described in NCPA’s Preliminary Official Statement dated March 2, 2018 (the “Preliminary Official Statement”) and the Official Statement dated March 13, 2018 (the “Official Statement”), under the captions “LITIGATION – Market Redesign” and “LITIGATION – California Energy Market Dysfunction, Refund Dispute and Related Litigation.” In giving this opinion, we have examined such documents and instruments as we deem appropriate, including:

- (a) the Preliminary Official Statement and the Official Statement,
- (b) The documents associated with the current status of each of the proceedings described, together with such statutes and decisions relevant thereto as we deem relevant.

Based upon the foregoing, we are of the opinion that the statements in the Preliminary Official Statement and the Official Statement under the captions “LITIGATION – Market Redesign” and “LITIGATION – California Energy Market Dysfunction, Refund Dispute and Related Litigation” and “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – ISO Markets,” and, with respect to federal regulation, under the caption “RATE REGULATION” accurately summarize the matters set forth therein, and nothing has come to our attention which would lead us to believe that such statements contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in the light of the circumstances under which they are made, not misleading. These representations, of course,

are made with respect to the current state of the law, and recognize that in these matters, as in most others, the law is subject to change from time to time.

We consent to the references to us in the Preliminary Official Statement and the Official Statement.

Sincerely,

**EXHIBIT E**

**CERTIFICATE OF PROJECT PARTICIPANT**

I, [name], [Mayor or other appropriate official] of the [name of Project Participant] do hereby certify:

Other than as set forth in the Preliminary Official Statement dated March 2, 2018 (the “Preliminary Official Statement”) and the Official Statement dated March 13, 2018, [as amended and supplemented to the date hereof] (the “Official Statement”) of the Northern California Power Agency, relating to the \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and the \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B, no litigation is pending or, to my knowledge, threatened (1) in any way contesting or affecting the validity of the Third Phase Agreement (as defined therein), or (2) against [name of Project Participant] or involving any of the property or assets which comprise the electric system of [name of Project Participant] that could materially and adversely affect the ability of [name of Project Participant] to meet its obligations under such Third Phase Agreement.

Dated: [Closing Date]

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[Title]



## EXHIBIT F

### CERTIFICATE OF SIGNIFICANT SHARE PROJECT PARTICIPANT

I, [name], [Mayor or other appropriate official] of the [name of Project Participant] do hereby certify:

(a) The information concerning [name of Project Participant] (the “Participant Information”) in Appendix A to the Preliminary Official Statement dated March 2, 2018 (the “Preliminary Official Statement”) and the Official Statement dated March 13, 2018 [as amended and supplemented to the date hereof] (the “Official Statement”) of the Northern California Power Agency, relating to the \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and the \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “Bonds”) was as of the dates thereof, and is as of the date hereof, true and correct in all material respects and did not and does not omit to state any material fact which is necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(b) Since the date of the Participant Information, except as referred to in or as contemplated by the Preliminary Official Statement and the Official Statement, with respect to its electric system, [name of Project Participant] has not incurred any material liabilities, direct or contingent, or entered into any transactions, nor has there been any adverse change in the condition, financial or physical, of the electric system of [name of Project Participant], in each case that would materially and adversely affect the ability of [name of Project Participant] to meet its obligations under the Third Phase Agreement (as defined in the Preliminary Official Statement and the Official Statement) to which it is a party; and

(c) The Continuing Disclosure Agreement relating to the Bonds to which [name of Project Participant] has been duly authorized, executed and delivered by [name of Project Participant] and, [except as disclosed in the Preliminary Official Statement and the Official Statement,] [name of Project Participant] has not, in the last five years, failed in any material respect to comply with any previous continuing disclosure undertaking entered into by it under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

Dated: [Closing Date]

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[Title]

**EXHIBIT G**

[Form of Opinion of Counsel to Participant]

[Closing Date]

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds

\$68,875,000  
2018 Refunding Series A

\$1,340,000  
2018 Taxable Refunding Series B

Dear Sirs:

I am [we are] acting as counsel to the \_\_\_\_\_ (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I [we] have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I [we] have examined and am [are] familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I [we] deem necessary or advisable to enable me [us] to render this opinion, including the Constitution and laws of the State of California together with the [charter], other governing instruments, ordinances and public proceedings of the Participant, I [we] am [are] of the opinion that:

1. The Participant is [state form of organization] \_\_\_\_\_, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.

2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of, the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its Electric System as provided in the Agreement.

5. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my [our] knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my [our] knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

## EXHIBIT H

[Letterhead of Norton Rose Fulbright US LLP]

[Closing Date]

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds

\$68,875,000  
2018 Refunding Series A

\$1,340,000  
2018 Taxable Refunding Series B

Ladies and Gentlemen:

We have acted as counsel to you, Citigroup Global Markets Inc. and Goldman, Sachs & Co. LLC, as the underwriters (the “Underwriters”) named in the Contract of Purchase dated March 13, 2018 (the “Contract of Purchase”), between you and the Northern California Power Agency (the “Agency”), in connection with the issue and sale of the Agency’s \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds and together with the 2018 Series A Bonds, the “Bonds”).

The Bonds are being issued pursuant to the provisions of Article 4 of the Joint Exercise of Powers Act of the State of California (the “Act”), Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, and an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between the Agency and U.S. Bank National Association, as successor trustee (the “Trustee”). The Bonds are being issued by the Agency for the purpose of providing funds to refund certain of the Agency’s outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C and to pay the costs of issuance of the Bonds.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Contract of Purchase, or if not defined therein, in the Indenture.

We have reviewed, among other documents, the Contract of Purchase, the Preliminary Official Statement dated March 2, 2018 with respect to the Bonds (the “Preliminary Official Statement”), the Official Statement dated March 13, 2018 with respect to the Bonds (the “Official Statement”), the Indenture, the Continuing Disclosure Agreements of the Agency and

the Significant Share Project Participants (the “Continuing Disclosure Agreements”), certificates of the Agency, the Project Participants, the Trustee and others, the opinions referred to in the Purchase Contract and such other records, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusions hereinafter expressed.

In arriving at the conclusions hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referenced above (including the accuracy of all factual matters represented and legal conclusions contained therein), including (without limitation) representations and legal conclusions regarding the due authorization, execution, delivery, validity and enforceability of the Indenture, the Continuing Disclosure Agreements, the Third Phase Agreement, the Escrow Agreement and the Bonds, the due authorization of the Official Statement, and the exclusion from the gross income of the owners thereof for federal income tax purposes of interest on the 2018 Series A Bonds. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We understand that with respect to the matters covered by the approving opinion of Orrick, Herrington & Sutcliffe LLP as bond counsel to the Agency (“Bond Counsel”), dated the date hereof, you have received a letter from Bond Counsel allowing you to rely on such opinion.

The opinions and conclusions expressed herein are limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

Based on and subject to the foregoing, and in reliance thereon, we are of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

Assuming the due authorization, execution and delivery of the Continuing Disclosure Agreements by the parties thereto and the enforceability thereof, the Continuing Disclosure Agreements are in a form which satisfies the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

In our capacity as counsel to the Underwriters, we have rendered certain legal advice and assistance to you in connection with the preparation of the Preliminary Official Statement and the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephonic conferences with, among others, your representatives and representatives of the Agency, counsel to the Agency, the Significant Share Project Participants and their counsel, Public Financial Management, Inc. as financial advisor, and Orrick Herrington & Sutcliffe LLP as Bond Counsel and disclosure counsel to the Agency, at which meetings and during which telephonic conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing

(but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance to you in connection with the preparation of the Preliminary Official Statement and the Official Statement which cause us to believe that (a) the Preliminary Official Statement as of its date and as of [the pricing date] (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Preliminary Official Statement under the caption "TAX MATTERS" and in Appendices B through G to the Preliminary Official Statement; as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yields, interest rates, maturities, amortization, redemption provisions, ratings, debt service requirements, Underwriters' discount and CUSIP numbers, or (b) the Official Statement as of its date or as of the date hereof (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the caption "TAX MATTERS" and in Appendices B through G to the Official Statement; as to all of which we express no view) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

We are furnishing this letter to you solely for your benefit as Underwriters. This letter may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person or filed with any governmental or other administrative agency or other person or entity for any purpose without our prior written consent. This letter is not intended to, and may not, be relied upon by the owners of the Bonds. Our engagement with respect to this matter terminates upon the delivery of this letter to you at the time of the closing relating to the Bonds, and we have no obligation to update this letter.

Respectfully submitted,

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**ESCROW DEPOSIT AGREEMENT**

Between

**NORTHERN CALIFORNIA POWER AGENCY**

and

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

**Dated as of April 1, 2018**

**Relating to**

**Hydroelectric Project Number One Revenue Bonds,  
2008 Refunding Series C**

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## **ESCROW DEPOSIT AGREEMENT**

Relating to

Northern California Power Agency

Hydroelectric Project Number One Revenue Bonds,  
2008 Refunding Series C

**THIS ESCROW DEPOSIT AGREEMENT**, dated as of April 1, 2018, by and between Northern California Power Agency (“NCPA”) and U.S. Bank National Association, New York, New York, as successor trustee (the “Trustee”) under the Indenture of Trust, dated as of March 1, 1985 (the “Original Indenture”), as supplemented and amended, by and between NCPA and the Trustee,

### **W I T N E S S E T H:**

**WHEREAS**, NCPA has previously authorized and issued its Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C under the Original Indenture as amended and supplemented, including the supplements thereto made by the Eighteenth Supplemental Indenture of Trust, dated as of July 1, 2008 (the “2008 Series C Bonds”); and

**WHEREAS**, the outstanding 2008 Series C Bonds are subject to redemption at the option of NCPA as a whole on any date and in part on any January 1 or July 1 on and after July 1, 2018; and

**WHEREAS**, NCPA has determined to exercise its option to redeem all of the outstanding 2008 Series C Bonds (the “Refunded Bonds”) on July 1, 2018 (the “Redemption Date”) at a redemption price equal to one hundred percent of the principal amount of the Refunded Bonds together with accrued but unpaid interest on the Refunded Bonds to the Redemption Date (the “Redemption Price”); and

**WHEREAS**, NCPA has determined to provide the Trustee with the funds which, together with the interest thereon as provided herein, will provide the funds necessary to pay the Redemption Price of the Refunded Bonds on the Redemption Date (the “Escrow Requirements”); and

**WHEREAS**, for the purpose of paying and refunding the Refunded Bonds, NCPA has issued the following: pursuant to (i) the Original Indenture as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between NCPA and the Trustee (the “Twenty-Fourth Supplemental Indenture”), \$68,875,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”); and (ii) the Original Indenture, as supplemented by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between NCPA and the Trustee (the “Twenty-Fifth Supplemental Indenture”), \$1,340,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding

Series B (the “2018 Series B Bonds” and, together with the 2018 Series A Bonds, the “2018 Bonds”); and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements herein contained, NCPA and the Trustee agree as follows:

**SECTION 1. Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings herein given such terms in the Original Indenture, as amended and supplemented by the Supplemental Indentures of Trust.

In addition, the following terms shall, unless the context otherwise requires, have the meanings set forth below.

“**Defeasance Securities**” shall mean the noncallable, direct obligations of the United States of America described in Exhibit A hereto.

“**Escrow Fund**” shall mean the fund established pursuant to Section 2(a) of this Agreement.

**SECTION 2. The Escrow Fund.**

(a) There is hereby established with the Trustee a fund designated the “Hydroelectric Project Number One Revenue Bonds, 2018 Series A and B Escrow Fund” (the “Escrow Fund”) to be held in irrevocable trust by the Trustee for the benefit of the Holders of the Refunded Bonds separate and apart from all other funds of NCPA and the Trustee, subject, nonetheless, to the application thereof as provided in this Agreement.

Subject to the provisions of this Agreement, amounts in the Escrow Fund shall be applied solely to the payment of the Escrow Requirements as specified in Section 4 hereof. All Defeasance Securities purchased with moneys in the Escrow Fund shall be held for the credit of the Escrow Fund and all payments, including without limitation, all principal and interest payments with respect to such Defeasance Securities, shall be deposited upon receipt by the Trustee into the Escrow Fund.

(b) NCPA acknowledges that it has no right, title or interest in or to any of the moneys or Defeasance Securities held in the Escrow Fund. Under no circumstances shall any money or Defeasance Securities held in the Escrow Fund be paid over or delivered to, or upon the order of, NCPA.

(c) There has been deposited with the Trustee for deposit in the Escrow Fund the sum of \$78,947,273.03 consisting of the following: (i) \$76,657,019.00, representing a portion of the proceeds of the 2018 Series A Bonds; (ii) \$1,326,129.03, representing a portion of the proceeds of the 2018 Series B Bonds; and (iii) \$964,125.00 representing amounts transferred from the Debt Service Account pursuant to subsection (d) below.

(d) The Trustee is hereby directed to transfer \$964,125.00 representing amounts accumulated in the Debt Service Account with respect to the Refunded Bonds to the Escrow Fund.

(e) The Trustee acknowledges receipt of the moneys described in Section 2(c) and agrees to deposit such moneys in the Escrow Fund and apply such moneys as provided in this Agreement.

### **SECTION 3. Use and Investment of Moneys.**

(a) The Trustee is hereby directed to apply, on April 4, 2018, \$78,947,272.00 of the moneys deposited in the Escrow Fund pursuant to Section 2(c) to the purchase of the Defeasance Securities at the purchase price and from the vendor set forth in Exhibit A hereto. Except as provided in this subsection (a), the moneys on deposit in the Escrow Fund or otherwise held by the Trustee under this Agreement shall be held uninvested by the Trustee.

(b) NCPA represents, and the Accountant's Certificate delivered by Grant Thornton LLP to the Trustee at the time of execution and delivery of this Agreement verifies, that the moneys to be received from the maturing principal of and interest on the Defeasance Securities shall be sufficient, together with the other funds held in the Escrow Fund, to pay the Escrow Requirements when due.

(c) The moneys held in the Escrow Fund, including receipts of payments of the principal of and interest on the Defeasance Securities, shall not be withdrawn or used for any purpose other than, and shall be held in trust for, the payment to the Holders of the Refunded Bonds of the Escrow Requirements when due as required by Section 4.

(d) The Trustee shall not be held liable for investment losses resulting from compliance with the provisions of this Agreement.

**SECTION 4. Payment of Escrow Requirements.** From the maturing principal of any Defeasance Securities held in the Escrow Fund and the investment income and other earnings thereon and any uninvested money then held in the Escrow Fund, U.S. Bank National Association, as Trustee and Paying Agent for the Refunded Bonds, shall pay the Redemption Price of the Refunded Bonds on the Redemption Date.

### **SECTION 5. Notice of Redemption and Notice of Defeasance.**

(a) NCPA irrevocably directs the Trustee to give the notice of redemption of the Refunded Bonds on the Redemption Date by the time and in the manner required by the Indenture (including posting such notice linked to all CUSIP Numbers of the Refunded Bonds to EMMA). Such notice shall be in substantially the form attached hereto as Exhibit B.

(b) NCPA irrevocably directs the Trustee to give the notice of defeasance of the Refunded Bonds on the date hereof within five business days of the date hereof (including posting such notice linked to all CUSIP Numbers of the Refunded Bonds to EMMA).

(c) Such notices directed to be given in this Section 5 shall also be provided to the 2008 Series C Bond Insurer by the Trustee.

**SECTION 6. Termination of Obligations.** As provided in subsection 2 of Section 1301 of the Original Indenture, upon the deposit of the amounts specified in Section 2(c)

and the purchase of Defeasance Securities pursuant to Section 3(a), the Holders of the Refunded Bonds shall cease to be entitled to any lien, benefit or security under the Indenture with respect to the Refunded Bonds, and all covenants, agreements and obligations of NCPA with respect to the Refunded Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Refunded Bonds shall no longer be Outstanding within the meaning of the Indenture.

Notwithstanding the provisions for payment of the Refunded Bonds as provided in, and with the effect stated in, subsection 2 of Section 1301 of the Original Indenture, the provisions of the Indenture relating to record dates, medium of payment, registration, transfer, exchange and replacement shall continue to apply to the Refunded Bonds.

**SECTION 7. Performance of Duties.** The Trustee agrees to perform the duties set forth herein.

**SECTION 8. Trustee's Authority to Make Investments.** The Trustee shall have no power or duty to invest any funds held under this Agreement except as provided in Section 3 hereof. The Trustee shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Agreement.

**SECTION 9. Indemnity.** NCPA hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Trustee and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Trustee at any time (whether or not also indemnified against the same by NCPA or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of any securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Trustee in accordance with the provisions of this Agreement; provided, however, that NCPA shall not be required to indemnify the Trustee against the Trustee's own negligence or willful misconduct or the negligence or willful misconduct of the Trustee's respective successors, assigns, agents and employees or the material breach by the Trustee of the terms of this Agreement. In no event shall NCPA or the Trustee be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

**SECTION 10. Responsibilities of Trustee.** The Trustee and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held

hereunder to accomplish the redemption of the Refunded Bonds, or any payment, transfer or other application of moneys or securities by the Trustee in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Trustee made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of NCPA, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the Refunded Bonds pursuant to the Indenture or to the validity of this Agreement as to NCPA and, except as otherwise provided herein, the Trustee shall incur no liability in respect thereof. The Trustee shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Trustee shall be determined by the express provisions of this Agreement. The Trustee may consult with counsel, who may or may not be counsel to NCPA, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring an Accountant's Certificate or an Opinion of Bond Counsel) may be deemed to be conclusively established by a certificate signed by an Authorized NCPA Representative. Whenever the Trustee shall deem it necessary or desirable that a matter specifically requiring an Accountant's Certificate or an Opinion of Bond Counsel be proved or established prior to taking, suffering, or omitting any such action, such matter may be established only by such an Accountant's Certificate or such Opinion of Bond Counsel.

**SECTION 11. Compensation.** The Trustee's acts hereunder shall constitute services rendered under the Indenture for purposes of Section 1005 of the Original Indenture; provided, however, that under no circumstances shall the Trustee be entitled to any lien whatsoever on any moneys or Defeasance Securities in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Trustee under this Agreement, the Indenture or otherwise.

**SECTION 12. Amendments.** This Agreement is irrevocable and no provision hereof may be amended except as specifically set forth herein. NCPA and the Trustee may, without the consent of, or notice to, the Holders of the Bonds, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the interests of the Holders of the Refunded Bonds. The Trustee shall be entitled to rely conclusively upon an Opinion of Bond Counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the Holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

**SECTION 13. Term.** This Agreement shall commence upon its execution and delivery and shall terminate on the date the principal of and interest on the Refunded Bonds has been paid to the respective Holders of the Refunded Bonds as required by Section 4 hereof. After such payment, any moneys remaining in the Escrow Fund shall be transferred by the

Trustee to the General Debt Service Subaccount in the Debt Service Account in the Debt Service Fund.

**SECTION 14. Severability.** If any one or more of the covenants or agreements provided in this Agreement on the part of NCPA or the Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

**SECTION 15. Representations.** NCPA represents and warrants that the statements contained in the preambles to this Agreement are true and correct.

**SECTION 16. Counterparts.** This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

**SECTION 17. Governing Law.** This Agreement shall be construed under the laws of the State of California.

**SECTION 18. Assignment.** This Agreement shall not be assigned by the Trustee or any successor thereto without the prior written consent of NCPA.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

**NORTHERN CALIFORNIA POWER  
AGENCY**

By:   
General Manager

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**

By: \_\_\_\_\_  
Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

**NORTHERN CALIFORNIA POWER  
AGENCY**

By: \_\_\_\_\_  
General Manager

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**

By:  \_\_\_\_\_  
Authorized Signatory



**EXHIBIT A**  
**DEFEASANCE SECURITIES**

<b>Description of Defeasance Securities</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Purchase Price</b>
SLGS Certificate	07/01/2018	1.64%	\$28,067,294.00
SLGS Certificate	07/01/2018	1.64	50,879,978.00

## EXHIBIT B

### FORM OF NOTICE OF REDEMPTION

#### NORTHERN CALIFORNIA POWER AGENCY HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS 2008 REFUNDING SERIES C

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP*</u>
July 1, 2019	\$11,210,000	664845BQ6
July 1, 2020	11,805,000	664845BR4
July 1, 2021	12,435,000	664845BS2
July 1, 2022	13,035,000	664845BT0
July 1, 2023	13,095,000	664845BU7
July 1, 2024	15,550,000	664845BV5

TO: The Owners of the above-captioned bonds (the “Bonds”)

U.S. Bank National Association acts as the trustee (the “Trustee”) with respect to the above-referenced Bonds pursuant to the Indenture, dated as of March 1, 1985 (the “Indenture”), by and between the Northern California Power Agency (“NCPA”) and the Trustee.

On behalf of the Agency, you are hereby notified that:

1. NCPA has exercised its option to redeem all of the Bonds on July 1, 2018 (the “Redemption Date”);

2. on the Redemption Date, there shall become due and payable upon each Bond the Redemption Price thereof, which is 100% of the principal amount of the Bonds, together with unpaid accrued interest on such principal amount to the Redemption Date, and that from and after the Redemption Date interest on the Bonds shall cease to accrue and be payable;

3. on the Redemption Date, the Redemption Price shall be due and payable by the Trustee at:

BY MAIL:

U.S. Bank National Association  
100 Wall Street  
New York, New York 10005

BY HAND OR OVERNIGHT DELIVERY:

U.S. Bank National Association  
100 Wall Street  
New York, New York 10005  
Telephone: (212) \_\_\_\_-\_\_\_\_

\* The CUSIP numbers listed above are provided for the convenience of the holders. NCPA or the Trustee are not responsible for the accuracy of such numbers.

**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
NORTHERN CALIFORNIA POWER AGENCY  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the Northern California Power Agency and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. NCPA and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by NCPA and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by NCPA pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Chairman, the General Manager, the Assistant General Manager, Finance and Administrative Services, and the Treasurer-Controller of NCPA or his or her designee, or such other officer or employee as NCPA shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent

designated in writing by NCPA and which has filed with the Dissemination Agent a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“Listed Event” means any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean the original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) With respect to the 2018 Bonds, NCPA shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year of NCPA (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of NCPA may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for NCPA, NCPA shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, NCPA shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from NCPA, the Dissemination Agent shall contact NCPA to determine if NCPA is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with NCPA certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** NCPA's Annual Report shall contain or include by reference the following:

(i) A summary of the peak generating capability of the Project for the prior Fiscal Year;

(ii) A summary of the average generating capability of the Project for the prior Fiscal Year;

(iii) A summary of total energy generated with respect to the Project for the prior Fiscal Year; and

(iv) The audited financial statements of NCPA for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over NCPA and by the Governmental Accounting Standards Board. If NCPA's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of NCPA or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. NCPA shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, NCPA shall give, or cause to be given, notice of occurrence of any of the following events with respect to the 2018 Bonds not later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;

(v) adverse tax opinions or the issuance by the Internal Revenue Service of a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (iv), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, NCPA shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2018 Bonds, if material, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2018 Bonds or other material events affecting the tax status of the 2018 Bonds;

(ii) modifications to rights of the Owners of the 2018 Bonds;

(iii) optional, unscheduled or contingent 2018 Bond calls;

(iv) release, substitution or sale of property securing repayment of the 2018 Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional trustee or the change of name of a trustee;

(c) Whenever NCPA obtains knowledge of the occurrence of a Listed Event described in Section 5(b), NCPA shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If NCPA obtains knowledge of the occurrence of a Listed Event described in Section 5(a), or if NCPA has determined that knowledge of the occurrence of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, NCPA shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) or shall state that NCPA shall itself report such occurrence.

(e) If NCPA determines that the Listed Event described in Section 5(b) would not be material under applicable federal securities laws, NCPA shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by NCPA to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(vii) and (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected 2018 Bonds pursuant to the Indenture.

**SECTION 6. Termination of Reporting Obligation.** The obligations of NCPA under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds. If such termination occurs prior to the final maturity of the 2018 Bonds, NCPA shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

**SECTION 7. Dissemination Agent.** NCPA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by NCPA pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association. NCPA shall be responsible for all fees and associated expenses of the Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, NCPA and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, NCPA shall describe such amendment in its next Annual Report, and shall include,

as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by NCPA. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent NCPA from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If NCPA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, NCPA shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of NCPA or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds and the furnishing by such Bondholders of indemnity satisfactory to the Trustee against its costs and expenses, including, without limitation, fees and expenses of its attorneys, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause NCPA or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of NCPA or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and NCPA satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and NCPA shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in the County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent NCPA has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as



outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to NCPA. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by NCPA. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. NCPA covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, NCPA also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of NCPA under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with NCPA, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from NCPA. Nothing in this Agreement shall be construed to

require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to NCPA for response. NCPA shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for NCPA, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To NCPA: Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678  
Attention: General Manager  
Telephone: (916) 781-3636  
Fax: (916) 783-7693

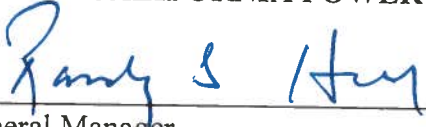
To the Dissemination Agent: U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

NCPA and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed the Disclosure Agreement to be executed as of the date set forth above.

**NORTHERN CALIFORNIA POWER AGENCY**

By:   
Its: General Manager

**U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed the Disclosure Agreement to be executed as of the date set forth above.

**NORTHERN CALIFORNIA POWER AGENCY**

By: \_\_\_\_\_  
Its: General Manager

**U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

## **EXHIBIT A**

### **NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Northern California Power Agency (“NCPA”)

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”)

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that NCPA has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between NCPA and U. S. Bank National Association, as Dissemination Agent. [NCPA anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent on behalf of the Northern  
California Power Agency

cc: NCPA

# **Cash Flow and Yield Verification Report**

## **Northern California Power Agency**

**April 4, 2018**

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Exhibit B-2	Cash Receipt From the SLGS Purchased with 2018 Series A Debt Service Funds
Exhibit B-3	Cash Receipt From the SLGS Purchased with 2018 Series B Bond Proceeds and Debt Service Funds
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Exhibit C	Debt Service Payments and Yield on the 2018 Series A Bonds
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Exhibit D	Yield Adjustment
Exhibit E	Calculation of Transferred Proceeds Percentage
Exhibit E-1	Transferred Proceeds Summary and Adjustments
Appendix I	Applicable schedules provided by Citigroup



Grant Thornton LLP  
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## **Report of Independent Certified Public Accountants**

**Northern California Power Agency**  
651 Commerce Drive  
Roseville, California

**Orrick, Herrington & Sutcliffe LLP**  
777 South Figueroa Street, Suite 3200  
Los Angeles, California

**U.S. Bank National Association**  
100 Wall Street, Suite 1600  
New York, New York

**Public Financial Management, Inc.**  
601 South Figueroa Street, Suite 4500  
Los Angeles, California

**Citigroup Global Markets, Inc.**  
444 S. Flower Street, 27<sup>th</sup> Floor  
Los Angeles, California

**\$70,215,000**

**Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds**

**\$68,875,000**

**2018 Refunding Series A  
Dated April 4, 2018**

**\$1,340,000**

**2018 Taxable Refunding Series B  
Dated April 4, 2018**

We have performed the procedures described in this report, at the request of the Northern California Power Agency (the “Issuer”) and Citigroup Global Markets, Inc. (the “Underwriter”), to verify the mathematical accuracy of certain computations contained in the schedules attached in Appendix I provided by the Underwriter. These procedures were performed solely to assist you in the issuance of the above-captioned bond issues (the “2018 Series A Bonds” and the “2018 Series B Bonds”, collectively referred to as the “2018 Bonds”) for the purpose of refunding the Issuer’s outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C (the “Refunded Bonds”) as summarized on the next page. We have performed the procedures included in this report in accordance with American Institute of Certified Public Accountants (AICPA) Statement on Standards for Consulting Services.



<u>Series</u>	<u>Principal Issued</u>	<u>Dated</u>	<u>Principal Refunded</u>	<u>Maturities Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2008C	\$128,005,000	July 24, 2008	\$77,130,000	7-1-19 and 7-1-24	7-1-18	100%

#### VERIFICATION OF ESCROW ACCOUNT CASH FLOW SUFFICIENCY

The Underwriter provided us with schedules (Appendix I) summarizing future escrow account cash receipts and disbursements. These schedules indicate that there will be sufficient cash available in the escrow account to pay the principal, interest and redemption premium on the Refunded Bonds assuming the Refunded Bonds will be redeemed on July 1, 2018 at 100 percent of par plus accrued interest.

The attached Exhibit A (Schedule of Sources and Uses of Funds) was prepared based upon information provided by the Underwriter.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B through B-4 independently calculating future escrow account cash receipts and disbursements and compared the information used in our calculations to the information listed below contained in applicable pages of the following documents:

- Subscription confirmation, dated March 13, 2018, and Schedule of U.S. Treasury Securities provided by the Underwriter used to acquire certain United States Treasury Securities - State and Local Government Series (the "SLGS") insofar as the SLGS are described as to the principal amounts, interest rates, maturity date, and issuance date; and
- Official Statement for the Refunded Bonds provided by the Underwriter insofar as the Refunded Bonds are described as to the maturity and interest payment dates, principal amounts, interest rates and optional redemption date and price.

In addition, we compared the interest rates for each maturity of the SLGS, as shown on the Schedule of U.S. Treasury Securities, with the maximum allowable interest rates shown on the Department of Treasury, Bureau of Public Debt, SLGS Table for use on March 13, 2018 and found that the interest rates were equal to the maximum allowable interest rates for each maturity.

Our procedures, as summarized in Exhibits B through B-4, verified the mathematical accuracy of the schedules provided by the Underwriter summarizing future escrow account cash receipts and disbursements. The schedules provided by the Underwriter and those prepared by us reflect that the anticipated receipts from the SLGS, together with an initial cash deposit of \$1.03 to be deposited into the escrow account on April 4, 2018, will be sufficient to pay, when due, the principal, interest and redemption premium related to the Refunded Bonds assuming the Refunded Bonds will be redeemed on July 1, 2018 at 100 percent of par plus accrued interest.

## VERIFICATION OF YIELDS

The Underwriter provided us with schedules (Appendix I) which indicate that the yield on the cash receipts from the SLGS purchased with 2018 Series A Bond proceeds, adjusted by the transferred proceeds adjustment as shown on Exhibit E-1, is less than the yield on the 2018 Series A Bonds. These schedules were prepared based on the assumed settlement date of April 4, 2018 using a 360-day year with interest compounded semi-annually. The term “yield”, as used herein, means that yield which, when used in computing the present value of all payments of principal and interest to be paid or received on an obligation produces an amount equal to, in the case of the adjusted cash receipts from the SLGS purchased with 2018 Series A Bond proceeds, the purchase price adjusted for the transferred proceeds adjustment as shown on Exhibit E-1, and in the case of the 2018 Series A Bonds, the issue price adjusted for a portion of the swap terminations of \$961,042.16, \$959,112.34 and \$418,692.57 as shown on Exhibit C.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B-1 and C independently calculating the yields on (i) the adjusted cash receipts from the SLGS purchased with 2018 Series A Bond proceeds calculated on Exhibit B-1, and (ii) the 2018 Series A Bonds using the Official Statement provided by the Underwriter insofar as the 2018 Series A Bonds are described as to the maturity and interest payment dates, dated date, principal amounts, interest rates, optional redemption date and price, and issue price to the public. The results of our calculations, based on the aforementioned assumptions, are summarized below:

	<u>Yield</u>	<u>Exhibit</u>
• Yield on the cash receipts from the SLGS purchased with 2018 Series A Bond proceeds	2.6821693%	B-1
• Yield on the 2018 Series A Bonds	2.6821845%	C

Our procedures, as summarized in Exhibits B-1 and C, verified the mathematical accuracy of the schedules provided by the Underwriter summarizing the yields. The schedules provided by the Underwriter and those prepared by us reflect that the yield on the cash receipts from the SLGS purchased with 2018 Series A Bond proceeds is less than the yield on the 2018 Series A Bonds.

## VERIFICATION OF THE TRANSFERRED PROCEEDS ADJUSTMENT

The Underwriter provided us with schedules (Appendix I) which indicate that there is a transferred proceeds adjustment arising from the refunding of the Refunded Bonds. We prepared the schedules attached hereto as Exhibits E and E-1 based on the prior escrow receipts transferred to the Refunded Bonds as shown in the Tax Certificate dated July 24, 2008 for the 2008C Bonds and the yield of 4.021930% as provided by the Underwriter.

Our procedures, as summarized in Exhibits E and E-1, verified the mathematical accuracy of the schedules provided by the Underwriter summarizing the transferred proceeds adjustment. The schedules provided by the Underwriter and the schedule prepared by us reflect that the transferred proceeds adjustment arising from the refunding of the Refunded Bonds is equal to \$390,728.30.

\* \* \* \* \*

We performed the procedures in accordance with American Institute of Certified Public Accountants (AICPA) Statement on Standards for Consulting Services. Grant Thornton was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement. Grant Thornton relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Issuer. In addition, Grant Thornton has relied on any information provided to it by the Issuer's retained advisors, consultants or legal counsel.

This report is intended solely for the information and use of those to whom this letter is addressed and is not intended to be and should not be used by anyone other than these specified parties.

*Grant Thornton LLP*

Minneapolis, Minnesota  
April 4, 2018

**Northern California Power Agency****SCHEDULE OF SOURCES AND USES OF FUNDS****April 4, 2018****SOURCES:**

Principal amount of the 2018 Series A Bonds	\$68,875,000.00
Principal amount of the 2018 Series B Bonds	1,340,000.00
Original issue premium on the 2018 Series A Bonds	8,253,396.95
Deposit to Debt Service Funds on the 2018 Series A Bonds	947,687.50
Deposit to Debt Service Funds on the 2018 Series B Bonds	16,437.50
	<hr/>
	\$79,432,521.95
	<hr/>

**USES:**

Purchase price of the SLGS:	
- Purchased with 2018 Series A Bond proceeds	\$76,657,019.00
- Purchased with 2018 Series A Debt Service Funds	947,687.00
- Purchased with 2018 Series B Bond proceeds and Debt Service Funds	1,342,566.00
Beginning cash deposit to the escrow account	1.03
Costs of issuance	313,990.00
Underwriters' discount	164,952.01
Contingency	6,306.91
	<hr/>
	\$79,432,521.95
	<hr/>

**Northern California Power Agency**  
**ESCROW ACCOUNT CASH FLOW**

Date	Cash receipt from the SLGS purchased with:				Cash balance
	2018 Series A Bond proceeds (Exhibit B-1)	2018 Series A Debt Service Funds (Exhibit B-2)	2018 Series B Bond proceeds and Debt Service Funds (Exhibit B-3)	Debt service payment on Refunded Bonds (Exhibit B-4)	
Cash deposit on April 4, 2018					\$1.03
07-01-18	\$76,758,940.71	\$951,434.13	\$1,347,874.47	\$79,058,250.00	0.34
	<u>\$76,758,940.71</u>	<u>\$951,434.13</u>	<u>\$1,347,874.47</u>	<u>\$79,058,250.00</u>	

## Northern California Power Agency

**CASH RECEIPT FROM AND YIELD ON THE SLGS PURCHASED  
WITH 2018 SERIES A BOND PROCEEDS**

Receipt date	Principal	Interest rate	Interest	Cash receipt from SLGS purchased with 2018 Series A Bond proceeds	Present value on April 4, 2018 using a yield of 2.6821693%
07-01-18	<u>\$76,657,019.00</u>	(1)	<u>\$101,921.71</u>	<u>\$76,758,940.71</u>	<u>\$76,266,290.70</u>
Purchase price of the SLGS purchased with 2018 Series A Bond proceeds					\$76,657,019.00
Transferred proceeds adjustment (Exhibit E)					<u>(390,728.30)</u>
					<u>\$76,266,290.70</u>

The present value of the cash receipt from the SLGS purchased with 2018 Series A Bond proceeds on April 4, 2018, using a yield of 2.6821693%, is equal to the purchase price of the SLGS purchased with 2018 Series A Bond proceeds adjusted for the transferred proceeds adjustment.

(1) Detail of the SLGS is as shown below:

Maturity date	Principal	(1) Interest rate	Interest	Cash receipts from the SLGS
07-01-18	\$25,777,041.00	1.640%	\$101,921.71	\$25,878,962.71
07-01-18	50,879,978.00	0.000%		50,879,978.00
	<u>\$76,657,019.00</u>		<u>\$101,921.71</u>	<u>\$76,758,940.71</u>

**Northern California Power Agency**

**CASH RECEIPT FROM THE SLGS PURCHASED WITH  
2018 SERIES A DEBT SERVICE FUNDS**

<u>Receipt date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	Cash receipt from SLGS purchased with 2012 Series A Debt Service Funds
07-01-18	<u>\$947,687.00</u>	1.640%	<u>\$3,747.13</u>	<u>\$951,434.13</u>

## Northern California Power Agency

**CASH RECEIPT FROM THE SLGS PURCHASED WITH  
2018 SERIES B BOND PROCEEDS AND DEBT SERVICE FUNDS**

<u>Receipt date</u>	<u>(1) Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Cash receipt from SLGS purchased with 2018 Series B Bond proceeds and Debt Service Funds</u>
07-01-18	<u>\$1,342,566</u>	1.640%	\$5,308.47	<u>\$1,347,874.47</u>

(1) Detail of the SLGS is as shown below:

<u>Funding Source</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Cash receipts from the SLGS</u>
DS Funds	07-01-18	\$16,437.00	1.640%	\$64.99	\$16,501.99
2018B Proceeds	07-01-18	1,326,129.00	1.640%	5,243.48	1,331,372.48
		<u>\$1,342,566.00</u>		<u>\$5,308.47</u>	<u>\$1,347,874.47</u>



**Northern California Power Agency****DEBT SERVICE PAYMENT ON THE REFUNDED BONDS**

<u>Date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Debt service payment</u>
07-01-18	<u>\$77,130,000</u>	(1)	<u>\$1,928,250.00</u>	<u>\$79,058,250.00</u>

(1) Actual maturity dates, principal amounts and interest rates are as follows:

<u>Maturity date</u>	<u>Principal amount</u>	<u>Interest rate</u>
07-01-19	\$11,210,000	5.000%
07-01-20	11,805,000	5.000%
07-01-21	12,435,000	5.000%
07-01-22	13,035,000	5.000%
07-01-23	13,095,000	5.000%
07-01-24	15,550,000	5.000%
	<u>\$77,130,000</u>	

## Northern California Power Agency

## DEBT SERVICE PAYMENTS AND YIELD ON THE 2018 SERIES A BONDS

Date	\$68,875,000 issue dated April 4, 2018			Total debt service	Present value on April 4, 2018 using a yield of 2.6821845%
	Principal	Interest rate	Interest		
07-01-18			\$832,239.58	\$832,239.58	\$826,898.12
01-01-19			1,721,875.00	1,721,875.00	1,688,183.60
07-01-19	\$8,885,000	5.000%	1,721,875.00	10,606,875.00	10,261,714.44
01-01-20			1,499,750.00	1,499,750.00	1,431,745.29
07-01-20	10,730,000	5.000%	1,499,750.00	12,229,750.00	11,520,700.65
01-01-21			1,231,500.00	1,231,500.00	1,144,748.67
07-01-21	11,310,000	5.000%	1,231,500.00	12,541,500.00	11,503,755.27
01-01-22			948,750.00	948,750.00	858,729.45
07-01-22	11,850,000	5.000%	948,750.00	12,798,750.00	11,431,061.10
01-01-23			652,500.00	652,500.00	575,061.01
07-01-23	11,855,000	5.000%	652,500.00	12,507,500.00	10,877,230.70
01-01-24			356,125.00	356,125.00	305,607.99
07-01-24	14,245,000	5.000%	356,125.00	14,601,125.00	12,364,113.58
	<u>\$68,875,000</u>		<u>\$13,653,239.58</u>	<u>\$82,528,239.58</u>	<u>\$74,789,549.88</u>

The present value of the future payments is equal to:

Principal amount of the 2018 Series A Bonds		\$68,875,000.00
Original issue premium		8,253,396.95
Yield adjustment - UBS AG swap (Exhibit D - Page 1)	(979,739.75) (1)	(961,042.16)
Yield adjustment - Citigroup Financial swap (Exhibit D - Page 2 )	(977,772.39) (1)	(959,112.34)
Yield adjustment - Bank One NA swap (Exhibit D - Page 3)	(426,838.45) (1)	(418,692.57)
		<u>\$74,789,549.88</u>

The sum of the present values of the adjusted debt service payments of the 2018 Series A Bonds on April 4, 2018, using a yield of 2.6821845%, is equal to the issue price of the 2018 Series A Bonds adjusted for the swap termination payments.

(1) Portion of swap termination payment allocable to the 2018 Series A Bonds:

Principal of the 2018 Series A Bonds	\$68,875,000.00	98.091576%
Principal of the 2018 Series B Bonds	1,340,000.00	
Total	<u>\$70,215,000.00</u>	

**Northern California Power Agency****ORIGINAL ISSUE PREMIUM ON THE 2018 SERIES A BONDS**

<u>Maturity date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Yield</u>	<u>Initial public offering price</u>	<u>Original issue premium</u>
07-01-19	\$8,885,000	5.000%	1.420%	104.388%	\$389,873.80
07-01-20	10,730,000	5.000%	1.550%	107.569%	812,153.70
07-01-21	11,310,000	5.000%	1.650%	110.529%	1,190,829.90
07-01-22	11,850,000	5.000%	1.790%	113.052%	1,546,662.00
07-01-23	11,855,000	5.000%	1.910%	115.339%	1,818,438.45
07-01-24	14,245,000	5.000%	2.000%	117.518%	2,495,439.10
	<u>\$68,875,000</u>				<u>\$8,253,396.95</u>

**Northern California Power Agency****DEBT SERVICE PAYMENTS ON THE 2018 SERIES B BONDS**

<u>Date</u>	<u>\$1,340,000 issue dated April 4, 2018</u>			<u>Total debt service</u>
	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	
07-01-18			\$7,610.08	\$7,610.08
01-01-19			15,745.00	15,745.00
07-01-19	<u>\$1,340,000</u>	2.350%	<u>15,745.00</u>	<u>1,355,745.00</u>
	<u><u>\$1,340,000</u></u>		<u><u>\$39,100.08</u></u>	<u><u>\$1,379,100.08</u></u>

Northern California Power Agency

**YIELD ADJUSTMENT**  
(Termination payment on UBS AG Swap)

Date	(1) Swap Notional Balance	Unamortized Swap Termination		Difference	Present value on July 9, 2008 using a yield of 3.0103%	Date	Unamortized Swap Termination		Difference	Present value or April 4, 2018 using a yield of 3.0103%	
		Fixed Swap Payments @ 4.0710%	Fixed Swap Payments @ 3.0103%				Fixed Swap Payments @ 4.0710%	Fixed Swap Payments @ 3.0103%			
07-01-02	\$43,310,000.00										
01-01-03	43,310,000.00									-	
07-01-03	43,310,000.00									-	
01-01-04	43,310,000.00									-	
07-01-04	43,310,000.00									-	
01-01-05	43,310,000.00									-	
07-01-05	43,310,000.00									-	
01-01-06	43,310,000.00									-	
07-01-06	43,310,000.00									-	
01-01-07	43,310,000.00									-	
07-01-07	43,310,000.00									-	
01-01-08	43,310,000.00									-	
07-01-08	43,310,000.00									-	
07-09-08	43,310,000.00									-	
01-01-09	43,310,000.00	\$842,393.94	\$622,911.28	\$219,482.65	\$216,371.70					-	
07-01-09	43,310,000.00	881,575.05	651,883.90	229,691.15	223,077.82					-	
01-01-10	43,310,000.00	881,575.05	651,883.90	229,691.15	219,769.94					-	
07-01-10	43,310,000.00	881,575.05	651,883.90	229,691.15	216,511.10					-	
01-01-11	39,430,000.00	802,597.65	593,483.77	209,113.88	194,191.70					-	
07-01-11	39,430,000.00	802,597.65	593,483.77	209,113.88	191,312.15					-	
01-01-12	35,065,000.00	713,748.08	527,783.63	185,964.45	167,610.61					-	
07-01-12	35,065,000.00	713,748.08	527,783.63	185,964.45	165,125.21					-	
01-01-13	30,510,000.00	621,031.05	459,223.69	161,807.36	141,544.71					-	
07-01-13	30,510,000.00	621,031.05	459,223.69	161,807.36	139,445.83					-	
01-01-14	30,510,000.00	621,031.05	459,223.69	161,807.36	137,378.07					-	
07-01-14	30,510,000.00	621,031.05	459,223.69	161,807.36	135,340.98					-	
01-01-15	30,510,000.00	621,031.05	459,223.69	161,807.36	133,334.09					-	
07-01-15	30,510,000.00	621,031.05	459,223.69	161,807.36	131,356.96					-	
01-01-16	30,510,000.00	621,031.05	459,223.69	161,807.36	129,409.15					-	
07-01-16	30,510,000.00	621,031.05	459,223.69	161,807.36	127,490.22					-	
01-01-17	30,510,000.00	621,031.05	459,223.69	161,807.36	125,599.74					-	
07-01-17	30,510,000.00	621,031.05	459,223.69	161,807.36	123,737.30					-	
01-01-18	30,510,000.00	621,031.05	459,223.69	161,807.36	121,902.48	04-04-18				-	
07-01-18	30,510,000.00	621,031.05	459,223.69	161,807.36	120,094.86	07-01-18	\$300,165.01	\$221,958.11	\$78,206.89	\$77,644.22	
01-01-19	30,510,000.00	621,031.05	459,223.69	161,807.36	118,314.05	01-01-19	621,031.05	459,223.69	161,807.36	158,261.13	
07-01-19	30,510,000.00	621,031.05	459,223.69	161,807.36	116,559.64	07-01-19	621,031.05	459,223.69	161,807.36	155,914.37	
01-01-20	24,620,000.00	501,140.10	370,569.88	130,570.22	92,662.91	01-01-20	501,140.10	370,569.88	130,570.22	123,949.24	
07-01-20	24,620,000.00	501,140.10	370,569.88	130,570.22	91,288.87	07-01-20	501,140.10	370,569.88	130,570.22	122,111.27	
01-01-21	18,470,000.00	375,956.85	278,002.67	97,954.18	67,469.66	01-01-21	375,956.85	278,002.67	97,954.18	90,249.85	
07-01-21	18,470,000.00	375,956.85	278,002.67	97,954.18	66,469.20	07-01-21	375,956.85	278,002.67	97,954.18	88,911.59	
01-01-22	12,055,000.00	245,379.53	181,446.79	63,932.74	42,739.82	01-01-22	245,379.53	181,446.79	63,932.74	57,170.32	
07-01-22	12,055,000.00	245,379.53	181,446.79	63,932.74	42,106.05	07-01-22	245,379.53	181,446.79	63,932.74	56,322.57	
01-01-23	5,385,000.00	109,611.68	81,052.75	28,558.92	18,529.98	01-01-23	109,611.68	81,052.75	28,558.92	24,786.37	
07-01-23	5,385,000.00	109,611.68	81,052.75	28,558.92	18,255.21	07-01-23	109,611.68	81,052.75	28,558.92	24,418.82	
		17,678,421.54	13,072,373.58	4,606,047.96	3,835,000.00			\$4,006,403.41	\$2,962,549.68	\$1,043,853.73	\$979,739.75

(1) As provided by the Underwriter.

Swap Termination amount - UBS AG - as shown in Exhibit C-2 of the Tax Certificate dated July 24, 2008.

Northern California Power Agency

**YIELD ADJUSTMENT**  
(Termination payment on Citigroup Financial Products Swap)

Date	(1) Swap Notional Balance	Unamortized Swap Termination		Difference	Present value on July 9, 2008 using a yield of 3.0124%	Date	Unamortized Swap Termination		Difference	Present value or April 4, 2018 using a yield of 3.0124%	
		Fixed Swap Payments @ 4.0710%	Fixed Swap Payments @ 3.012%				Fixed Swap Payments @ 4.0710%	Fixed Swap Payments @ 3.0124%			
07-01-02	\$43,310,000.00										
01-01-03	43,310,000.00									-	
07-01-03	43,310,000.00									-	
01-01-04	43,310,000.00									-	
07-01-04	43,310,000.00									-	
01-01-05	43,310,000.00									-	
07-01-05	43,310,000.00									-	
01-01-06	43,310,000.00									-	
07-01-06	43,310,000.00									-	
01-01-07	43,310,000.00									-	
07-01-07	43,310,000.00									-	
01-01-08	43,310,000.00									-	
07-01-08	43,310,000.00									-	
07-09-08	43,310,000.00									-	
01-01-09	43,310,000.00	\$842,393.94	\$623,342.59	\$219,051.35	\$215,944.39					-	
07-01-09	43,310,000.00	881,575.05	652,335.27	229,239.78	222,634.98					-	
01-01-10	43,310,000.00	881,575.05	652,335.27	229,239.78	219,331.41					-	
07-01-10	43,310,000.00	881,575.05	652,335.27	229,239.78	216,076.86					-	
01-01-11	39,430,000.00	802,597.65	593,894.70	208,702.95	193,800.23					-	
07-01-11	39,430,000.00	802,597.65	593,894.70	208,702.95	190,924.53					-	
01-01-12	35,065,000.00	713,748.08	528,149.07	185,599.01	167,269.29					-	
07-01-12	35,065,000.00	713,748.08	528,149.07	185,599.01	164,787.27					-	
01-01-13	30,510,000.00	621,031.05	459,541.65	161,489.40	141,253.57					-	
07-01-13	30,510,000.00	621,031.05	459,541.65	161,489.40	139,157.58					-	
01-01-14	30,510,000.00	621,031.05	459,541.65	161,489.40	137,092.69					-	
07-01-14	30,510,000.00	621,031.05	459,541.65	161,489.40	135,058.44					-	
01-01-15	30,510,000.00	621,031.05	459,541.65	161,489.40	133,054.38					-	
07-01-15	30,510,000.00	621,031.05	459,541.65	161,489.40	131,080.05					-	
01-01-16	30,510,000.00	621,031.05	459,541.65	161,489.40	129,135.02					-	
07-01-16	30,510,000.00	621,031.05	459,541.65	161,489.40	127,218.85					-	
01-01-17	30,510,000.00	621,031.05	459,541.65	161,489.40	125,331.11					-	
07-01-17	30,510,000.00	621,031.05	459,541.65	161,489.40	123,471.38					-	
01-01-18	30,510,000.00	621,031.05	459,541.65	161,489.40	121,639.25	04-04-18				-	
07-01-18	30,510,000.00	621,031.05	459,541.65	161,489.40	119,834.31	07-01-18	\$300,165.01	\$222,111.80	\$78,053.21	\$77,491.25	
01-01-19	30,510,000.00	621,031.05	459,541.65	161,489.40	118,056.15	01-01-19	621,031.05	459,541.65	161,489.40	157,947.72	
07-01-19	30,510,000.00	621,031.05	459,541.65	161,489.40	116,304.37	07-01-19	621,031.05	459,541.65	161,489.40	155,604.02	
01-01-20	24,620,000.00	501,140.10	370,826.47	130,313.63	92,459.02	01-01-20	501,140.10	370,826.47	130,313.63	123,701.24	
07-01-20	24,620,000.00	501,140.10	370,826.47	130,313.63	91,087.07	07-01-20	501,140.10	370,826.47	130,313.63	121,865.70	
01-01-21	18,470,000.00	375,956.85	278,195.16	97,761.69	67,319.83	01-01-21	375,956.85	278,195.16	97,761.69	90,067.43	
07-01-21	18,470,000.00	375,956.85	278,195.16	97,761.69	66,320.90	07-01-21	375,956.85	278,195.16	97,761.69	88,730.97	
01-01-22	12,055,000.00	245,379.53	181,572.42	63,807.10	42,644.02	01-01-22	245,379.53	181,572.42	63,807.10	57,053.59	
07-01-22	12,055,000.00	245,379.53	181,572.42	63,807.10	42,011.25	07-01-22	245,379.53	181,572.42	63,807.10	56,207.00	
01-01-23	5,385,000.00	109,611.68	81,108.88	28,502.80	18,488.07	01-01-23	109,611.68	81,108.88	28,502.80	24,735.25	
07-01-23	5,385,000.00	109,611.68	81,108.88	28,502.80	18,213.73	07-01-23	109,611.68	81,108.88	28,502.80	24,368.22	
		17,678,421.54	13,081,424.90	4,596,996.63	3,827,000.00			\$4,006,403.41	\$2,964,600.95	\$1,041,802.46	\$977,772.39

(1) As provided by the Underwriter.

Swap Termination amount - Citigroup Financial Products - as shown in Exhibit C-1 of the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**  
**YIELD ADJUSTMENT**  
**(Termination payment on Bank One NA Swap)**

Date	(1) Swap Notional Balance	Unamortized Swap Termination		Difference	Present value on July 9, 2008 using a yield of 2.9611%	Date	Unamortized Swap Termination		Difference	Present value or April 4, 2018 using a yield of 2.9611%	
	Fixed Swap Payments @ 3.4180%	Fixed Swap Payments @ 2.9611%	Fixed Swap Payments @ 3.4180%		Fixed Swap Payments @ 2.9611%						
07-01-02	\$49,130,000.00										
01-01-03	49,130,000.00									-	
07-01-03	49,130,000.00									-	
01-01-04	49,130,000.00									-	
07-01-04	49,130,000.00									-	
01-01-05	49,130,000.00									-	
07-01-05	49,130,000.00									-	
01-01-06	49,130,000.00									-	
07-01-06	49,130,000.00									-	
01-01-07	49,130,000.00									-	
07-01-07	49,130,000.00									-	
01-01-08	49,130,000.00									-	
07-01-08	49,130,000.00									-	
07-09-08	49,130,000.00									-	
01-01-09	49,130,000.00	\$802,314.74	\$695,073.56	\$107,241.18	\$105,745.62					-	
07-01-09	49,130,000.00	839,631.70	727,402.56	112,229.14	109,049.47					-	
01-01-10	49,130,000.00	839,631.70	727,402.56	112,229.14	107,458.47					-	
07-01-10	49,130,000.00	839,631.70	727,402.56	112,229.14	105,890.69					-	
01-01-11	49,130,000.00	839,631.70	727,402.56	112,229.14	104,345.78					-	
07-01-11	49,130,000.00	839,631.70	727,402.56	112,229.14	102,823.41					-	
01-01-12	49,130,000.00	839,631.70	727,402.56	112,229.14	101,323.25					-	
07-01-12	49,130,000.00	839,631.70	727,402.56	112,229.14	99,844.98					-	
01-01-13	49,130,000.00	839,631.70	727,402.56	112,229.14	98,388.28					-	
07-01-13	49,130,000.00	839,631.70	727,402.56	112,229.14	96,952.83					-	
01-01-14	49,130,000.00	839,631.70	727,402.56	112,229.14	95,538.32					-	
07-01-14	49,130,000.00	839,631.70	727,402.56	112,229.14	94,144.45					-	
01-01-15	38,750,000.00	662,237.50	573,719.71	88,517.79	73,170.62					-	
07-01-15	38,750,000.00	662,237.50	573,719.71	88,517.79	72,103.09					-	
01-01-16	28,000,000.00	478,520.00	414,558.75	63,961.25	51,340.17					-	
07-01-16	28,000,000.00	478,520.00	414,558.75	63,961.25	50,591.14					-	
01-01-17	16,875,000.00	288,393.75	249,845.68	38,548.07	30,045.35					-	
07-01-17	16,875,000.00	288,393.75	249,845.68	38,548.07	29,607.00					-	
01-01-18	16,875,000.00	288,393.75	249,845.68	38,548.07	29,175.04	04-04-18				-	
07-01-18	16,875,000.00	288,393.75	249,845.68	38,548.07	28,749.39	07-01-18	\$139,390.31	\$120,758.74	\$18,631.57	\$18,499.69	
01-01-19	16,875,000.00	288,393.75	249,845.68	38,548.07	28,329.95	01-01-19	288,393.75	249,845.68	38,548.07	37,716.79	
07-01-19	16,875,000.00	288,393.75	249,845.68	38,548.07	27,916.62	07-01-19	288,393.75	249,845.68	38,548.07	37,166.51	
01-01-20	16,875,000.00	288,393.75	249,845.68	38,548.07	27,509.33	01-01-20	288,393.75	249,845.68	38,548.07	36,624.27	
07-01-20	16,875,000.00	288,393.75	249,845.68	38,548.07	27,107.98	07-01-20	288,393.75	249,845.68	38,548.07	36,089.93	
01-01-21	16,875,000.00	288,393.75	249,845.68	38,548.07	26,712.48	01-01-21	288,393.75	249,845.68	38,548.07	35,563.39	
07-01-21	16,875,000.00	288,393.75	249,845.68	38,548.07	26,322.75	07-01-21	288,393.75	249,845.68	38,548.07	35,044.53	
01-01-22	16,875,000.00	288,393.75	249,845.68	38,548.07	25,938.71	01-01-22	288,393.75	249,845.68	38,548.07	34,533.25	
07-01-22	16,875,000.00	288,393.75	249,845.68	38,548.07	25,560.28	07-01-22	288,393.75	249,845.68	38,548.07	34,029.42	
01-01-23	16,875,000.00	288,393.75	249,845.68	38,548.07	25,187.36	01-01-23	288,393.75	249,845.68	38,548.07	33,532.94	
07-01-23	16,875,000.00	288,393.75	249,845.68	38,548.07	24,819.89	07-01-23	288,393.75	249,845.68	38,548.07	33,043.71	
01-01-24	14,355,000.00	245,326.95	212,535.39	32,791.56	20,805.41	01-01-24	245,326.95	212,535.39	32,791.56	27,699.08	
07-01-24	14,355,000.00	245,326.95	212,535.39	32,791.56	20,501.87	07-01-24	245,326.95	212,535.39	32,791.56	27,294.96	
		16,847,944.84	14,595,968.89	2,251,975.95	1,893,000.00			\$3,513,981.71	\$3,044,286.31	\$469,695.41	\$426,838.45

(1) As provided by the Underwriter.

Swap Termination amount - Bank One NA - as shown in Exhibit C-3 of the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**

Adjustment for principal paid with Taxable Proceeds					Percent Tax-exempt Bond Proceeds
Date	Escrow Requirement	Principal Paid	(1) Principal Paid by Taxable Proceeds	Principal Paid by Tax-Exempt Proceeds	
07-01-18	\$79,058,250.00	\$77,130,000.00	\$1,315,000.00	\$75,815,000.00	98.29509%
	<u>\$79,058,250.00</u>	<u>\$77,130,000.00</u>	<u>\$1,315,000.00</u>	<u>\$75,815,000.00</u>	

(1) Amount designated to be refunded by Taxable proceeds as provided by the Underwriter.

Adjustment for principal paid with Debt Service Funds					Percent Tax-exempt Bond Proceeds
Date	Escrow Requirement	Principal Paid	Paid by DS Funds	Paid by Bond Proceeds	
07-01-18	\$79,058,250.00	\$75,815,000.00	\$951,434.13	\$74,863,565.87	98.74506%
	<u>\$79,058,250.00</u>	<u>\$75,815,000.00</u>	<u>\$951,434.13</u>	<u>\$74,863,565.87</u>	



**Northern California Power Agency**

**TRANSFERRED PROCEEDS SUMMARY**

Page E-1	Transfer	Transfer Date	Transferred Proceeds Adjustment on Transfer Date	Present value to delivery date at 2018 Series A Bond yield of 2.6821845%
	<u>Delivery Date</u>	<u>04-04-18</u>		
2 of 27	2002- 86A to 92A\92A to 2002	07-01-18	\$255,763.56	\$254,122.03
3 of 27	2002 - 92A to 2002	07-01-18	1,110.17	1,103.05
4 of 27	2002 - 92A to 2002	07-01-18	1,223.23	1,215.38
5 of 27	2002 - 92A to 2002	07-01-18	1,320.19	1,311.72
6 of 27	2002 - 92A to 2002	07-01-18	2,441.44	2,425.77
7 of 27	2002 - 92A to 2002	07-01-18	530.65	527.24
8 of 27	2002 - 92A to 2002	07-01-19	424.61	410.80
9 of 27	2002 - 92A to 2002	07-01-20	265.07	249.70
10 of 27	2003 - 85A to 93A pay 85A	07-01-18	18,812.24	18,691.50
11 of 27	2003 - 85A to 93A pay 86A	07-01-18	24,459.06	24,302.08
12 of 27	2003 - 86A to 93A pay 95A	07-01-18	36,223.26	35,990.77
13 of 27	2003 - 86A to 93A pay 95A	07-01-18	238.88	237.35
14 of 27	2003 - 86A to 93A pay 95A	07-01-18	263.21	261.53
15 of 27	2003 - 86A to 93A pay 95A	07-01-18	284.06	282.24
16 of 27	2003 - 86A to 93A pay 95A	07-01-18	525.34	521.97
17 of 27	2003 - 86A to 93A pay 95A	07-01-18	114.18	113.45
18 of 27	2003 - 86A to 93A pay 95A	07-01-19	92.93	89.90
19 of 27	2003 - 86A to 93A pay 95A	07-01-20	58.93	55.51
20 of 27	2003 - 86A to 93A pay 86A	07-01-18	47,096.25	46,793.98
21 of 27	2003 - 86A to 93A pay 86A	07-01-18	310.60	308.61
22 of 27	2003 - 86A to 93A pay 86A	07-01-18	342.23	340.03
23 of 27	2003 - 86A to 93A pay 86A	07-01-18	369.35	366.98
24 of 27	2003 - 86A to 93A pay 86A	07-01-18	683.06	678.68
25 of 27	2003 - 86A to 93A pay 86A	07-01-18	148.45	147.50
26 of 27	2003 - 86A to 93A pay 86A	07-01-19	116.80	112.99
27 of 27	2003 - 86A to 93A pay 86A	07-01-20	71.70	67.54
			<u>\$393,289.47</u>	<u>\$390,728.30</u>

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer 86A to 92A/92A to 2002)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.481460%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$195,963.08	\$192,622.08	\$188,493.33	\$190,129.30
06-27-19	195,920.98	192,580.70	184,322.66	187,572.93
12-26-19	195,975.03	192,633.82	180,354.94	185,155.46
06-25-20	195,957.99	192,617.08	176,408.63	182,702.85
12-31-20	196,028.91	192,686.79	172,477.41	180,270.24
07-01-21	5,019,318.01	4,933,742.97	4,319,493.95	4,554,734.18
	<u>\$5,999,164.00</u>	<u>\$5,896,883.43</u>	<u>\$5,221,550.92</u>	<u>\$5,480,564.96</u>
				\$5,480,564.96
				<u>5,221,550.92</u>
			Difference	\$259,014.04
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				\$255,763.56

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer from 92A to 2002)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.481460%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$850.60	\$836.10	\$818.18	\$825.28
06-27-19	850.42	835.92	800.08	814.18
12-26-19	850.66	836.16	782.86	803.70
06-25-20	850.59	836.09	765.73	793.05
12-31-20	850.89	836.38	748.66	782.49
07-01-21	21,787.04	21,415.59	18,749.36	19,770.45
	<u>\$26,040.20</u>	<u>\$25,596.24</u>	<u>\$22,664.87</u>	<u>\$23,789.15</u>
				\$23,789.15
				<u>22,664.87</u>
			Difference	\$1,124.28
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				\$1,110.17

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer from 92A to 2002)**

Date	(*) Transferred Receipts	Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.481460%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$937.24	\$921.26	\$901.51	\$909.34
06-27-19	937.03	921.05	881.56	897.10
12-26-19	937.29	921.31	862.58	885.54
06-25-20	937.21	921.23	843.71	873.81
12-31-20	937.55	921.57	824.91	862.18
07-01-21	24,005.93	23,596.65	20,658.88	21,783.96
	<u>\$28,692.25</u>	<u>\$28,203.07</u>	<u>\$24,973.15</u>	<u>\$26,211.93</u>
				\$26,211.93
				<u>24,973.15</u>
			Difference	\$1,238.78
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				\$1,223.23

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer from 92A to 2002)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.481460%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$1,011.51	\$994.26	\$972.95	\$981.40
06-27-19	1,011.28	994.04	951.41	968.19
12-26-19	1,011.57	994.32	930.94	955.72
06-25-20	1,011.48	994.24	910.57	943.06
12-31-20	1,011.85	994.60	890.28	930.51
07-01-21	25,908.28	25,466.57	22,295.99	23,510.23
	<u>\$30,965.97</u>	<u>\$30,438.03</u>	<u>\$26,952.14</u>	<u>\$28,289.11</u>
				\$28,289.11
				<u>26,952.14</u>
			Difference	\$1,336.97
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				\$1,320.19

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer from 92A to 2002)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.481460%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$1,870.61	\$1,838.72	\$1,799.31	\$1,814.92
06-27-19	1,870.21	1,838.32	1,759.50	1,790.52
12-26-19	1,870.73	1,838.84	1,721.62	1,767.45
06-25-20	1,870.56	1,838.67	1,683.95	1,744.03
12-31-20	1,871.24	1,839.34	1,646.42	1,720.81
07-01-21	47,913.07	47,096.20	41,232.74	43,478.28
	<u>\$57,266.42</u>	<u>\$56,290.08</u>	<u>\$49,843.54</u>	<u>\$52,316.01</u>
				\$52,316.01
				<u>49,843.54</u>
			Difference	\$2,472.47
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				<u>\$2,441.44</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer from 92A to 2002)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.481460%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$406.57	\$399.64	\$391.07	\$394.47
06-27-19	406.49	399.56	382.43	389.17
12-26-19	406.60	399.67	374.19	384.15
06-25-20	406.56	399.63	366.00	379.06
12-31-20	406.71	399.78	357.85	374.01
07-01-21	10,413.88	10,236.33	8,961.91	9,449.98
	<u>\$12,446.81</u>	<u>\$12,234.60</u>	<u>\$10,833.45</u>	<u>\$11,370.84</u>
				\$11,370.84
				<u>10,833.45</u>
			Difference	\$537.39
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				\$530.65

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer from 92A to 2002)**

Date	(*) Transferred Receipts	Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.481460%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-19				
12-27-18				
06-27-19				
12-26-19	\$489.41	\$481.07	\$470.81	\$474.88
06-25-20	489.37	481.03	460.51	468.59
12-31-20	489.54	481.19	450.24	462.34
07-01-21	12,534.77	12,321.06	11,275.93	11,681.69
	<u>\$14,003.09</u>	<u>\$13,764.35</u>	<u>\$12,657.49</u>	<u>\$13,087.50</u>
				\$13,087.50
				12,657.49
			Difference	\$430.01
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$424.61</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.



**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2002 - Transfer from 92A to 2002)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.481460%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-20				
12-27-18				
06-27-19				
12-26-19				
06-25-20				
12-31-20	\$612.99	\$602.54	\$589.33	\$594.57
07-01-21	15,695.45	15,427.86	14,759.03	15,022.23
	<u>\$16,308.44</u>	<u>\$16,030.40</u>	<u>\$15,348.36</u>	<u>\$15,616.80</u>
				\$15,616.80
				15,348.36
			Difference	\$268.44
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$265.07</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 85A to 93A pay 85A)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.021930%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$14,323.50	\$14,079.30	\$13,807.86	\$13,897.09
06-27-19	3,350.76	3,293.63	3,166.46	3,207.99
12-26-19	16,329.04	16,050.64	15,128.37	15,427.53
06-25-20	3,256.19	3,200.67	2,957.62	3,035.93
12-31-20	19,228.08	18,900.26	17,109.35	17,682.34
07-01-21	510,929.60	502,218.69	445,668.29	463,638.39
	<u>\$567,417.17</u>	<u>\$557,743.20</u>	<u>\$497,837.95</u>	<u>\$516,889.27</u>
				\$516,889.27
				497,837.95
			Difference	\$19,051.32
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$18,812.24</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 85A to 93A pay 86A)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.021930%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$29,865.89	\$29,356.70	\$28,790.72	\$28,976.79
06-27-19	40,829.14	40,133.04	38,583.40	39,089.44
12-26-19	27,863.05	27,388.01	25,814.28	26,324.76
06-25-20	40,932.06	40,234.20	37,178.87	38,163.30
12-31-20	24,976.16	24,550.34	22,224.05	22,968.34
07-01-21	620,919.49	610,333.35	541,609.11	563,447.71
	<u>\$785,385.79</u>	<u>\$771,995.64</u>	<u>\$694,200.43</u>	<u>\$718,970.34</u>
				\$718,970.34
				<u>694,200.43</u>
			Difference	\$24,769.91
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				\$24,459.06

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

Date	(*) Transferred Receipts	Porton of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.021930%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$27,580.11	\$27,109.89	\$26,587.23	\$26,759.06
06-27-19	6,451.94	6,341.94	6,097.06	6,177.03
12-26-19	31,441.80	30,905.74	29,129.89	29,705.93
06-25-20	6,269.84	6,162.94	5,694.94	5,845.73
12-31-20	37,023.94	36,392.71	32,944.29	34,047.60
07-01-21	983,802.12	967,029.14	858,140.55	892,742.23
	<u>\$1,092,569.75</u>	<u>\$1,073,942.38</u>	<u>\$958,593.96</u>	<u>\$995,277.58</u>
				\$995,277.58
				<u>958,593.96</u>
			Difference	\$36,683.62
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				<u>\$36,223.26</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$181.89	\$178.79	\$175.34	\$176.48
06-27-19	42.55	41.82	40.21	40.74
12-26-19	207.35	203.81	192.10	195.90
06-25-20	41.35	40.65	37.56	38.55
12-31-20	244.17	240.01	217.27	224.54
07-01-21	6,488.03	6,377.41	5,659.31	5,887.50
	<u>\$7,205.34</u>	<u>\$7,082.50</u>	<u>\$6,321.79</u>	<u>\$6,563.71</u>
				\$6,563.71
				6,321.79
			Difference	\$241.92
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$238.88</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$200.41	\$196.99	\$193.20	\$194.44
06-27-19	46.88	46.08	44.30	44.88
12-26-19	228.47	224.57	211.67	215.86
06-25-20	45.56	44.78	41.38	42.48
12-31-20	269.04	264.45	239.39	247.41
07-01-21	7,148.82	7,026.94	6,235.70	6,487.13
	<u>\$7,939.18</u>	<u>\$7,803.82</u>	<u>\$6,965.64</u>	<u>\$7,232.20</u>
				\$7,232.20
				6,965.64
			Difference	\$266.56
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$263.21</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$216.29	\$212.60	\$208.50	\$209.85
06-27-19	50.60	49.74	47.82	48.44
12-26-19	246.58	242.38	228.45	232.97
06-25-20	49.17	48.33	44.66	45.84
12-31-20	290.36	285.41	258.37	267.02
07-01-21	7,715.34	7,583.80	6,729.86	7,001.21
	<u>\$8,568.34</u>	<u>\$8,422.26</u>	<u>\$7,517.66</u>	<u>\$7,805.33</u>
				\$7,805.33
				7,517.66
			Difference	\$287.67
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$284.06</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$400.00	\$393.18	\$385.60	\$388.09
06-27-19	93.57	91.97	88.42	89.58
12-26-19	456.01	448.24	422.48	430.83
06-25-20	90.93	89.38	82.59	84.78
12-31-20	536.97	527.82	477.80	493.80
07-01-21	14,268.35	14,025.09	12,445.85	12,947.68
	<u>\$15,845.83</u>	<u>\$15,575.67</u>	<u>\$13,902.74</u>	<u>\$14,434.76</u>
				\$14,434.76
				13,902.74
			Difference	\$532.02
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$525.34</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.



**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$86.94	\$85.46	\$83.81	\$84.35
06-27-19	20.34	19.99	19.22	19.47
12-26-19	99.11	97.42	91.82	93.64
06-25-20	19.76	19.42	17.95	18.42
12-31-20	116.71	114.72	103.85	107.33
07-01-21	3,101.23	3,048.36	2,705.11	2,814.18
	<u>\$3,444.09</u>	<u>\$3,385.37</u>	<u>\$3,021.76</u>	<u>\$3,137.39</u>
				\$3,137.39
				3,021.76
			Difference	\$115.63
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$114.18</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-19				
12-27-18				
06-27-19				
12-26-19	\$119.30	\$117.27	\$115.02	\$115.76
06-25-20	23.79	23.38	22.49	22.78
12-31-20	140.48	138.08	130.08	132.68
07-01-21	3,732.79	3,669.15	3,388.27	3,478.75
	<u>\$4,016.36</u>	<u>\$3,947.88</u>	<u>\$3,655.86</u>	<u>\$3,749.97</u>
				\$3,749.97
				3,655.86
			Difference	\$94.11
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$92.93</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 95A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-20				
12-27-18				
06-27-19				
12-26-19				
06-25-20				
12-31-20	\$175.90	\$172.90	\$169.49	\$170.61
07-01-21	4,674.01	4,594.32	4,414.97	4,473.53
	<u>\$4,849.91</u>	<u>\$4,767.22</u>	<u>\$4,584.46</u>	<u>\$4,644.14</u>
				\$4,644.14
				4,584.46
			Difference	\$59.68
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$58.93</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$57,507.20	\$56,526.75	\$55,436.95	\$55,795.22
06-27-19	78,617.09	77,276.74	74,292.88	75,267.27
12-26-19	53,650.69	52,735.99	49,705.76	50,688.69
06-25-20	78,815.26	77,471.53	71,588.44	73,483.98
12-31-20	48,091.95	47,272.02	42,792.72	44,225.86
07-01-21	1,195,589.18	1,175,205.42	1,042,875.94	1,084,926.46
	<u>\$1,512,271.37</u>	<u>\$1,486,488.45</u>	<u>\$1,336,692.69</u>	<u>\$1,384,387.48</u>
				\$1,384,387.48
				<u>1,336,692.69</u>
			Difference	\$47,694.79
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	<u>98.74506%</u>
				\$47,096.25

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$379.25	\$372.78	\$365.60	\$367.96
06-27-19	518.47	509.63	489.95	496.38
12-26-19	353.82	347.79	327.80	334.29
06-25-20	519.78	510.92	472.12	484.62
12-31-20	317.16	311.75	282.21	291.66
07-01-21	7,884.74	7,750.31	6,877.62	7,154.94
	<u>\$9,973.22</u>	<u>\$9,803.19</u>	<u>\$8,815.30</u>	<u>\$9,129.85</u>
				\$9,129.85
				8,815.30
			Difference	\$314.55
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$310.60</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$417.88	\$410.76	\$402.84	\$405.44
06-27-19	571.27	561.53	539.85	546.93
12-26-19	389.85	383.20	361.18	368.33
06-25-20	572.71	562.95	520.20	533.97
12-31-20	349.46	343.50	310.95	321.37
07-01-21	8,687.77	8,539.65	7,578.08	7,883.64
	<u>\$10,988.94</u>	<u>\$10,801.59</u>	<u>\$9,713.10</u>	<u>\$10,059.68</u>
				\$10,059.68
				9,713.10
			Difference	\$346.58
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$342.23</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$450.99	\$443.30	\$434.75	\$437.56
06-27-19	616.54	606.03	582.63	590.27
12-26-19	420.75	413.58	389.81	397.52
06-25-20	618.10	607.56	561.42	576.29
12-31-20	377.15	370.72	335.59	346.83
07-01-21	9,376.25	9,216.39	8,178.62	8,508.39
	<u>\$11,859.78</u>	<u>\$11,657.58</u>	<u>\$10,482.82</u>	<u>\$10,856.86</u>
				\$10,856.86
				10,482.82
			Difference	\$374.04
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$369.35</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

Date	(*) Transferred Receipts	Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%	Present value to transfer date at the receipts yield of 4.021930%	Present value to transfer date at 2018 Series A Bond yield of 2.6821845%
07-01-18				
12-27-18	\$834.04	\$819.82	\$804.01	\$809.21
06-27-19	1,140.21	1,120.77	1,077.49	1,091.63
12-26-19	778.11	764.84	720.90	735.15
06-25-20	1,143.08	1,123.59	1,038.27	1,065.76
12-31-20	697.49	685.60	620.63	641.42
07-01-21	17,339.96	17,044.33	15,125.12	15,734.99
	<u>\$21,932.89</u>	<u>\$21,558.95</u>	<u>\$19,386.42</u>	<u>\$20,078.16</u>
				\$20,078.16
				19,386.42
			Difference	\$691.74
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$683.06</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.



**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-18				
12-27-18	\$181.28	\$178.19	\$174.75	\$175.88
06-27-19	247.82	243.59	234.19	237.26
12-26-19	169.12	166.24	156.68	159.78
06-25-20	248.45	244.21	225.67	231.64
12-31-20	151.60	149.02	134.90	139.41
07-01-21	3,768.84	3,704.58	3,287.44	3,420.00
	<u>\$4,767.11</u>	<u>\$4,685.83</u>	<u>\$4,213.63</u>	<u>\$4,363.97</u>
				\$4,363.97
				4,213.63
			Difference	\$150.34
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$148.45</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-19				
12-27-18				
06-27-19				
12-26-19	\$203.56	\$200.09	\$196.25	\$197.51
06-25-20	299.04	293.94	282.65	286.34
12-31-20	182.47	179.36	168.96	172.33
07-01-21	4,536.36	4,459.02	4,117.67	4,227.63
	<u>\$5,221.43</u>	<u>\$5,132.41</u>	<u>\$4,765.53</u>	<u>\$4,883.81</u>
				\$4,883.81
				4,765.53
			Difference	\$118.28
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$116.80</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

**Northern California Power Agency**

**CALCULATION OF TRANSFERRED PROCEEDS PERCENTAGE**  
**(Refunding of 2003 - Transfer from 86A to 93A pay 86A)**

<u>Date</u>	<u>(*) Transferred Receipts</u>	<u>Portion of Principal paid with 2018A proceeds on July 1, 2018 98.295086%</u>	<u>Present value to transfer date at the receipts yield of 4.021930%</u>	<u>Present value to transfer date at 2018 Series A Bond yield of 2.6821845%</u>
07-01-20				
12-27-18				
06-27-19				
12-26-19				
06-25-20				
12-31-20	\$228.48	\$224.58	\$220.16	\$221.61
07-01-21	5,680.20	5,583.36	5,365.40	5,436.56
	<u>\$5,908.68</u>	<u>\$5,807.94</u>	<u>\$5,585.56</u>	<u>\$5,658.17</u>
				\$5,658.17
				5,585.56
			Difference	\$72.61
			Adjustment for Debt Service Funds used in Escrow (Exhibit E)	98.74506%
				<u>\$71.70</u>

(\*) As shown on the Tax Certificate dated July 24, 2008.

## **APPENDIX I**

**Applicable schedules provided by  
Citigroup**

## SOURCES AND USES OF FUNDS

Northern California Power Agency  
Current Refunding of Hydroelectric Project No. 1, Series 2008C  
Verbal Award Cashflows  
March 13, 2018

Sources:	TE Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds	Taxable Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds	Total
Bond Proceeds:			
Par Amount	68,875,000.00	1,340,000.00	70,215,000.00
Premium	8,253,396.95		8,253,396.95
	<u>77,128,396.95</u>	<u>1,340,000.00</u>	<u>78,468,396.95</u>
Other Sources of Funds:			
Transfer from 2008C Debt Service Account	947,687.50	16,437.50	964,125.00
	<u>78,076,084.45</u>	<u>1,356,437.50</u>	<u>79,432,521.95</u>
Uses:	TE Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds	Taxable Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds	Total
Refunding Escrow Deposits:			
Cash Deposit	0.50	0.53	1.03
SLGS Purchases	77,604,706.00	1,342,566.00	78,947,272.00
	<u>77,604,706.50</u>	<u>1,342,566.53</u>	<u>78,947,273.03</u>
Delivery Date Expenses:			
Cost of Issuance	307,997.73	5,992.27	313,990.00
Underwriter's Discount	161,804.02	3,147.99	164,952.01
	<u>469,801.75</u>	<u>9,140.26</u>	<u>478,942.01</u>
Other Uses of Funds:			
Additional Proceeds	1,576.20	4,730.71	6,306.91
	<u>78,076,084.45</u>	<u>1,356,437.50</u>	<u>79,432,521.95</u>

## Notes:

Assumes  
Delivery Date of 4/4/18  
Ratings of Aa3 / AA-  
Final Pricing  
SLGS as of 3/13/18  
Preliminary, subject to change.

## ESCROW SUFFICIENCY

Northern California Power Agency  
Current Refunding of Hydroelectric Project No. 1, Series 2008C  
Verbal Award Cashflows  
March 13, 2018

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
04/04/2018		1.03	1.03	1.03
07/01/2018	79,058,250.00	79,058,249.31	-0.69	0.34
	79,058,250.00	79,058,250.34	0.34	

Note: Preliminary, subject to change.

## ESCROW DESCRIPTIONS DETAIL

Northern California Power Agency  
TE Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
PRIORDSF, Apr 4, 2018: SLGS	Certificate	07/01/2018	07/01/2018	947,687	1.640%	1.640%
PROCEEDS, Apr 4, 2018: SLGS	Certificate	07/01/2018	07/01/2018	25,777,041	1.640%	1.640%
	SLGS	07/01/2018		50,879,978		1.640%
				76,657,019		
				77,604,706		

SLGS Summary

SLGS Rates File	13MAR18
Total Certificates of Indebtedness	77,604,706.00

Note: Preliminary, subject to change.

## ESCROW DESCRIPTIONS DETAIL

Northern California Power Agency  
Taxable Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
PRIORDSF, Apr 4, 2018: SLGS	Certificate	07/01/2018	07/01/2018	16,437	1.640%	1.640%
PROCEEDS, Apr 4, 2018: SLGS	Certificate	07/01/2018	07/01/2018	1,326,129	1.640%	1.640%
				1,342,566		

SLGS Summary

SLGS Rates File	13MAR18
Total Certificates of Indebtedness	1,342,566.00

Note: Preliminary, subject to change.



**ESCROW CASH FLOW**

**Northern California Power Agency  
TE Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds**

**Prior Debt (PRI) - PROCEEDS**

Date	Principal	Interest	Net Escrow Receipts	Present Value to 04/04/2018 @ 2.6821691%
07/01/2018	76,657,019.00	101,921.71	76,758,940.71	76,266,290.73
	76,657,019.00	101,921.71	76,758,940.71	76,266,290.73

**Escrow Cost Summary**

Purchase date	04/04/2018
Purchase cost of securities	76,657,019.00
Transferred proceeds adjustment	-390,728.27
Target for yield calculation	76,266,290.73

Note: Preliminary, subject to change.

**ESCROW REQUIREMENTS**

**Northern California Power Agency  
Current Refunding of Hydroelectric Project No. 1, Series 2008C  
Verbal Award Cashflows  
March 13, 2018**

Period Ending	Interest	Principal Redeemed	Total
07/01/2018	1,928,250.00	77,130,000.00	79,058,250.00
	1,928,250.00	77,130,000.00	79,058,250.00

Note: Preliminary, subject to change.

## SUMMARY OF BONDS REFUNDED

Northern California Power Agency  
 Current Refunding of Hydroelectric Project No. 1, Series 2008C  
 Verbal Award Cashflows  
 March 13, 2018

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C, 2008CH:					
SERIAL	07/01/2019	5.000%	11,210,000.00	07/01/2018	100.000
	07/01/2020	5.000%	11,805,000.00	07/01/2018	100.000
	07/01/2021	5.000%	12,435,000.00	07/01/2018	100.000
	07/01/2022	5.000%	13,035,000.00	07/01/2018	100.000
	07/01/2023	5.000%	13,095,000.00	07/01/2018	100.000
	07/01/2024	5.000%	15,550,000.00	07/01/2018	100.000
			77,130,000.00		

Note: Preliminary, subject to change.

## PROOF OF ARBITRAGE YIELD

Northern California Power Agency  
Current Refunding of Hydroelectric Project No. 1, Series 2008C  
Verbal Award Cashflows  
March 13, 2018

Date	Debt Service	Total	Present Value to 04/04/2018 @ 2.6821844845%
07/01/2018	832,239.58	832,239.58	826,898.12
01/01/2019	1,721,875.00	1,721,875.00	1,688,183.60
07/01/2019	10,606,875.00	10,606,875.00	10,261,714.44
01/01/2020	1,499,750.00	1,499,750.00	1,431,745.29
07/01/2020	12,229,750.00	12,229,750.00	11,520,700.65
01/01/2021	1,231,500.00	1,231,500.00	1,144,748.67
07/01/2021	12,541,500.00	12,541,500.00	11,503,755.27
01/01/2022	948,750.00	948,750.00	858,729.45
07/01/2022	12,798,750.00	12,798,750.00	11,431,061.10
01/01/2023	652,500.00	652,500.00	575,061.01
07/01/2023	12,507,500.00	12,507,500.00	10,877,230.71
01/01/2024	356,125.00	356,125.00	305,607.99
07/01/2024	14,601,125.00	14,601,125.00	12,364,113.58
	82,528,239.58	82,528,239.58	74,789,549.88

Proceeds Summary

Delivery date	04/04/2018
Par Value	68,875,000.00
Premium (Discount)	8,253,396.95
Other adjustments	-2,338,847.07
Target for yield calculation	74,789,549.88

Note: Preliminary, subject to change.

## BOND SUMMARY STATISTICS

Northern California Power Agency  
Current Refunding of Hydroelectric Project No. 1, Series 2008C  
Verbal Award Cashflows  
March 13, 2018

Dated Date	04/04/2018
Delivery Date	04/04/2018
Last Maturity	07/01/2024
Arbitrage Yield	2.682184%
True Interest Cost (TIC)	1.894444%
Net Interest Cost (NIC)	2.039793%
All-In TIC	2.006070%
Average Coupon	4.983951%
Average Life (years)	3.913
Weighted Average Maturity (years)	4.031
Duration of Issue (years)	3.636
Par Amount	70,215,000.00
Bond Proceeds	78,468,396.95
Total Interest	13,692,339.66
Net Interest	5,603,894.72
Total Debt Service	83,907,339.66
Maximum Annual Debt Service	14,957,250.00
Average Annual Debt Service	13,443,098.48

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	70,215,000.00	111.754	4.984%	3.913	28,130.05
	70,215,000.00			3.913	28,130.05

	TIC	All-In TIC	Arbitrage Yield
Par Value	70,215,000.00	70,215,000.00	68,875,000.00
+ Accrued Interest			
+ Premium (Discount)	8,253,396.95	8,253,396.95	8,253,396.95
- Underwriter's Discount	-164,952.01	-164,952.01	
- Cost of Issuance Expense		-313,990.00	
- Other Amounts			-2,338,847.07
Target Value	78,303,444.94	77,989,454.94	74,789,549.88
Target Date	04/04/2018	04/04/2018	04/04/2018
Yield	1.894444%	2.006070%	2.682184%

Note: Preliminary, subject to change.

**BOND DEBT SERVICE**

**Northern California Power Agency**  
**Current Refunding of Hydroelectric Project No. 1, Series 2008C**  
**Verbal Award Cashflows**  
**March 13, 2018**

Dated Date                      04/04/2018  
 Delivery Date                04/04/2018

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
07/01/2018			839,849.66	839,849.66	839,849.66
01/01/2019			1,737,620.00	1,737,620.00	
07/01/2019	10,225,000	** %	1,737,620.00	11,962,620.00	13,700,240.00
01/01/2020			1,499,750.00	1,499,750.00	
07/01/2020	10,730,000	5.000%	1,499,750.00	12,229,750.00	13,729,500.00
01/01/2021			1,231,500.00	1,231,500.00	
07/01/2021	11,310,000	5.000%	1,231,500.00	12,541,500.00	13,773,000.00
01/01/2022			948,750.00	948,750.00	
07/01/2022	11,850,000	5.000%	948,750.00	12,798,750.00	13,747,500.00
01/01/2023			652,500.00	652,500.00	
07/01/2023	11,855,000	5.000%	652,500.00	12,507,500.00	13,160,000.00
01/01/2024			356,125.00	356,125.00	
07/01/2024	14,245,000	5.000%	356,125.00	14,601,125.00	14,957,250.00
	70,215,000		13,692,339.66	83,907,339.66	83,907,339.66

Note: Preliminary, subject to change.

## BOND PRICING

Northern California Power Agency  
Current Refunding of Hydroelectric Project No. 1, Series 2008C  
Verbal Award Cashflows  
March 13, 2018

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)	Takedown
TE Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds, Bond Component:							
	07/01/2019	8,885,000	5.000%	1.420%	104.388	389,873.80	1.500
	07/01/2020	10,730,000	5.000%	1.550%	107.569	812,153.70	1.500
	07/01/2021	11,310,000	5.000%	1.650%	110.529	1,190,829.90	1.500
	07/01/2022	11,850,000	5.000%	1.790%	113.052	1,546,662.00	1.500
	07/01/2023	11,855,000	5.000%	1.910%	115.339	1,818,438.45	1.500
	07/01/2024	14,245,000	5.000%	2.000%	117.518	2,495,439.10	1.500
		68,875,000				8,253,396.95	
Taxable Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds, Bond Component:							
	07/01/2019	1,340,000	2.350%	2.350%	100.000		1.500
		70,215,000				8,253,396.95	

Dated Date	04/04/2018	
Delivery Date	04/04/2018	
First Coupon	07/01/2018	
Par Amount	70,215,000.00	
Premium	8,253,396.95	
Production	78,468,396.95	111.754464%
Underwriter's Discount	-164,952.01	-0.234924%
Purchase Price	78,303,444.94	111.519540%
Accrued Interest		
Net Proceeds	78,303,444.94	

Note: Preliminary, subject to change.

## TRANSFERRED PROCEEDS

Northern California Power Agency  
TE Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds

Prior Debt (PRI)

Date	Prior Principal Paid by Bond Proceeds	Prior Principal Value	Transfer Factor	Adjusted Difference	Adjusted Cascade Difference	Total Transfer Difference	PV of Diff. to 04/04/2018 @ 2.682184%
07/01/2018	74,863,565.37	75,815,000.00	98.745058%	392,259.41		392,259.41	-389,741.82
07/01/2019					634.32	634.32	-613.68
07/01/2020					395.71	395.71	-372.77
	74,863,565.37						-390,728.27

Note: Preliminary, subject to change.



## TRANSFERRED PROCEEDS PRINCIPAL DEFEASANCE

Northern California Power Agency  
TE Refunding Portion of 2008C Hydroelectric Project No. 1 Bonds

Prior Debt (PRI)

Date	Escrow Requirement	Prior Principal Defeasance	Paid by PRIORDSF	Paid by Bond Proceeds	Other
07/01/2018	77,710,375.00	75,815,000.00	928,228.91	74,863,565.37	23,205.72
	77,710,375.00	75,815,000.00	928,228.91	74,863,565.37	23,205.72

Note: Preliminary, subject to change.



## Blanket Issuer Letter of Representations

[To be Completed by Issuer]

NORTHERN CALIFORNIA POWER AGENCY

[Name of Issuer]

February 18, 1997

[Date]

Attention: Underwriting Department — Eligibility  
The Depository Trust Company  
55 Water Street, 50th Floor  
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Northern California Power Agency

(Issuer)

By: Michael W. McDonald  
(Authorized Officer's Signature)

Michael W. McDonald, General Manager

(Type Name & Title)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: [Signature]

180 Cirby Way

(Street Address)

Roseville, CA. 95678

(City)

(State)

(Zip)

916/781-4200

(Phone Number)

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF ASSISTANT SECRETARY**

I, Cary A. Padgett, Assistant Secretary to the Commission of the Northern California Power Agency (the “Agency”), HEREBY CERTIFY as follows:

1. Attached hereto as Exhibit A is a copy of the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018 (the “Twenty-Fourth Supplemental Indenture”), amending the Indenture of Trust, dated as of March 1, 1985, by and between the Agency and U.S. Bank National Association, as successor trustee (the “Trustee”), as previously amended and supplemented (such Indenture of Trust, as so amended and supplemented being herein referred to as the “Indenture”). Said copy is a true, complete and correct copy of said Twenty-Fourth Supplemental Indenture and said Twenty-Fourth Supplemental Indenture was duly authorized and executed by the Agency and has not been modified, amended or repealed and is in full force and effect.

2. Attached hereto as Exhibit B is a copy of the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (the “Twenty-Fifth Supplemental Indenture”), amending the Indenture of Trust, dated as of March 1, 1985, by and between the Agency and the Trustee, as previously amended and supplemented (such Indenture of Trust, as so amended and supplemented being herein referred to as the “Indenture”). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture. Said copy is a true, complete and correct copy of said Twenty-Fifth Supplemental Indenture and said Twenty-Fifth Supplemental Indenture was duly authorized and executed by the Agency and has not been modified, amended or repealed and is in full force and effect.

3. Attached hereto as Exhibit C is a true and complete copy of Resolution No. 18-08, duly adopted by the Commission of the Agency at a meeting duly called and duly held on October 28, 2010, at which meeting a quorum was present and acting throughout, such resolution relating to the Twenty-Fourth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture and the transactions contemplated thereby. Such resolution has not been modified, amended or repealed and is in full force and effect.

4. Attached hereto as Exhibit D is a copy of the Continuing Disclosure Agreement, dated April 4, 2018, by and between the Agency and U.S. Bank National Association, as Trustee. Said copy is a true, complete and correct copy of said Agreement and said Agreement was duly authorized and executed by the Agency and has not been modified, amended or repealed and is in full force and effect.

5. Attached hereto as Exhibit E is a copy of the Amended and Restated Northern California Power Agency Joint Powers Agreement, dated as of February 1, 2008, by and among the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara and Ukiah, California, the Plumas-Sierra Rural Electric Cooperative, the Turlock Irrigation District, the Port of Oakland, the Truckee-Donner Public Utility District and the Bay

Area Rapid Transit District. Said copy is a true, complete and correct copy of said Agreement and said Agreement has not been further supplemented, modified or amended and is in full force and effect in the form attached hereto as Exhibit E, except that Turlock Irrigation District has withdrawn from the Agency, pursuant to the terms of the Agreement, effective as of April 1, 2011.

6. Attached hereto as Exhibit F is a copy of the Federal Energy Regulatory Commission License with respect to the Agency's Hydroelectric Project Number One. Said copy is a true, complete and correct copy of said License and said License has not been modified, amended or repealed and is in full force and effect in the form attached hereto as Exhibit F.

7. Attached hereto as Exhibit G is a copy of the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the California Government Code. Said copy is a true, complete and correct copy of said Act and said Act has not been modified, amended or repealed and is in full force and effect in the form attached hereto.

8. Attached hereto as Exhibit H is a copy of the Escrow Deposit Agreement, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as Escrow Agent, with respect to the Agency's Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C. Said copy is a true, complete and correct copy of said Agreement and said Agreement was duly authorized and executed by the Agency and has not been modified, amended or repealed and is in full force and effect.

9. Attached hereto as Exhibit I are copies of (i) the Northern California Power Agency Member Service Agreement, dated as of February 12, 1981, by and among the Agency and the following of its members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville and Ukiah and the Plumas-Sierra Rural Electric Cooperative; (ii) the Northern California Power Agency Member Service Agreement dated as of February 12, 1981, by and among the Agency and the City of Santa Clara; and (iii) the Northern California Power Agency Member Service Agreement dated as of February 12, 1981, by and among the Agency and the City of Redding. Said copies are true, complete and correct copies of said Agreements and said Agreements have not been supplemented, modified or amended and are in full force and effect in the forms attached hereto as Exhibit M as to the City of Redding. The Member Service Agreements executed by the other Agency members has been superseded by the Northern California Power Agency Facilities Agreement, dated as of September 22, 1993.

10. Attached hereto as Exhibit J is a copy of the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, by and among the Agency and the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Redding, Roseville, Santa Clara and Ukiah, California and the Plumas-Sierra Rural Electric Cooperative, as amended by Amendment Number One to the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983, and as amended pursuant to the Agreement for Transfer of Rights to Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985, by and among the Cities of Redding, Alameda, Healdsburg, Roseville and Santa Clara, and as modified by Resolution 85 34 and as further modified by Northern California Commission Resolution No. 85-34A, adopted on March 29, 1985. Said copy is a true, complete and correct copy of said Agreement and said

Agreement has not been further supplemented, modified or amended and is in full force and effect in the form attached hereto as Exhibit J.

11. Attached hereto as Exhibit K is a copy of the Revised Power Purchase Contract dated as of March 1, 1985 (the “Power Purchase Contract”), by and between the Agency and Calaveras County Water District. Said copy is a true, complete and correct copy of said Power Purchase Contract and said Power Purchase Contract has not been further supplemented, modified or amended and is in full force and effect in the form attached hereto as Exhibit K.

12. Attached hereto as Exhibit L is a copy of Resolution No. 85-34, duly adopted by the Commission of the Agency at a meeting duly called and duly held on March 29, 1985, at which meeting a quorum was present and acting throughout. Said copy is a true, complete and correct copy of such Resolution and said Resolution has not been supplemented, modified or amended and is in full force and effect in the form attached hereto as Exhibit L.

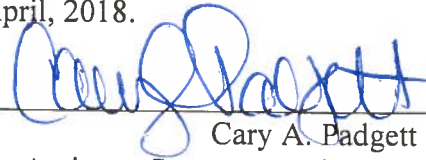
13. Attached hereto as Exhibit M is a copy of Resolution No. 08-48, duly adopted by the Commission of the Agency at a meeting duly called and duly held on June 30, 2008, at which meeting a quorum was present and acting throughout. Said copy is a true complete and correct copy of such Resolution and said Resolution has not been supplemented, modified or amended as in full force and effect in the form attached hereto as Exhibit M.

14. The Agency and U.S. Bank, National Association, as successor trustee, have entered into the Indenture of Trust, dated as of March 1, 1985 (the “Original Indenture”), as amended and supplemented by the First Supplemental Indenture of Trust, dated as of December 1, 1985, the Second Supplemental Indenture of Trust, dated as of July 1, 1986, the Fourth Supplemental Indenture of Trust, dated as of August 1, 1986, the Fifth Supplemental Indenture of Trust, dated December 1, 1986, the Sixth Supplemental Indenture of Trust, dated as of September 15, 1987, the Seventh Supplemental Indenture of Trust, dated as of April 1, 1991, the Eighth Supplemental Indenture of Trust, dated as of June 1, 1992, the Ninth Supplemental Indenture of Trust, dated as of June 1, 1993, the Tenth Supplemental Indenture of Trust, dated as of July 1, 1998, the Eleventh Supplemental Indenture of Trust, dated as of July 1, 1998, the Twelfth Supplemental Indenture of Trust, dated as of April 1, 2002, the Thirteenth Supplemental Indenture of Trust, dated as of April 1, 2002, the Fourteenth Supplemental Indenture of Trust, dated as of April 1, 2003, the Fifteenth Supplemental Indenture of Trust, dated as of April 1, 2003, the Sixteenth Supplemental Indenture of Trust, dated as of April 1, 2008 (the “Sixteenth Supplemental Indenture of Trust”), the Seventeenth Supplemental Indenture of Trust, dated as of April 1, 2008 (the “Seventeenth Supplemental Indenture of Trust”), the Eighteenth Supplemental Indenture of Trust, dated as of July 1, 2008, the Nineteenth Supplemental Indenture of Trust, dated as of July 1, 2008, the Twentieth Supplemental Indenture of Trust, dated as of February 1, 2010, and the Twenty-First Supplemental Indenture of Trust, dated as of February 1, 2010, the Twenty-Second Supplemental Indenture of Trust, dated as of February 1, 2012, the Twenty-Third Supplemental Indenture of Trust, dated as of February 1, 2012, the Twenty-Fourth Supplemental Indenture, dated as of April 1, 2018, and the Twenty-Fifth Supplemental Indenture, dated as of April 1, 2018, and, except as set forth above, said Indenture of Trust has not been supplemented, amended or modified.

15. The Agency and the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara and Ukiah and the Plumas-Sierra Rural Electric Cooperative and

Turlock Irrigation District, have entered into the Facilities Agreement, dated as of September 22, 1993, as amended and supplemented by Amendment No. 1 to Northern California Power Agency Facilities Agreement, dated as of April 1, 2011 (collectively, the "Facilities Agreement"). Attached hereto as Exhibit N is a copy of said Facilities Agreement. Said copy is a true, complete and correct copy of said document and, except as set forth above, said Facilities Agreement has not been supplemented, amended or modified and is in full force and effect in the form attached hereto as Exhibit N, except that the Facilities Schedules attached to said Facilities Agreement have been modified and amended from time to time in accordance with the provisions of Article 21 of the Facilities Agreement.

IN WITNESS WHEREOF, the undersigned has executed this certificate and the seal of the Agency has been affixed as of the 4th day of April, 2018.



Cary A. Padgett

Assistant Secretary to the Commission of the  
Northern California Power Agency

CROSS REFERENCE

A copy of the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as successor Trustee, is included in this transcript as Document No. A-1.

CROSS REFERENCE

A copy of the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as successor Trustee, is included in this transcript as Document No. A-2.



Resolution No. 18-08

[See attached.]

## **RESOLUTION 18-08**

### **RESOLUTION OF THE NORTHERN CALIFORNIA POWER AGENCY AUTHORIZING AND APPROVING THE ISSUANCE OF HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS, 2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B; APPROVING THE SUPPLEMENTAL INDENTURES OF TRUST PURSUANT TO WHICH SUCH BONDS ARE TO BE ISSUED; AUTHORIZING AND APPROVING CERTAIN DOCUMENTS IN CONNECTION WITH THE ISSUANCE, SECURING AND SALE OF SUCH BONDS; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO**

**(reference Staff Report #113:18)**

**WHEREAS**, the Northern California Power Agency ("NCPA") is a public entity duly organized and existing pursuant to the Amended and Restated Northern California Power Agency Joint Powers Agreement, dated as of January 1, 2008, as supplemented (the "Agreement") and the provisions relating to the Joint Exercise of Powers Act constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California; and

**WHEREAS**, NCPA is authorized pursuant to the provisions of the Agreement and the Act (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture mentioned below) to acquire and construct, or cause to be acquired and constructed, and to operate or cause to be operated, a project within the State of California for the generation or transmission of electric energy (including a capacity right in such a project) and to sell the capacity and energy of such project; to enter into agreements with respect to any matters relating to the acquisition, construction and operation of such project and the sale of capacity and energy of such project; and to finance the acquisition, construction and operation of such project through the issuance of bonds, notes and other evidences of indebtedness under the Act; and to issue bonds to refund such bonds, notes or other evidences of indebtedness; and

**WHEREAS**, NCPA and Calaveras County Water District have entered into the Power Purchase Contract whereby CCWD has granted NCPA the right to the capacity and energy of the Project in exchange for, among other things, NCPA's providing the funds necessary to construct the Project and NCPA's construction and operation of the Project, all on the terms and conditions specified in the Power Purchase Contract; and

**WHEREAS**, NCPA and the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara, and Ukiah and the Plumas-Sierra Rural Electric Cooperative (the "Project Participants") have entered into the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended, to provide for the construction, operation, and financing of the Project, the sale by NCPA of capacity and energy of the Project to the Project Participants, and the security for the bonds, notes and other evidences of indebtedness to be issued to finance the Project; and

**WHEREAS**, pursuant to an Indenture of Trust (as the same may be amended and supplemented from time to time, the "Original Indenture"), dated as of March 1, 1985, between NCPA and U.S. Bank Trust National Association, as successor trustee (the "Trustee"), NCPA has authorized the issuance of its Hydroelectric Project Number One Revenue Bonds to finance the Cost of Acquisition and Construction of the Project or to refund any Outstanding Bond or Bonds; and

**WHEREAS**, pursuant to the Original Indenture, as amended and supplemented (the Original Indenture, as amended and supplemented, the "Indenture") NCPA has issued its Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C (the "2008 Series C Bonds"); and

**WHEREAS**, NCPA has determined to provide for the refunding all or a portion of the outstanding 2008 Series C Bonds as determined pursuant to this Resolution (the "Refunded Bonds"); and

**WHEREAS**, NCPA has determined to issue its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the "2018 Series A Bonds"), for the purpose, among others, of providing a portion of the funds necessary to refund the Refunded Bonds; and

**WHEREAS**, the 2018 Series A Bonds are to be issued under and pursuant to the Indenture as supplemented by the Twenty-Fourth Supplemental Indenture of Trust by and between NCPA and the Trustee (such Twenty-Fourth Supplemental Indenture of Trust, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Twenty-Fourth Supplemental Indenture"); and

**WHEREAS**, NCPA has determined to issue its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the "2018 Series B Bonds" and, together with the 2018 Series A Bonds, the "2018 Series A and B Bonds"), for the purpose, among others, of providing a portion of the funds necessary to refund the Refunded Bonds; and

**WHEREAS**, the 2018 Series B Bonds are to be issued under and pursuant to the Indenture as supplemented by the Twenty-Fifth Supplemental Indenture of Trust by and between NCPA and the Trustee (such Twenty-Fifth Supplemental Indenture of Trust, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Twenty-Fifth Supplemental Indenture"); and

**WHEREAS**, the 2018 Series A Bonds and the 2018 Series B Bonds are to be payable from and secured by a pledge and assignment of the Trust Estate on a parity with all other Bonds issued and Outstanding under the Indenture; and

**WHEREAS**, Citibank Global Markets Inc., as representative (the "Representative"), on behalf of itself and Goldman Sachs & Co. LLC (the "Underwriters") have submitted a proposal to purchase the 2018 Series A Bonds and the 2018 Series B Bonds in the form of a Contract of Purchase (such Contract of Purchase, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Purchase Contract"); and

**WHEREAS**, the offer of the 2018 Series A Bonds and the 2018 Series B Bonds to the public is to be made pursuant to a Preliminary Official Statement (such Preliminary Official Statement in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement"); and

**WHEREAS**, NCPA will provide for the refunding of the Refunded Bonds by depositing funds in an escrow fund established by an Escrow Deposit Agreement with the Trustee (such Escrow Deposit Agreement, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Escrow Agreement"); and

**WHEREAS**, there have been prepared and submitted to this meeting drafts of the following:

- (1) the Twenty-Fourth Supplemental Indenture;
- (2) the Twenty-Fifth Supplemental Indenture;
- (3) the Preliminary Official Statement;
- (4) the Escrow Agreement;
- (5) the Continuing Disclosure Agreement; and
- (6) the Purchase Contract.

**WHEREAS**, after having reviewed and considered the proposal of the Underwriters to purchase the 2018 Series A Bonds and the 2018 Series B Bonds on the terms and conditions contained in the Purchase Contract, this Commission now desires to authorize the issuance and sale of the 2018 Series A and B Bonds, including the execution of such documents and the performance of such acts as may be necessary or desirable to effect such issuance and sale and the other actions contemplated by this Resolution; and

**WHEREAS**, this bond refunding would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a "project" for purposes of Section 21065 of the California Environmental Quality Act. No environmental review is necessary; and

**NOW, THEREFORE, BE IT RESOLVED** by the Commission of the Northern California Power Agency, as follows:

**Section 1.** The Commission hereby finds and determines that the issuance and sale of the 2018 Series A and B Bonds that refund the 2008 Series C Bonds, and approval of the other matters referred to in this Resolution, will not result in either a direct physical change in the environment, nor a reasonably foreseeable indirect physical change in the environment. As a consequence, such activity is not a "project" as defined by the California Environmental Quality Act (California Public Resources Code section 21000 *et seq.*).

**Section 2.** The issuance of the 2018 Series A Bonds on the terms and conditions set forth in, and subject to the limitations specified in, the Twenty-Fourth Supplemental Indenture is hereby authorized and approved. The aggregate principal amount of the 2018 Series A and B Bonds shall not exceed Eighty-Four Million Dollars (\$84,000,000). The 2018 Series A Bonds will be dated, will bear interest at the per annum interest rates, will mature on the date or dates, will be issued in the form, will have the Sinking Fund Installments (if any), will be subject to redemption, and will have such other terms, as shall be provided in the Twenty-Fourth Supplemental Indenture as the same is completed as provided in this Resolution.

**Section 3.** The Twenty-Fourth Supplemental Indenture, in substantially the form submitted to this meeting and made a part thereof as though set forth in full herein, be and the same is hereby approved. Each of the Chairman of this Commission (the "Chairman"), the General Manager of NCPA (the "General Manager"), the Assistant General Manager, Finance and Administrative Services Chief Financial Officer, and the Treasurer-Controller of NCPA (each an "Authorized Officer"), acting singly, is hereby authorized to execute and deliver the Twenty-Fourth Supplemental Indenture, in the name of and on behalf of NCPA, in the form presented to this meeting with such changes, insertions and deletions as may be consistent with this Resolution and the determinations made pursuant hereto and as may be approved by the Authorized Officer executing the Twenty-Fourth Supplemental Indenture, said execution being conclusive evidence of such approval.

**Section 4.** The Authorized Officer executing the Twenty-Fourth Supplemental Indenture is hereby authorized to determine the following: (i) the aggregate principal amount of the 2018 Series A Bonds; (ii) the maturity date or dates of the 2018 Series A Bonds (the final maturity of such 2018 Series A Bonds to be not later than July 1, 2028); (iii) the principal amount of the 2018 Series A Bonds maturing on each maturity date; (iv) the 2018 Series A Bonds which are to be term bonds, if any, and the Sinking Fund Installments for any such term bonds; (v) the redemption provisions for the 2018 Series A Bonds; and (vi) subject to the provisions of Section 17 hereof, which of the outstanding 2008 Series C Bonds are to be refunded as Refunded Bonds pursuant to this Resolution.

**Section 5.** The proceeds of the sale of the 2018 Series A Bonds shall be applied to the refunding of the Refunded Bonds on the terms set forth in the Twenty-Fourth Supplemental Indenture and the Escrow Agreement.

**Section 6.** The issuance of the 2018 Series B Bonds on the terms and conditions set forth in, and subject to the limitations specified in, the Twenty-Fifth Supplemental Indenture is hereby authorized and approved. The aggregate principal amount of the 2018 Series A and B Bonds shall not exceed Eighty-Four Million Dollars (\$84,000,000). The 2018 Series B Bonds will be dated, will bear interest at the per annum interest

rates, will mature on the date or dates, will be issued in the form, will have the Sinking Fund Installments (if any), will be subject to redemption, and will have such other terms, as shall be provided in the Twenty-Fifth Supplemental Indenture as the same is completed as provided in this Resolution. This Commission hereby finds and determines, based on advice of Bond Counsel, that interest on the 2018 Series B Bonds will be subject to federal income tax.

**Section 7.** The Twenty-Fifth Supplemental Indenture, in substantially the form submitted to this meeting and made a part thereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver the Twenty-Fifth Supplemental Indenture, in the name of and on behalf of NCPA, in the form presented to this meeting with such changes, insertions and deletions as may be consistent with this Resolution and the determinations made pursuant hereto and as may be approved by the Authorized Officer executing the Twenty-Fifth Supplemental Indenture, said execution being conclusive evidence of such approval.

**Section 8.** The Authorized Officer executing the Twenty-Fifth Supplemental Indenture is hereby authorized to determine the following: (i) the aggregate principal amount of the 2018 Series B Bonds; (ii) the maturity date or dates of the 2018 Series B Bonds (the final maturity of such 2018 Series B Bonds to be not later than July 1, 2028); (iii) the principal amount of the 2018 Series B Bonds maturing on each maturity date; (iv) the 2018 Series B Bonds which are to be term bonds, if any, and the Sinking Fund Installments for any such term bonds; and (v) the redemption provisions for the 2018 Series B Bonds.

**Section 9.** The proceeds of the sale of the 2018 Series B Bonds shall be applied to the refunding of the Refunded Bonds, the payment of the costs of issuance of the 2018 Series A and B Bonds, and other costs related to the refunding of the Refunded Bonds on the terms set forth in the Twenty-Fifth Supplemental Indenture and the Escrow Agreement.

**Section 10.** The Purchase Contract, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver the Purchase Contract, in the name of and on behalf of NCPA, in the form presented to this meeting, with such changes, insertions and deletions as may be approved by the Authorized Officer executing said Purchase Contract and as are consistent with the determinations of the terms of the 2018 Series A and B Bonds made pursuant to this Resolution, said execution being conclusive evidence of such approval.

Each of the Authorized Officers, acting singly, is hereby authorized to determine the purchase price to be paid for the 2018 Series A Bonds under the Purchase Contract; provided, however, that the aggregate underwriters' discount (not including original issue discount) on the 2018 Series A Bonds shall be not more than 1.00% of the principal amount of the 2018 Series A Bonds. The sale of the 2018 Series A Bonds to the Underwriters on the terms and conditions contained in the Purchase Contract, as the same may be completed in accordance with the provisions of this Resolution, with such changes, insertions and deletions as are authorized hereby, is hereby approved and authorized.

Each of the Authorized Officers, acting singly, is hereby authorized to determine the purchase price to be paid for the 2018 Series B Bonds under the Purchase Contract; provided, however, that the aggregate underwriter's discount (not including original issue discount) on the 2018 Series B Bonds shall be not more than 1.00% of the principal amount of the 2018 Series B Bonds. The sale of the 2018 Series B Bonds to the Underwriters on the terms and conditions contained in the Purchase Contract, as the same may be completed in accordance with the provisions of this Resolution, with such changes, insertions and deletions as are authorized hereby, is hereby approved and authorized.

**Section 11.** The Escrow Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver, in the name of and on behalf of NCPA, the Escrow Agreement to the Trustee in the form presented to the meeting with such changes, insertions and

deletions as may be approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

**Section 12.** The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved and the use of the Preliminary Official Statement in connection with the offering and sale of the 2018 Series A and B Bonds by the Underwriters is hereby authorized and approved.

Each of the Authorized Officers is hereby authorized and directed to prepare and deliver to the Underwriters a final official statement in connection with the 2018 Series A and B Bonds (the "Official Statement"). The Official Statement shall be in the form of the Preliminary Official Statement with the addition of the final terms of the 2018 Series A and B Bonds to be contained in the Twenty-Fourth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture and with such other changes, insertions and deletions as may be approved by the officer of NCPA executing the same, said execution being conclusive evidence of such approval. Each of the Chairman and the General Manager of NCPA, acting singly, is hereby authorized to execute the Official Statement and any amendment or supplement thereto contemplated by the Purchase Contract, in the name and on behalf of NCPA, and thereupon to cause the Official Statement and any such amendment or supplement to be delivered to the Underwriters with such execution being conclusive evidence of the approval thereof. The use of the Official Statement in connection with the offering and sale of the 2018 Series A and B Bonds by the Underwriters is hereby authorized and approved.

Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12").

**Section 13.** Each of the Authorized Officers, acting singly, is hereby authorized to acquire credit enhancement for the 2018 Series A Bonds and/or the 2018 Series B Bonds in the form of municipal bond insurance provided that the cost of such municipal bond insurance is estimated by an Authorized Officer to be less than the savings achieved on the sale of the related Series of 2018 Series A and B Bonds compared to selling such Bonds without such credit enhancement. In connection with such municipal bond insurance, each of the Authorized Officers, acting singly, is hereby authorized to enter into agreements with respect to the repayment of amounts paid under such municipal bond insurance and interest thereon and expenses in connection therewith substantially in the form of the insurance agreements previously entered by NCPA in connection with municipal bond insurance for Bonds.

**Section 14.** The refunding of the Refunded Bonds on the terms and conditions specified in the Twenty-Fourth Supplemental Indenture, the Twenty-Fifth Supplemental Indenture and the Escrow Agreement, including the application of moneys for such purposes as therein provided, is hereby approved and authorized.

**Section 15.** Pursuant to Section 12 of the Hydroelectric Project Member Agreement, NCPA is hereby directed by the Project Participants (as conclusively evidenced by the affirmative votes for this Resolution of the representatives of the Project Participants to the Commission) to refund the Refunded Bonds as provided in the Twenty-Fourth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture, to issue the 2018 Series A Bonds and the 2018 Series B Bonds, to enter into, and perform its obligations under, the documents and instruments approved or authorized by this Resolution and to take such further actions as herein authorized in connection with the refunding of the Refunded Bonds and the issuance, security and sale of the 2018 Series A Bonds and the 2018 Series B Bonds, and NCPA shall comply with such direction, while not stayed or nullified, to the fullest extent authorized by law. The Project Participants recognize and agree (as conclusively evidenced by the affirmative votes for this Resolution of the representatives of the Project Participants to the Commission) that amounts payable under Section 5(a) of the Hydroelectric Project Member Agreement based on anticipated monthly electric sales include all such amounts accrued during any period during which there were no such anticipated sales and are payable under Section 5(a) of the Hydroelectric Project Member Agreement with respect to the first month in which there are anticipated electric sales regardless of the amount of such anticipated sales.

**Section 16.** The Treasurer-Controller of NCPA and the Administrative Assistant to the Assistant General Manager, Finance and Administrative Services Chief Financial Officer are each hereby appointed as an Assistant Secretary for the purpose of executing any documents, making any certification on behalf of NCPA or taking any other action necessary or convenient in carrying out the transactions contemplated by this Resolution.

**Section 17.** Notwithstanding any other provision or grant of authority to an Authorized Officer in this Resolution to the contrary, none of the documents approved and authorized to be executed and delivered by this Resolution shall be executed and delivered by an Authorized Officer unless as of the date of execution and delivery the Assistant General Manager, Finance and Administrative Services Chief Financial Officer or the Treasurer-Controller shall certify in writing that the net present value of the savings to be realized by the bond issuance contemplated by this Resolution is not less than five (5%) percent of the principal amount of the Refunded Bonds; and further provided, that any approval or grant of authority in this Resolution shall, without further action of the Commission, expire and be void as of 12:01 a.m. on July 1, 2018 unless exercised prior to that time.

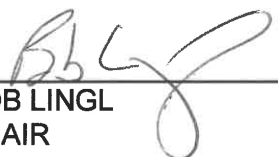
**Section 18.** The Chairman and the Vice Chairman of the Commission, and the Authorized Officers acting singly, be and each of them hereby is authorized to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or convenient in carrying out the transactions contemplated by this Resolution or the documents and instruments approved or authorized by this Resolution, including without limitation, entering into any continuing disclosure required by Rule 15c2-12, credit enhancement agreements, investment agreements, financial guaranty agreements, investment agreements, and/or financial guaranty agreements, and making any determinations or submission of any documents or reports which are required by any rule or regulation of any governmental entity in connection with the issuance and sale of the 2018 Series A Bonds and/or the 2018 Series B Bonds, the refunding of the Refunded Bonds and the authorization, execution, delivery and performance by NCPA of its obligations under the documents and instruments approved or authorized by this Resolution. Without limiting the generality of the foregoing, the Chairman, the Vice Chairman, and the Authorized Officers, are hereby authorized and directed to enter into such amendments and supplements to documents and agreements entered into in connection with the 2008 Series C Bonds as shall be necessary or desirable to carry out the purposes of the Resolution. The Secretary or an Assistant Secretary of NCPA is hereby authorized to affix and attest the seal of NCPA to any of the documents approved or authorized pursuant to this Resolution.


**Section 19.** All actions heretofore taken by any committee of the Commission, or any officer, representative or agent of NCPA, in connection with the issuance and sale of the 2018 Series A Bonds, the 2018 Series B Bonds, the refunding of the Refunded Bonds, or the authorization, execution, delivery or performance of NCPA's obligations under the documents and instruments approved or authorized by this Resolution and the other actions contemplated by this Resolution are hereby ratified, approved and confirmed.

**Section 20.** This Resolution shall take effect immediately upon its adoption.

PASSED, ADOPTED and APPROVED this 22 day of February, 2018 by the following vote on roll call:

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
Alameda	<u>Y</u>		
San Francisco BART			<u>X</u>
Biggs	<u>Y</u>		
Gridley	<u>Y</u>		
Healdsburg	<u>Y</u>		
Lodi	<u>Y</u>		
Lompoc	<u>Y</u>		
Palo Alto	<u>Y</u>		
Port of Oakland		<u>X</u>	
Redding		<u>X</u>	
Roseville	<u>Y</u>		
Santa Clara	<u>Y</u>		
Shasta Lake		<u>X</u>	
Truckee Donner			<u>X</u>
Ukiah	<u>Y</u>		
Plumas-Sierra			<u>X</u>

  
\_\_\_\_\_  
BOB LINGL  
CHAIR

ATTEST:   
\_\_\_\_\_  
CARY A. PADGETT  
ASSISTANT SECRETARY



CROSS REFERENCE

A copy of the Continuing Disclosure Agreement, dated April 4, 2018, by and between the Agency and U.S. Bank National Association, as Trustee, is included in this transcript as Document No. A-7.

Northern California Power Agency  
Amended and Restated Joint Powers Agreement

[See attached.]

**AMENDED AND RESTATED**  
**NORTHERN CALIFORNIA POWER AGENCY**  
**JOINT POWERS AGREEMENT**

This Amended and Restated Northern California Power Agency Joint Powers Agreement (“this Agreement”) is dated as of January 1, 2008, and is by and between the members of the Northern California Power Agency (“NCPA”); and

**W I T N E S S E T H:**

WHEREAS, the Northern California Power Agency was created by that certain Northern California Power Agency Joint Powers Agreement, first made July 19, 1968 and revised as of April 1, 1973 (the prior JPA); and

WHEREAS, the prior JPA was amended as of December 7, 1977; April 13, 1978; and January 1, 1982; and

WHEREAS, the prior JPA was supplemented by the addition of further signatories in addition to those of the parties who were originally signatory to it on September 27, 1984; September 27, 1989; April 1, 1995; and November 1, 2005; and

WHEREAS, each of the parties hereto is a signatory to the prior JPA and a “Member” of NCPA; and

WHEREAS, the parties now desire to further amend, and to restate, the prior JPA; and

WHEREAS, each of the parties to this Agreement is a “public agency” as that term is defined in Section 6500 of the Government Code of the State of California; and

WHEREAS, each of the parties hereto has the power to purchase, generate, transmit, distribute, sell and interchange electric energy in addition to other powers which are common to each of them; and

WHEREAS, pursuant to Title 1, Division 7, Chapter 5, of the Government Code of the State of California (commencing at Government Code section 6500), commonly known as the Joint Exercise of Powers Act, two or more public agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, it is the desire of the parties to use any power common to them that will make more efficient the use of the powers of the individual parties in the purchase, generation, transmission, distribution, sale, interchange and pooling of electrical energy

and capacity among themselves, or with each other, or with others, and any other power reasonably necessary and appropriate to aid in the accomplishment of any of these purposes; and

WHEREAS, the parties find that it would be to their mutual advantage and the public benefit to coordinate their area system planning and operation, within the extent permitted by the laws and regulations governing their respective operations and to the extent each party finds it desirable to do so, and further find that such coordination shall be understood to include the following:

- (a) Coordination of studies relating to the addition of generation or transmission facilities;
- (b) Coordination of transmission services over various facilities, including those of the United States, and of the charges for such transmission service, and the policies governing such transmission;
- (c) Coordination and maintenance of reserve generating and transmitting capacity;
- (d) Coordination in the sale of surplus capacity and energy; and

WHEREAS, the parties desire, by means of this Agreement to establish an organization and procedure for such coordination and operation and to provide for the general direction of such organization's policies, it being understood by all the parties that:

- (a) This Agreement is being executed initially by certain public agencies, but it is the intent of the parties that others may associate, and the parties signatory may re-associate themselves, later by signature to this Agreement and payment of a pro-rata share of organizational, planning and other expenditures as determined by a separate commission herein created;
- (b) All parties hereto desire that reasonable provision be made for withdrawal from such organization.

NOW, THEREFORE, the parties agree as follows:

## ARTICLE I

### PURPOSES

1. It is the purpose of this Agreement to establish pursuant to the Joint Exercise of Powers Act an agency to be known as the NORTHERN CALIFORNIA POWER AGENCY for and with the purpose of acquiring and disposing of ownership and use of revenue producing facilities, including electric generating and transmitting

facilities, and making more efficient use of the common powers of individual parties composing NCPA to acquire, purchase, generate, transmit, distribute, sell, interchange, and pool electric energy and capacity, and with the further purpose to develop all other reasonably necessary or appropriate powers to provide greater individual and group efficiency through the coordination indicated in this Agreement to the extent permitted by the laws and regulations governing such operations.

## ARTICLE II

### ORGANIZATION – NORTHERN CALIFORNIA POWER AGENCY

1. There is hereby established pursuant to the Joint Exercise of Powers Act (section 6500 et seq. of the Government Code of the State of California) an Agency which shall be a public entity separate from the parties to this Agreement. The name of said agency shall be the NORTHERN CALIFORNIA POWER AGENCY. The governing body of NCPA shall be a Commission composed of one representative of each of the parties as to which this Agreement has not in any way been terminated. Such Commission shall be the administering agency of this Joint Powers Agreement, and, as such, shall be vested with the powers set forth, and shall execute and administer this Agreement in accordance with the purposes and functions provided herein.

2. Each party to this Agreement shall be a “Member” of NCPA and appoint its designated representative to the Commission, and said representatives shall:

(a) Elect a chair, a vice-chair, and a secretary, and such other officers as the Commission shall find appropriate, to serve the Commission at its pleasure or for such term as may be provided by by-laws adopted by the Commission.

(b) Establish an Executive Committee, and such other committees as they shall find appropriate. The Executive Committee may exercise any power of the Commission delegated to it by by-laws adopted by the Commission.

(c) Provide general directives for the work of such committees.

(d) Take appropriate measures to meet the financial requirements of NCPA, by assessments and other contributions, as hereinafter provided for, and make other provisions as they shall find appropriate for the work of the Commission.

3. The Chair of NCPA shall preside at meetings of the Commission and perform such other duties as the Commission shall instruct. The duties of the Vice-Chair and the Secretary shall be the usual and customary duties of such officers.

4. The Commission shall appoint one of its officers or employees to either or both of the positions of Treasurer of NCPA and Controller of NCPA. Such offices may be held by separate officers or employees or combined and held by one officer or

employee. In any case, the Treasurer and Controller of NCPA shall cause an independent audit to be made by a certified public accountant, or public accountant, in compliance with Section 6505 of the Government Code.

5. The Treasurer of NCPA shall be the depository and have custody of all the money of NCPA from whatever source. The Controller of NCPA shall draw warrants or checks to pay demands against NCPA when the demands have been approved by the Commission or by the General Manager or the Assistant General Manager pursuant to a delegation of authority therefore adopted by the Commission. The Treasurer and Controller shall comply strictly with the provisions of the statutes relating to their duties found in Chapter 5, Division 7, Title 1 of the Government Code, beginning with Section 6500. The Controller and the Treasurer shall each file an official bond in the amount determined from time to time by the Commission.

6. The Commission shall appoint a General Manager, and may appoint one or more Assistant General Managers, to serve at the pleasure of the Commission. The General Manager shall have charge of, handle, or have access to any property of NCPA, and shall file an official bond in the amount determined from time to time by the Commission.

7. The Commission shall provide for regular meetings and special meetings in accordance with the Ralph M. Brown Act, Chapter 9, Part 1, Division 2, Title 5, of the Government Code beginning with section 54950, or in accordance with such other regulations as the legislature may hereafter provide. Each party to this Agreement shall authorize and designate one representative to vote for it at all meetings of the Commission. In addition, each party to this Agreement shall designate one or more alternates, who shall have the power to vote in the place and stead of the designated representative, in his or her absence. Public agencies which are "Associate Members" pursuant to Article IV Paragraph 7 shall not be entitled to voting representation on the Commission, but may designate one non-voting representative and one or more non-voting alternates. Associate members shall be entitled to receive notices of and to attend all regular and special meetings of the Commission in the same manner as Members.

8. (a) Each party to this Agreement, so long as this Agreement has not in any way been terminated as to such party, shall have one vote. The affirmative or negative vote of a majority of those members of the entire Commission entitled to vote shall be necessary for it to take action, except that none of the terms and conditions set forth in this Agreement, nor any of the procedures expressly provided for herein, may be altered, changed, or amended by such a vote, or by any means, except by written amendments to this Agreement executed by all parties hereto.

(b) Notwithstanding the provisions of Article II Paragraph 8(a) to the contrary, where agreements for NCPA projects or programs between and among NCPA and its members provide for quorum or voting procedures, such agreed upon procedures shall be utilized, including provisions for voting by project or program participation

percentages or voting by either associate members or non member project or program participants.

### ARTICLE III

#### POWERS AND FUNCTIONS

1. NCPA has any and all powers authorized by law to all of the parties hereto, and separately to the agency herein created, relating to the acquisition, construction, financing, disposition, use, operation and maintenance of works for the generation and transmission of electric power and energy for use within and without the boundaries of such parties, and relating to the provision of power and energy to such area by contract with owners of such facilities, whether federal or state agencies or public utilities, including agreements to purchase power generated by others or to exchange power with others and agreements for transmission of power over its facilities and over the facilities of others and standby and pooling agreements. Such powers shall include the common powers specified in this Agreement and may be exercised in the manner and according to the method provided in this Agreement. All powers common to the parties are specified as powers of NCPA. NCPA is hereby authorized to do all acts necessary for the exercise of such powers, including, but not limited to, any or all of the following: to make and enter into contracts; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, work or improvements; to acquire, hold or dispose of property wherever located; to incur debts, liabilities or obligations; to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity; and to sue and be sued in its own name; and generally to do any and all things necessary or convenient to provide adequate supplies of firm and reliable power to its members.

Without limiting the foregoing generality, NCPA may:

- (i) acquire and dispose of all kinds of property and utilize the power of eminent domain, except that the power of eminent domain may not be exercised within the political boundaries or corporate limits of any party serving retail electric power load, nor may eminent domain be exercised with respect to any property interest owned by a party hereto, without the consent of said party, which consent shall not be unreasonably withheld;
- (ii) issue or cause to be issued bonded and other indebtedness, and pledge any property or revenues as security to the extent permitted by law either under Article 2, Chapter 5, Division 7, Title 1 of the Government Code or otherwise including, but not limited to, bonds or other evidences of indebtedness of a non-profit corporation issued on behalf of NCPA or any of the parties to this Agreement;

(iii) obtain in its own name all necessary permits and licenses, opinions and rulings;

(iv) whenever necessary to facilitate the exercise of its powers, form and administer nonprofit corporations to do any part of what NCPA could do, or to perform any proper corporate function, and enter into agreements with such a corporation;

(v) receive assignments of power supply contracts with the Western Area Power Administration of the United States or others from the parties, or act as trustee or agent under them; real-locate power to the parties under those contracts, sell power generated or otherwise acquired by it to the parties and, to the extent permitted by law, to associate members and to others; provided that under no circumstances will an assigning party pay more for power, or receive an inferior supply, than if it had not assigned.

2. The manner in which NCPA shall exercise its powers and perform its duties is and shall be subject to the restrictions upon the manner in which a general law city which is a member hereof could exercise such powers and perform such duties; and shall not be subject to any restriction applicable to the manner in which any other public agency could exercise such powers or perform such duties, whether such agency is a party to this Agreement or not.

3. None of the debts, liabilities or obligations of NCPA shall be the debts, liabilities or obligations of any of the parties to this Agreement unless assumed in a particular case by resolution of the governing body of the party to be charged.

## ARTICLE IV

### MEMBERSHIP

1. Any preference purchaser or potential preference purchaser of electric service from the Western Area Power Administration of the United States, which is a "public agency," as such term is defined in Section 6500 of the Government Code of the State of California, may be a party to this Agreement.

2. (a) Any public agency which qualifies under Article IV Paragraph 1 may become a party to this Agreement by signing this Agreement and paying NCPA a pro-rata share of organization, planning and other costs and charges as determined by the Commission to be appropriate, and upon approval of all then existing parties to this Agreement. This Agreement will then become effective as of that date as to that signatory. This Agreement shall remain in effect as to any party, unless and until it is terminated as to such party by notice in writing to all other parties given by the withdrawing party at least two (2) years in advance of the effective date of such termination.



(b) Any party so terminating shall be obligated to pay its pro-rata share of all debts, liabilities and obligations of NCPA as of the date of termination as a condition precedent to such termination and withdrawal; provided, however, that this obligation shall not extend to debts, liabilities and obligations of NCPA or a nonprofit corporation created by NCPA and secured or otherwise committed pursuant to project or program agreements, with parties to this Agreement, but the debts, liabilities and obligations of the parties to such project or program agreements shall be determined by their terms.

3. (a) Each party hereto agrees that it will annually contribute, in proportion to its respective total retail electric power load (or where no retail load exists, the consumptive power load, or where no consumptive power load exists, other suitable measure as approved by the Commission) for the previous calendar year, to a fund or budget of NCPA which may cover up to one-third of legislative and regulatory activities or other NCPA general expenses not covered by other agreements or revenue sources, as may be approved by the Commission; and that such annual cash contribution to said fund or budget by any party may be up to fifteen cents (\$0.15) per megawatt hour (MWh) of said total retail electric power load or consumptive power load, or where no consumptive power load exists, other suitable measure as approved by the Commission, as submitted by such party to the Federal Energy Regulatory Commission or other governmental regulatory authority.

(b) In the event that NCPA contracts for or participates in the acquisition, purchase, lease or construction of generation or transmission facilities, or both, it is the intention of the parties hereto that all parties, agencies and others, both public and private, that utilize such facilities shall bear the total annual costs thereon on an annual fiscal year basis by entering into appropriate power supply contracts with NCPA ("Power Contracts"). Costs related to a particular planning activity or to a particular project which are incurred prior to the procurement of long-term financing ("preliminary costs"), may be borne by fewer than all the parties in any manner satisfactory to such parties, notwithstanding the provisions of Article IV Paragraph 3(a) or the provisions of any Power Contracts. Alternatively, all or part of any such preliminary costs may be advanced by fewer than all of the parties, upon agreement of NCPA and the party or parties advancing the costs, such advances to be repaid out of the proceeds of any subsequent long-term financing. Otherwise, such preliminary costs shall be charged to the operating costs of the NCPA.

(c) Parties participating in programs or services provided by NCPA shall provide at least a two (2) year written notice to NCPA of withdrawal from a given program or service. Parties newly participating in programs or services may be required to make an initial program or service participation commitment of longer than two (2) years, subject to Commission approval. Parties participating in programs or services pursuant to an agreement or other formal written arrangement approved by the Commission are subject to the therein described participation and withdrawal terms and conditions.

4. Upon the request or approval of NCPA, any party hereto may make payments, advances or contributions to NCPA from its treasury for any and all purposes set forth herein, and upon request or approval of NCPA, may contribute personnel, equipment or property, in lieu of other contributions or advances, to assist in the accomplishment of one or more of such purposes. Except as otherwise provided in accordance with Article IV Paragraph 3(b), NCPA approved advances will be treated as indebtedness of NCPA and shall be payable and repaid as such. Contributions made pursuant to Article IV Paragraph 3(a) are not advances. All such payments, advances or contributions, whether in cash or in kind, shall be made to and may be disbursed or used by NCPA.

5. Except as otherwise provided in this Agreement, there shall be no repayment or return to any party of all or any part of any payments, advances, or contributions in cash or in kind.

6. NCPA shall be held to a strict accountability of all funds and shall make an annual audit report to all parties of all receipts and disbursements, all in accordance with section 6505 of the Government Code and other applicable statutes, and with sound accounting practices.

7. If any preference purchaser or potential preference purchaser of electric service from the Western Area Power Administration of the United States is not eligible for membership herein under the terms of Article IV Paragraph 1, such purchaser may be admitted as an associate member, by separate agreement with NCPA, upon approval of the Commission. Associate members shall not be considered to be a party to this Agreement within the meaning of the Joint Exercise of Powers provisions of the Government Code, Section 6500 et seq. Associate members shall pay such portions of the costs of NCPA's operations as may be established in the membership agreement between NCPA and the associate member, including payment of charges established by Article IV Paragraph 3(a).

## ARTICLE V

### GENERAL PROVISIONS

1. Upon dissolution of NCPA as a legal entity, all debts of and advances to NCPA shall be paid, and then the property of NCPA, whether real or personal, shall be divided among and distributed to all of the parties who at any time during the existence of NCPA were parties to this Agreement in proportion to the costs borne by each such party to NCPA during its legal existence by non-reimbursed contributions made pursuant to Article IV Paragraph 3(a), or by payments under Power Contracts or non-reimbursed payments for preliminary costs made pursuant to Article IV Paragraph 3(b).

2. The governing Commission of NCPA is authorized to procure public liability and other insurance as it deems advisable to protect NCPA and each of the parties hereto, charging the cost thereof to the operating costs of NCPA.

3. All of the privileges and immunities from liabilities, exemptions from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activity of officers, agents or employees of any such public agency when performing their respective functions within the territorial limits of their respective public agencies, shall apply to them in the same degree and extent while engaged in the performance of any of their functions or duties extraterritorially under the provisions of Article 1 of Chapter 5, Division 7 of Title 1 of the Government Code of the State of California and as provided by law.

4. In the event that any party to this Agreement should at any time claim that another party has in any way breached or is breaching this Agreement, the complaining party shall file with the governing body of the other party, and with the above mentioned NORTHERN CALIFORNIA POWER AGENCY Commission, a written claim of said breach, describing the alleged breach and otherwise giving full information respecting the same. The Commission shall thereupon, at a reasonable time and place, specified by it, give all parties full opportunity to be heard on the matter, and shall, upon conclusion of said hearing, give the legislative or governing bodies of all parties a full report of its findings and recommendations. Said report, findings and recommendations shall be deemed advisory only, shall not in any way bind any of the parties hereto, and shall not be deemed to establish any facts, either presumptively or finally. Upon receipt of said report and recommendations, if any party should be dissatisfied with or disagree with the same, the legislative or governing bodies of the parties in disagreement shall jointly meet with each other at a reasonable time and place to be determined by them, for the purpose of resolving their differences. No action for breach of this Agreement, and no action for any legal relief because of any such breach or alleged breach of this Agreement, shall be filed or commenced, and nothing shall be done by any party to rescind or terminate this Agreement, except as provided in Article IV hereof, unless and until such party has first given to the other parties a reasonable time, after the conclusion of said joint meeting of the legislative or governing bodies that have met to resolve their differences, within which to cure any breach or alleged breach.

5. It is hereby declared to be the intention of the parties that the paragraphs, sentences, clauses and phrases of this Agreement are severable, and if any phrase, clause, sentence, paragraph or article of this Agreement shall be declared unconstitutional or invalid for any reason by the valid judgment or decree of a Court of competent jurisdiction, such unconstitutionality or invalidity shall not affect any of the remaining paragraphs, clauses, phrases, sentences and articles of this Agreement.

6. All notices required or given pursuant to this Agreement shall be deemed properly served when deposited, postage prepaid, in the United States mail, addressed to

each **party** at the address indicated on this Agreement adjacent to the signature line of each **party**.

## ARTICLE VI

### EFFECTIVE DATE

1. This Agreement shall become effective on the **date** of its execution **by** all of the **parties** and shall be effective at that time ~~as~~ of the date first above written.

2. Upon the **effective** date of **this** Agreement, the **prior JPA**, as amended, shall be of no further **force** and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month, and year herein **first** above written.

#### CITY OF ALAMEDA

By: [Signature]  
Its: General Manager  
Date: 12/2/07

#### APPROVED AS TO FORM:

By: [Signature]  
Its: Assistant City Attorney

#### BAY AREA RAPID TRANSIT DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

#### APPROVED AS TO FORM:

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

#### CITY OF BIGGS

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

#### APPROVED AS TO FORM:

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

each party at the address indicated on this Agreement adjacent to the signature line of each party.

## ARTICLE VI

### EFFECTIVE DATE

1. This Agreement shall become effective on the date of its execution by all of the parties and shall be effective at that time as of the date first above written.

2. Upon the effective date of this Agreement, the prior JPA, as amended, shall be of no further force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month, and year herein first above written.

CITY OF ALAMEDA

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

BAY AREA RAPID TRANSIT DISTRICT

By: *[Signature]*

Its: \_\_\_\_\_

Date: 1/31/08

APPROVED AS TO FORM:

By: *Marv Hong*

Its: *Attorney*

CITY OF BIGGS

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

each party at the address indicated on this Agreement adjacent to the signature line of each party.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month, and year herein first above written.

CITY OF ALAMEDA

APPROVED AS TO FORM:

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

BAY AREA RAPID TRANSIT DISTRICT

APPROVED AS TO FORM:

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

CITY OF BIGGS

APPROVED AS TO FORM:

By: John D. Busch

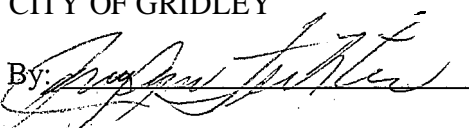
By: [Signature]

Its: Mayor

Its: 12/6/07

Date: 11/26/07

CITY OF GRIDLEY

By: 

Its: Gerry Ann Fitcher (Mayor)

Date: 11-19-2007

APPROVED AS TO FORM:

By: 

Its: City Attorney

CITY OF HEALDSBURG

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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CITY OF LODI

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CITY OF LOMPOC

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APPROVED AS TO FORM:

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CITY OF HEALDSBURG

By: 

Its: City Manager

Date: 12/4/07

APPROVED AS TO FORM:

By: 

Its: City Attorney

CITY OF LODI

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

Its: \_\_\_\_\_

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CITY OF GRIDLEY

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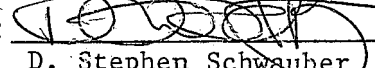
CITY OF LODI

By:  \_\_\_\_\_  
Blair King

Its: City Manager

Date: 12/13/07

APPROVED AS TO FORM:

By:  \_\_\_\_\_  
D. Stephen Schwauber

Its: City Attorney

ATTEST:  \_\_\_\_\_  
Randi Juhl, City Clerk

CITY OF LOMPOC

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

Its: \_\_\_\_\_

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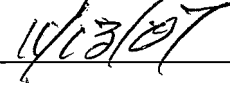
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APPROVED AS TO FORM:

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

Its:  \_\_\_\_\_

CITY OF PALO ALTO

By: Yosh. Q. Lillo  
Its: J. Mayor  
Date: November 28, 2007

APPROVED AS TO FORM:

By: [Signature]  
Its: for Palo Alto City, ADG

PORT OF OAKLAND

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

APPROVED AS TO FORM:

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Its: \_\_\_\_\_

CITY OF REDDING

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

APPROVED AS TO FORM:

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Its: \_\_\_\_\_

CITY OF ROSEVILLE

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

APPROVED AS TO FORM:

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Its: \_\_\_\_\_

CITY OF SANTA CLARA.

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

APPROVED AS TO FORM:

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Its: \_\_\_\_\_

CITY OF PALO ALTO

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

Its: \_\_\_\_\_


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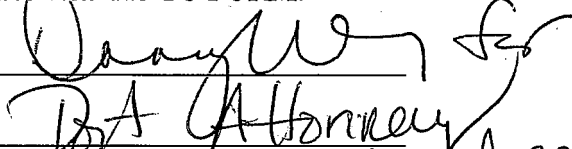
PORT OF OAKLAND

By: , Omar Benjamin

Its: Executive Director

Date: January 10, 2010

APPROVED AS TO FORM:

By: 

Its: Port Attorney  
for the City of Oakland acting  
by and through its Board  
of Port Commissioners  
Res # 07327

APPROVED AS TO FORM:

CITY OF REDDING

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

Its: \_\_\_\_\_

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

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

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CITY OF ROSEVILLE

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CITY OF SANTA CLARA

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CITY OF PALO ALTO

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PORT OF OAKLAND

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APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

CITY OF REDDING

By: Mary Leas Stegall  
MARY LEAS STEGALL

Its: MAYOR

Date: 12/11/07

APPROVED AS TO FORM:

By: BARRY E. DeWALT

Its: BE DeWalt  
ASSISTANT CITY ATTORNEY

CITY OF ROSEVILLE

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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CITY OF SANTA CLARA

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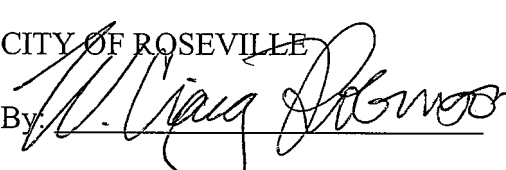
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APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

CITY OF ROSEVILLE

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

Its: City Manager

Date: November 15, 2007

APPROVED AS TO FORM:

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

Its: City Attorney

CITY OF SANTA CLARA

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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Its: \_\_\_\_\_

CITY OF PALO ALTO

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PORT OF OAKLAND

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CITY OF ROSEVILLE

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APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

CITY OF SANTA CLARA

By: Jennifer Sparacino

Its: City Manager

Date: November 13, 2003

APPROVED AS TO FORM:

By: Keene Hechter

Its: City Attorney

ATTEST:

[Signature]  
City Clerk

TRUCKEE DONNER PUBLIC  
UTILITY DISTRICT

By:   
Tim F. Taylor  
Its: President-of the Board

Date: November 8, 2007

APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

TURLOCK IRRIGATION DISTRICT

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

CITY OF UKIAH

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

Its: \_\_\_\_\_

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APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

PLUMAS-SIERRA RURAL ELECTRIC  
COOPERATIVE, Associate Member

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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

Its: \_\_\_\_\_



TRUCKEE DONNER PUBLIC  
UTILITY DISTRICT

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

Its: \_\_\_\_\_

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

APPROVED **AS TO FORM:**

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

Its: \_\_\_\_\_

TURLOCK IRRIGATION DISTRICT

By: 

Its: General Manager/CEO

Date: 12/18/07

APPROVED AS TO FORM:

By: 

Its: General Counsel

CITY OF UKIAH

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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Its: \_\_\_\_\_

PLUMAS-SIERRA RURAL ELECTRIC  
COOPERATIVE, Associate Member

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

Its: \_\_\_\_\_

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

APPROVED AS TO FORM:

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TRUCKEE DONNER PUBLIC  
UTILITY DISTRICT

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TURLOCK IRRIGATION DISTRICT

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

Its: \_\_\_\_\_

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APPROVED AS TO FORM:

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

Its: \_\_\_\_\_

CITY OF UKIAH

By: Tate Thompson

Its: City Manager, Interim

Date: 1/16/08

APPROVED AS TO FORM:

By: Gandhi

Its: City Attorney

PLUMAS-SIERRA RURAL ELECTRIC  
COOPERATIVE, Associate Member

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

Its: \_\_\_\_\_

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

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TRUCJSEE DONNER PUBLIC  
UTILITY DISTRICT

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

Its: \_\_\_\_\_

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TURLOCK IRRIGATION DISTRICT

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CITY OF UKIAH

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

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APPROVED AS TO FORM:

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Its: \_\_\_\_\_

PLUMAS-SIERRA RURAL ELECTRIC  
COOPERATIVE, Associate Member

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

Its: General Manager / CEO

Date: October 31, 2007

APPROVED AS TO FORM:

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

Its: Attorney

Federal Energy Regulatory Commission License

[See attached.]

OCT 28 1987

NOT to Be used

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

18 FERC 161,124

Before Commissioners: C. M. Butler III, Chairman;  
Georgiana Sheldon, J. David Hughes  
and A. G. Sousa.

Calaveras County Water District ) Project No. 2409

ORDER ISSUING LICENSE (MAJOR)  
AND DENYING MOTIONS  
(Issued February 8, 1982)

The Calaveras County Water District ("CCWD") has filed an amended application for a license under Part I of the Federal Power Act ("Act") to construct, operate and maintain the North Fork Stanislaus River Project No. 2409. The project would be located on the North Fork Stanislaus River, Stanislaus River, Highland Creek, Beaver Creek, Silver Creek, and Duck Creek in the Counties of Calaveras, Alpine, and Tuolumne, California. The project would affect lands of the United States within the Stanislaus National Forest and within the U.S. Army Corps of Engineers' New Melones Lake Project.

Notice of the application has been published and comments have been received from interested federal, state, and local agencies. Comments, protests, and petitions to intervene were also received from private citizens and organizations. The significant issues raised by the protestors, intervenors, <sup>1/</sup> and commenting agencies are discussed below.

The Commission's staff has prepared a Final Environmental Impact Statement ("FEIS"). <sup>2/</sup> The environmental impacts associated with construction, operation, and maintenance of the project have been fully considered by the Commission, after reviewing the FEIS and all other relevant materials in the record. Taking into account the anticipated environmental impacts of the project, the Commission concludes that the issuance of this license is in the public interest.

<sup>1/</sup> The intervenors in this proceeding are: the California Department of Fish and Game; Tuolumne County Water District No. 2; the County of Alpine and the Alpine County Water Agency; California Trout, Inc.; Oakdale Irrigation District and South San Joaquin Irrigation District; Northern California Power Agency; California Department of Parks and Recreation; Dale Meyer and Friends of the River, and Pacific Gas & Electric Co.

<sup>2/</sup> FERC/EIS-0011, North Fork Stanislaus River Project No. 2409, Final Environmental Impact Statement (issued June 1980).

Project No. 2409

-2-

Proposed Project Design and Operation

The proposed 205.2 megawatt (MW) North Fork Stanislaus River Project will consist of: (1) a dam immediately downstream and replacing Spicer Meadow Dam on Highland Creek; (2) a powerhouse on the outlet works of the proposed Spicer Meadow Dam; (3) a diversion dam on the North Fork Stanislaus River, immediately downstream of the confluence of Silver and Duck Creeks; (4) a diversion tunnel leading to Spicer Meadow Reservoir; (5) a diversion dam on the North Fork Stanislaus River at McKays Point; (6) a diversion dam on Beaver Creek, downstream of Calaveras Big Trees State Park, diverting water through a tunnel to McKays Point Reservoir; (7) a tunnel from McKays Point Reservoir to the Collierville powerhouse at Clark Flat; (8) the Collierville powerhouse at Clark Flat on the Stanislaus River, approximately 1 mile below the confluence of the North and Middle Fork Stanislaus River; (9) an afterbay dam on the Stanislaus River; (10) access roads; (11) two transmission lines; and (12) appurtenant facilities.

A more detailed project description is contained in Ordering Paragraph C.

The hydroelectric project will generally operate in the following manner. The North Fork Diversion Dam and Tunnel will divert the flow of the North Fork Stanislaus River into Spicer Meadow Reservoir, which impounds Highland Creek. Water will be released from the Spicer Meadow Reservoir through a 5.2 MW powerhouse <sup>3/</sup> located at the base of Spicer Meadow Dam. The water will then flow in the natural channels of Highland Creek and the North Fork Stanislaus River until reaching McKay's Point Diversion Dam below Big Trees State Park. Flows into McKay's Point Diversion will be supplemented by a small diversion from Beaver Creek. At McKay's Point Diversion Dam, water will be diverted into the Collierville Tunnel for power generation at the Collierville Power Plant. <sup>4/</sup> An afterbay dam below the Collierville powerhouse will reregulate the water flows so that a fairly constant flow can be released during the project's operations.

Jurisdiction

The project will affect lands of the United States within the Stanislaus National Forest and within the U.S. Army Corps of Engineers' (Corps) New Melones Lake Project. For these reasons, Section 23(b) of the Act requires that the project be licensed.

<sup>3/</sup> The powerhouse will be connected to existing Pacific Gas and Electric Company (PGandE) transmission facilities.

<sup>4/</sup> The power will be transmitted from the 200-MW Collierville Powerhouse to the existing PGandE Bellota Substation.

OCT 28 1987

Safety and Adequacy

Our staff reports that the foundations are competent for the proposed project works which, if constructed in accordance with sound engineering principles and procedures, will be safe under all normal and unusual loading conditions, including earthquakes. Article 52 of this license requires the Licensee to submit for approval the final design drawings of the project structures, based on specific construction procedures and tests. Article 54 requires the Licensee to retain a board of independent engineering consultants to review the design, specifications and construction of the project for safety and adequacy and to file with the Director, Office of Electric Power Regulation, copies of the board's report prior to or simultaneously with the submission of the final design drawings. Article 53 requires the Licensee to submit its contract drawings and specifications for review before construction begins.

In accordance with Part 17 of the Commission's regulations, licensees are required to file an emergency action plan for the project and install any necessary safety devices to protect the public. We conclude that the project, under the conditions of this license, will be safe and adequate.

Economic Feasibility

The North Fork Stanislaus Project, as proposed by CCWD, would utilize a renewable resource to provide 205,200 kilowatts (kW) of installed capacity capable of producing a gross average annual generation of 573.85 gigawatt hours (GWh). 5/ Pursuant to a contract filed with the Commission on July 9, 1981, the energy produced by the project will be sold to the Northern California Power Agency ("NCPA"). 6/

Based on estimated costs in 1984 and power benefits derived by using the most reasonable and economical alternative, 7/ the 35-year present worth levelized cost-benefit study of the project

- 5/ Project No. 2409 will save the equivalent of approximately 920,000 barrels of oil or 260,000 tons of coal per year.
- 6/ NCPA is a public agency of the State of California created by a joint powers agreement among the City of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah. The Plumas-Sierra Rural Electric Cooperative is an associate member.
- 7/ For this project, power benefits were derived by using a combination of combustion turbine generators and a coal-fired steam electric plant.

shows that the annual power benefits would exceed the annual cost by \$5,328,000 (based on net output of the project excluding the use of flows currently utilized by PGandE for generation at its Murphys (Project No. 2019) and Angels (Project No. 2699) powerhouses. 8/

The energy produced by Project No. 2409 will be used in the NCPA system which has, by its own estimates, a projected total annual electric energy need in 1985 of 5,326 GWh with peak demands of 947.5 MW. Assuming the construction of planned power plants, 9/ NCPA will still need to procure over 390 MW of dependable capacity and more than 1,600 GWh of energy annually. The North Fork Stanislaus River Project will contribute substantially to meeting NCPA's need for power.

Intervenor Dale Meyers and Friends of the River (collectively referred to as Friends) allege that there is no clear and present need for Project No. 2409. Friends state, among other things, that additional generating capacity is unnecessary and the analysis of the need for power is based on "flawed and outdated information". Friends add that "as a result, the proposed project's potential contribution to meeting California's energy needs has been greatly overstated, as has the need for the project and its preferability to alternative sources of energy." 10/ Revision of the applicant's load growth projections by using the growth rates adopted by the California Energy Commission, which was referred to by Friends in its July 21, 1981 report (see footnote 10), shows that the NCPA load requirements in 1985 will be 860 MW of capacity and 3,906 GWh of energy. Based on these updated load projections and taking into account NCPA's planned resources and purchases, NCPA will need 306 MW of additional capacity and 277 GWh of additional energy annually to meet its 1985 load requirements. The project, as authorized by this order would provide 200 MW of dependable capacity and 508 GWh of energy annually, and therefore would reduce NCPA's 1985 capacity deficit to 106 MW and would reduce NCPA's required energy purchase from Western Area Power Administration (WAPA) from 2,315 to 2,084 GWh. Thus there is a demonstrated real need for the capacity and energy from the proposed project based upon either applicant's

- 8/ As discussed below, this license does not authorize CCWD to utilize the flows utilized by PGandE in its Murphys and Angels powerhouse. CCWD may request such authorization in the future by an application to amend the license.
- 9/ NCPA plans to purchase 404 MW of dependable capacity and 2,315 GWh of energy from the Western Area Power Administration and install 150 MW of geothermal capacity which would generate 1,314 GWh.
- 10/ "Petition of Dale Meyer and Friends of the River for Leave to Intervene" in the proceedings for Project No. 2409 (filed January 10, 1980). Also see report submitted on July 24, 1981 by Friends entitled "The Need for Project No. 2409 and Availability of Alternatives".

load growth projections supplied by MPCA, or load growth projections based upon the latest growth rates adopted by the California Energy Commission.

Based on the data contained in the FFIS, as well as all other information submitted in this proceeding, including the exhibits and response filed by Friends on April 30, 1981, 11/ we find the proposed project economically and financially feasible.

#### Water Quality and Fisheries

During the construction of the project works, and for a time afterwards, quantities of inorganic material could be carried by runoff waters into nearby streams. The introduction of sediments from runoff waters could adversely affect the trout fishery and other aquatic resources. CCWD proposes certain measures to control runoff from the construction areas. Article 34 of this license, however, requires the licensee to consult with the intervenor California Department of Fish and Game (CDFG) and the U.S. Forest Service (Forest Service) in developing a detailed plan to control soil erosion and to minimize the quantity of potential construction-related pollutants from entering the project waters. Moreover, Article 34 requires the licensee to submit the detailed plan, including an implementation schedule and maintenance plan, for review by the Commission's delegate prior to any ground disturbing activity.

Seven miles of free-flowing streams will be inundated as a result of the New Spicer Meadow Dam and diversion facilities. Stretches of free-flowing streams that have provided some spawning and rearing habitat for trout will be lost. CCWD and CDFG have entered into an agreement that provides measures for the enhancement and protection of fishery resources that could be affected by operation of the hydroelectric project. CDFG has sole management responsibility for the fishery in the North Fork Stanislaus River. The agreement requires, among other things, a minimum flow release of 16.5 cubic feet per second (cfs) below all project dams, and reflects CDFG's assessment of the flow necessary to maintain an adequate fishery resource. Further, Article 38 requires the Licensee to develop, in

11/ Intervenor's Response to Applicant's Motion filed by Dale Meyer and Friends of the River, on April 30, 1981, for Project No. 2409.

consultation with CDFG, U.S. Fish and Wildlife Service (USFWS) and the Forest Service, a detailed fish management plan for Spicer Meadow Reservoir and the North Fork Stanislaus River and to file this plan for approval as part of a revised Exhibit S.

The Forest Service and the U.S. Department of the Interior (Interior) do not concur with a minimum release of 16.5 cfs below the proposed McKays Point Diversion Dam. Interior and Forest Service contend that their studies and observations indicate that a greater minimum flow is needed below that project work. However, the Forest Service and Interior did not substantiate their recommendation. Article 37 requires the Licensee to release a continuous minimum flow of 16.5 cfs or the natural inflow, if less, below the project dams. Within two years after the project becomes operational, the Licensee is to consult with CDFG and the USFWS in determining the adequacy of the minimum flow below McKays Point Diversion Dam. In addition, CCWD is required to submit to the Commission the results of the consultation along with any recommendations for modification of the minimum flow. Article 37, in conjunction with Article 12, reserves to the Commission sufficient authority to require any future modifications in the minimum flow at the project.

Release of water from the bottom of an enlarged and deepened Spicer Meadow Reservoir could alter the seasonal thermal regime in Highland Creek and in the North Fork Stanislaus River. Water released from the bottom of the reservoir is expected to be cold, and to remain cold for a longer period of time than presently occurs. The normal growth and development of certain trout species could be inhibited by the release of colder water from the bottom of the reservoir. CCWD proposes to conduct a thermal prediction analysis to estimate the temperature of the water to be released into Highland Creek and the North Fork Stanislaus River. Article 35 requires the Licensee, in cooperation with CDFG, USFWS, and the intervenor California Department of Parks and Recreation ("CDPR") to conduct a thermal prediction analysis to estimate downstream water temperatures during the operation of the project, and to determine the type of outlet structure needed at Spicer Meadow Dam in order to release water of suitable temperature for downstream fishery and recreational uses. Article 36 requires the Licensee to conduct, in cooperation with the aforementioned agencies, a three-year post-operation study to determine a schedule for the release of water from Spicer Meadow Reservoir that is of suitable temperature. Within one year following the completion of the study, the Licensee is to file a report on the study, along with any recommendations for modification of project works. 12/

12/ The California State Water Resources Control Board has issued a water quality certificate for the project under Section 401 of the Federal Water Pollution Control Act.

Wildlife

Construction of the project's reservoirs, roads, tunnels, penstocks, powerhouses, and recreational facilities will result in the disruption and loss of 2,500 acres of wildlife habitat. Article 38 requires the Licensee to consult with wildlife agencies and to develop a comprehensive plan for the mitigation and enhancement of wildlife resources affected by project construction and operation. Endangered species such as the bald eagle and the peregrine falcon have been observed in the project area. Commission staff consulted with wildlife management agencies pursuant to the Endangered Species Act, as amended, and the Endangered Species Office of the USFWS concurred with staff's conclusion that project construction would not adversely affect these species or designated critical habitat. Further, Article 40 requires the Licensee to conduct a preconstruction survey to determine the impacts, if any, on endangered or threatened species of flora and fauna and to cooperate with interested agencies in developing a mitigation plan if any species are determined to be adversely affected.

The enlarged Spicer Meadow Reservoir will inundate four miles of Highland Creek, including the 148 acres comprising Gabbot Meadow. Two percent of the Railroad Flat Deer Herd utilizes this meadow as summer range; the meadow is also an important fawning area. CCWD and CDFG have entered into an agreement providing for, among other things, the replacement of Gabbot Meadow, other wet meadows, and associated edge and riparian habitat. The agreement calls for replacement of lost meadow land by rehabilitating other existing meadows and by creating new meadows within the Railroad Flat Deer Herd range. Article 39 requires the Licensee to continue cooperating with CDFG, Interior, and the Forest Service in monitoring the wildlife mitigative measures and to recommend additional mitigative measures, if needed.

The USFWS, as well as some participants in the public session concerning Project No. 2409 held in Angels Camp, California, <sup>13/</sup> expressed concern over the mitigative measures proposed for the loss of Gabbot Meadow. Moreover, in response to a motion filed by CCWD seeking an order issuing license

<sup>13/</sup> See Transcript of Public Session in the Matter of Calaveras County Water District, North Fork Stanislaus Project No. 2409, at Veterans Memorial Hall, Angels Camp, California on December 18, 1980.

and a finding of no necessity for an evidentiary hearing in the matter, <sup>14/</sup> Friends allege that "[a] serious question of fact exists whether the proposed mitigation measure is a reliable mitigation measure." <sup>15/</sup> Friends state that CCWD relies upon the experience and expertise of state governmental agencies and that the agencies have limited experience in the rehabilitation of meadows on the scale contained in the agreement between CCWD and CDFG. Friends believe that an evidentiary hearing is needed to assess the reliability of the proposed mitigation measures "and to receive testimony from all parties on the elements of a contingency plan should the proposed mitigation plan fail." <sup>16/</sup>

The FEIS discusses in detail the measures proposed by CCWD to compensate for the loss of game range through the inundation of Gabbot Meadow and associated wildlife habitat. <sup>17/</sup> The proposed mitigation measures appear to be reasonable, adequate, and attainable. Article 39 requires the Licensee to monitor the efficacy of the mitigation measures and to continue working with interested governmental agencies. Should "contingency plans" ever be warranted, Article 39 provides for such by requiring the Licensee to file, within 3 years following the commencement of commercial operation of the project, a report showing the findings of the monitoring program together with recommendations on the need, if any, for modification of the project's physical structures and/or additional measures to enhance wildlife. In addition, Article 15 requires the Licensee to modify the project structures or operation, as may be ordered by the Commission upon its own motion or upon the recommendation of the Secretary of the Interior or the fish and wildlife agencies of the State.

<sup>14/</sup> Calaveras County Water District, Project No. 2409, "Applicant's Motion Seeking an Order Issuing License Including a Finding of No Necessity for Evidentiary Hearing," filed March 31, 1981.

<sup>15/</sup> "Intervenors, Friends of the River and Dale Meyer Memorandum in Response to Applicant's Motion and in Support of Intervenors' Motion," FERC Project No. 2409, filed April 30, 1981, at 22.

<sup>16/</sup> *Id.*, at 23.

<sup>17/</sup> FEIS, *supra* at 4-29, *et. seq.*



A hearing at this time to develop contingency plans is premature. If it appears that modification of the mitigation and enhancement measures (or even the project works) are desirable, the Commission has the authority to order the necessary changes or to set the matter for hearing. For these reasons, the motion by Friends seeking a hearing to prepare contingency mitigation measures is denied.

#### Recreation

On approximately 60 acres of land on the north shore of the enlarged Spicer Meadow Reservoir, CCWD proposes to develop 60 individual campsites and a group campsite suitable for 75 campers. All of the campsites will have water service and sanitary facilities. A launch area for small boats and canoes, along with a parking area for 25 vehicles is also proposed for Spicer Meadow Reservoir's north shore. Hiking trails that had passed through Gabbot Meadow will be rerouted, marked, and linked to existing pack trails.

Two miles north of Spicer Meadow Reservoir are the Utica and Union Reservoirs. CCWD tentatively proposes to construct and maintain two primitive group campsites, a 20-unit campsite, a 15-unit picnic area, and a boat launching facility.

By enlarging the Spicer Meadow Reservoir and stabilizing the water surface elevation of Utica and Union Reservoirs, the North Fork Stanislaus Project will offer increased opportunities for fishing, extended canoe outings, sailboating, and shoreline camping. As a result, a greater number and variety of visitors to the project area are expected. Article 43 requires the Licensee to cooperate with CDPR in monitoring the safety conditions at the project's recreational facilities and to prepare a report outlining any measures needed to reduce safety hazards. Articles 50 and 51 require the Licensee to operate the project so that downstream fluctuations will not pose a threat to fishermen and other water-based recreationists, nor eliminate the present whitewater rafting access point at the Camp Nine Bridge.

CCWD's proposal for the development of recreational facilities at the Utica and Union reservoirs are too tentative. Therefore, the Exhibit R (the proposed plan for the public's recreational use of the project's lands and waters) is approved only as it relates to the facilities proposed for the area around Spicer Meadow Reservoir. Article 44 requires the Licensee to amend the Exhibit R in regard to the development, operation,

and maintenance of recreational facilities at Utica and Union Reservoirs. In addition, under Article 17 of this license, the Commission reserves the right to require additional recreational development in the future, if needed. 18/

#### Socio-Economic Impacts

CCWD proposes a construction schedule for Project No. 2409 that calls for a maximum of 1,500 on-site workers. Our staff estimates that nearly 1,300 of these workers will come from outside Calaveras and the adjacent Tuolumne Counties. An in-migration of this magnitude could not be supported by Calaveras County's existing housing stock and transient facilities. CCWD states that construction camps provided by CCWD and/or its contractors will alleviate the potential problem of insufficient housing. Article 45 requires the Licensee, prior to the start of construction, to consult and cooperate with Calaveras County officials concerning housing accommodations for project-related workers.

CCWD, itself a local governmental agency, has consulted with other Calaveras County governmental agencies on the potential impacts expected from the in-migration of the construction work force. CCWD has agreed: (1) to pay to the Calaveras County Office of Sheriff the estimated cost of providing two additional deputies during the construction period; (2) to finance the costs of maintaining the three miles of county roads that will be affected by project-related heavy truck traffic; and (3) to provide financial assistance to local school districts to cover the additional expenditures needed to adequately accommodate the students who relocate with project related personnel. Articles 46, 47, and 48 require the Licensee to provide the funds agreed to by the local agencies.

#### Cultural and Visual Resources

Except for the transmission corridor that will parallel the existing right-of-way for a Forest Service road, CCWD has conducted surveys and tests of the archeological areas that could be affected by the construction of Project No. 2409. Potentially significant archeological sites at Clark Flat have been surveyed and CCWD has proposed, and currently is undertaking a three-phased study of the project area. The phased study was designed after consultation with the California Office of Historic Preservation ("SHPO") and the Forest Service. Article 49 is included in this license to require

18/ The biennial filing of Form 80 will keep the Commission informed of additional recreational demand as it may arise.

the Licensee to file for Commission review, prior to the commencement of any construction or land disturbance within the project area, a comprehensive cultural resource management plan that is consistent with the ongoing, three-phased study. Article 49 also requires the Licensee to submit for review by the SHPO and the Forest Service any data recovery proposed as part of the management plan. In addition, Article 49 requires the Licensee to fund any necessary survey and data recovery work and, if previously unrecorded archeological sites are discovered, to take certain procedures to protect newly discovered archeological or historical resources.

Friends allege that deficiencies exist in the consultative process with the SHPO "... on all matters within the SHPO's and the Commission's jurisdictions, with the exception of discussions relative to the development of the three-phase plan" and that a "hearing would be especially useful here to focus and clarify the issues of what type of consultation is expected by the Commission ...." 19/ Should problems in the consultative process arise, Article 49 would prohibit the commencement of any construction activity until the problems have been corrected. Therefore, we conclude that a hearing on the type of consultation to be conducted concerning archeological and historical resources within the project area for the North Fork Stanislaus River Project is unnecessary; the request by Friends for a hearing on this issue is denied.

Except for the spoil from the Collierville Tunnel, the borrowing and disposal of spoil from the construction of Project No. 2409 is planned for sites that will not be visible when the project becomes operational. The spoil from the Collierville Tunnel, which will be sold as aggregate for road construction, will be stored at the abandoned Candy Rock Quarry near Hunter's Reservoir. Our staff reports that borrowing and spoil disposal could occur outside of the planned sites. Therefore, Article 41 is included in this license to ensure that any disturbance to the natural, scenic, historical, and recreational values of the project area are minimized or, if possible, avoided. Also, Article 42 requires the Licensee to cooperate with CDPR in conducting a baseline study of pre-project riparian vegetation conditions in Calaveras Big Trees State Park and to monitor the post-operation condition of the riparian vegetation to protect the visual integrity of the park.

19/ Friends' Response, dated April 30, 1981, supra, p. 20.

### Comprehensive Development

Construction of the North Fork Stanislaus River Project, as proposed by CCWD, would affect three existing hydroelectric projects currently licensed to PGandE. Project No. 2409 will flood the Utica and Beaver Creek Diversion Dams, a portion of the Utica Diversion conduit, and eliminate the need for PGandE's Beaver Creek Diversion works, all at Project No. 2019. 20/ The storage capacity at Project No. 2019's existing Spicer Meadow Reservoir will be increased. Also, the Collierville Power Plant afterbay proposed as part of Project No. 2409 could affect the tailwater surface level at the powerhouse for the existing Stanislaus Project No. 2130. 21/ If developed as proposed by CCWD, the amount of energy generated at Murphy's Powerhouse (Project No. 2019) and at the downstream Angels Project No. 2699 22/ would be reduced as a result of Project No. 2409.

Section 6 of the Federal Power Act states, in part, that:

Each such license [issued pursuant to Part I of the Federal Power Act] shall be conditioned upon acceptance by the licensee of all the terms and conditions of this Act and such further conditions, if any, as the Commission shall prescribe in conformity with this Act, which said terms and conditions and the acceptance thereof shall be expressed in said license. Licenses may be revoked only for the reasons and in the manner prescribed under the provisions of the Act, and may be altered or surrendered only upon mutual agreement between the licensee and the Commission .... 23/ (Emphasis added.)

Claiming protection under Section 6 of the Act, PGandE states that it will not give its consent to have any of its licensed facilities used for CCWD's project until it has commitments from CCWD or provisions in the license for Project No. 2409 to protect PGandE's ratepayers and shareholders. PGandE adds that it is also concerned about the impact Project No. 2409 may have upon its water supply system. 24/

20/ Pacific Gas and Electric Co., Project No. 2019, 10 FPC 1182 (1951).

21/ Pacific Gas and Electric Co., Project No. 2130, 14 FPC 556 (1953).

22/ Pacific Gas and Electric Co., Project No. 2699, 44 FPC 1173 (1970).

23/ 16 U.S.C. 799 (1980).

24/ In this regard, we note that this license is issued subject (Footnote continued on p. 13).

In response to the motion filed by CCWN on March 31, 1981, PGandE proposed that certain terms be included in any license issued for Project No. 2409. By a letter dated September 25, 1981, PGandE reiterated its concerns and concluded that the "project can only be licensed upon specific conditions ... to protect PGandE and its customers from the harmful consequences of the changes" proposed to PGandE's licensed projects.

CCWD responded to PGandE's letter with a letter of its own dated October 8, 1981. CCWD states that:

The District wishes to make clear that it does recognize its responsibility to fully compensate PGandE and its ratepayers for damages to its facilities and losses of both water and power which will proximately result from construction and operation of the District's proposed FERC Project No. 2409.

The issue, according to CCWD, is not whether conditions should be included in a license, but the reasonableness of PGandE's compensation demands.

PGandE and CCWD had been negotiating the amount and type of compensation owed to PGandE for its losses due to the construction and operation of Project No. 2409. In its letter of September 25, 1981, PGandE states that it had been cooperating with CCWN on the assumption that CCWD would expressly and unconditionally agree to safeguard PGandE's concerns, and this assumption is also the reason PGandE did not move to have the Commission dismiss CCWD's application for failure to provide evidence of a prior agreement with PGandE. 25/

CCWD states that it cannot agree to PGandE's "open-ended demands" which, according to CCWD, are inconsistent with PGandE's earlier position on the issue of compensation. CCWD states that the North Fork Stanislaus Project was proposed more than 20 years ago and during the ensuing time an understanding emerged that the license for Project No. 2409 would be issued with a reservation that prior to the commencement of construction on the project, the licensee shall submit to the Commission satisfactory evidence of agreement with PGandE. 26/

(Footnote continued from p. 12).

to the provisions of Article 32 of the license for Project No. 2019, which, *inter alia*, assures PGandE control over storage and release of any of its waters.

25/ See, North Kern Water Storage District, Project No. 4111, Order Denying Rehearing 16 FERC ¶ 61,082 (July 30, 1981).

26/ See Transcript of March 10, 1964 Proceedings for Project Nos. 2409, and 2410 at 46. Also see, Transcript of August 27, 1964 Proceedings for Project Nos. 2409 and 2410 at 875 *et seq.*

We note that if a proposed project would require a substantial alteration of the license for an existing licensed project, then it is the responsibility of the party proposing the project to gain, prior to licensing, endorsement from the licensee holding the licensed rights over the existing licensed project works that will be affected. 27/ However, as discussed below, not all of the features of Project No. 2409, as proposed by CCWD, would effect substantial alterations of PGandE's existing licenses, for which PGandE's prior consent would be required.

The project, as proposed by CCWN, would divert flows that are utilized by Projects Nos. 2019 and 2699 for power production. Article 32 of the Project No. 2019 license precludes such diversions without an agreement from PGandE. 28/ Additionally, inasmuch as these diversions would reduce generation by approximately 90 percent at Angels Project No. 2699, we are precluded by Section 6 from authorizing such diversions with respect to Project No. 2699 because it would be tantamount to rendering the projects inoperable. Therefore, this license does not authorize CCWD to use diversions now used by Projects Nos. 2019 and 2699. We do, however, urge CCWN to pursue discussions with PGandE regarding the acquisition of the right to these diversions. The increase in generation that would be gained thereby would clearly be consistent with comprehensive development of the water resources involved.

The project, as proposed by CCWN, would require the construction and design of an afterbay that could affect the tailwater surface level at the powerhouse for Project No. 2130. This encroachment on Project No. 2130, however, would not entail a substantial alteration. The impact on generation would not be of such a magnitude that it can be considered substantial. 29/ It is estimated that project output would be reduced by .3 percent, representing an annual loss of \$14,400 to \$52,800 (based on PGandE's average 1980 price for coal or oil and gas, respectively). Although a compensable impairment of the operation of the Stanislaus Project No. 2130 may be involved, the consent of PGandE is not required because no substantial alteration of license would result from this encroachment.

27/ North Kern Water Storage District, supra, at p. 61.152.

28/ Article 12 provides in part that the licensee for Project No. 2019 "shall at all times have complete control over storage and release therefrom of any of its waters" . . .

29/ See the Commission's discussion of encroachment and relevant cases cited in Susquehanna Power Company and Philadelphia Electric Power Company, Project No. 2355, 32 FPC 826 at 831 and Town of Madison Electric Works Department, Project No. 2830 et al., "Order Issuing Preliminary Permit . . .", 11 FERC ¶ 61,318 (June 25, 1980).

The enlargement of Spicer Meadow Reservoir will entail the construction of a new higher dam immediately downstream of the existing Spicer Meadow Dam, which is part of the Utica Project No. 2019. Also, the Utica Project's Beaver Creek Diversion system will be altered substantially. Article 32 of the license for Project No. 2019 expressly reserves the Commission's right to grant another license to a qualified applicant

... to raise a dam or dams of this licensed project and to increase the storage capacity of any or all of the reservoirs; provided, that any such authorization shall require: (1) that the licensee for this project shall be adequately protected from or recompensed for any damage, temporary or permanent, which may be caused by the raising of said dam or dams or by construction of any other works or structures within the area of the project for which license is issued ... 30/

CCWN states that its proposed actions fall within the provisions of Article 32. PGandE, however, states that "Article 32 in the Utica License gives no support for CCWN to proceed with its Project without the consent of the licensee, PGandE." 31/

It appears that, but for Article 32 of the license for Project No. 2019, PGandE's consent would be required to enlarge the Spicer Meadow Reservoir, to inundate the Beaver Creek and Utica Diversion dams, and to alter substantially the Beaver Creek and Utica conduit systems. Article 32, however, expressly reserves the Commission's authority to grant another license to raise a dam or dams and to increase the storage capacity of any or all of the project reservoirs, and to permit construction of any other project works or structures; provided that PGandE is "adequately protected from or recompensed for any damage" caused by the construction of the new facilities. Article 32 was designed specifically to ensure that future hydroelectric projects utilizing the

30/ Pacific Gas and Electric Company, Project No. 2019, 10 FPC 1182 at 1186.

31/ Calaveras County Water District, Project No. 2409, "Pacific Gas and Electric Company's Opposition to Applicant's Motion For Order Issuing License And Finding of No Necessity For Evidentiary Hearing," filed April 29, 1981, at p. 4.

Stanislaus River Basin, such as Project No. 2409, could proceed without the endorsement of the licensee for Project No. 2019. 32/ PGandE's acceptance of the terms and conditions of the license for the Project No. 2019 obviated the need to obtain in advance PGandE's endorsement of the proposal to enlarge Spicer Meadow Reservoir and to alter the Utica and Beaver Creek Diversion systems. PGandE contends that building new dams in lieu of raising the existing structures is not permitted under Article 32. However, because of the physical circumstances at each site, it is not possible to raise the existing dams consistent with sound engineering practices or ensure dam safety. The net impact insofar as PGandE is concerned is the same, i.e., the reservoir sizes are increased. Furthermore, Article 32 of Project No. 2019 ensures that adequate compensation will be made if there is an adverse impact on PGandE's facilities.

In addition to ensuring that Project No. 2019 would not "unreasonably interfere with any other project", Article 32 expressly preserves the licensee's right to be protected from and compensated for damages it might suffer from the construction and operation of hydroelectric projects utilizing the Stanislaus River Basin. Consistent with that article and also a licensee's responsibility under Section 10(c) of the Act, special Article 59 of this license for Project No. 2409 requires the licensee to attempt to negotiate a settlement on the amount of compensation payable to PGandE for damages to its licensed projects that result from the construction and operation of the project works authorized by this license. If the licensee and PGandE fail to reach a settlement within six months, the Commission reserves the right to determine the appropriate compensation, after notice and opportunity for hearing.

32/ See Also Article 30 of the license for Project No. 2019, supra.

On December 16, 1981, PGandE filed a motion requesting the Commission to suspend this proceeding pending completion of negotiations between CCWD and PGandE regarding compensation to PGandE for the proposed project's impact on its licensed projects. CCWD and NCPA both filed responses in opposition to PGandE's motion. Although it is always preferable to have such compensation questions resolved in advance of issuing a license, any further delay in this proceeding will result in significantly increased costs to the consumer. <sup>13/</sup> Accordingly, we shall deny PGandE's motion. We do emphasize that those aspects of the proposed project for which PGandE's consent is required pursuant to Section 6, i.e., the diversion of flows used by PGandE for generation at its Murphys (Project No. 2019) and Angels (Project No. 2699) powerhouse, are not authorized by this license order. Thus, to the extent that PGandE's motion addressed these features of the project as proposed by CCWD, an indefinite suspension has in effect been granted until PGandE and CCWD reach agreement and CCWD subsequently applies for an amendment of its license.

Project No. 2409 will utilize the available unlicensed water resources of the Stanislaus River basin to produce the greatest power benefits of all hydro alternatives considered. The project will make effective use of the rivers' and creeks' head and flow. The use of the water resource for power generation by Project No. 2409 is compatible with other uses of the water, including domestic and irrigation uses and recreation. <sup>14/</sup> The North Fork Stanislaus Project No. 2409, upon compliance with the terms and conditions of the license, is best adapted to the comprehensive development of the Stanislaus River basin.

<sup>13/</sup> CCWD, in its response to PGandE's motion, estimated that the proposed project suffers inflation at the rate of four million dollars per month.

<sup>14/</sup> Standard Article 12 reserves to the Commission authority to modify the project operation in the interest of the fullest practicable conservation and utilization of the project waters for power and other beneficial public uses.

It is ordered that:

(A) The motion filed by Dale Meyer and Friends of the River seeking an order to hold an evidentiary hearing and to deny or defer issuance of the license for Project No. 2409, filed on April 30, 1981 is denied.

(B) The motion filed by PGandE on December 16, 1981 requesting suspension of the Project No. 2409 proceeding pending completion of negotiations is denied.

(C) This license is issued to the Calaveras County Water District (Licensee) of California, under Part I of the Federal Power Act ("Act"), for a period of 50 years, effective the first day of the month in which this order is issued, for the construction, operation, and maintenance of the North Fork Stanislaus River Project No. 2409, located on the North Fork Stanislaus River, Stanislaus River, Highland Creek, Weaver Creek, Silver Creek and Duck Creek in the Counties of Calaveras, Alpine, and Tuolumne, California, and affecting lands of the United States. This license is subject to: the terms and conditions of the Act; which is incorporated by reference as part of this license, the regulations the Commission issues under the provisions of the Act; and the provisions of Article 12 of the license for Project No. 2019.

(C) The North Fork Stanislaus River Project would consist of:

(1) all lands, to the extent of the Licensee's interests in those lands, constituting the project area and enclosed by the project boundary, the project areas and boundary being shown and described by certain exhibits which form part of the application for license and which is designated and described as:

<u>Exhibit</u>	<u>FEPC No. 2409-</u>	<u>Showing</u>
J	76	Project Plan
K-1	77	North Fork Diversion Dam and Tunnel - New Spicer Meadow Dam
K-2	78	McKays Point Diversion Dam - Beaver Creek Diversion Dam
K-3	79	Collierville Project - Tunnel, Power Plant and Afterbay
K-4	80	Transmission Line
K-5	81	Transmission Line
K-6	82	Project Roads and Borrow Area

(2) Project works consisting of: (1) the 240-foot high by 2,750-foot long rockfill Spicer Meadow Dam creating; (2) a reservoir with a storage capacity of 189,000 acre-feet at a normal maximum water surface elevation of 6,610 feet; (3) Spicer Meadow Powerhouse, to be located at the outlet works of the Spicer Meadow Dam and containing four equal-sized turbine-generator units with a total rated capacity of 5.2 MW; (4) a 37-foot high by 210-foot long concrete gravity diversion structure designated North Fork Diversion Dam creating; (5) a reservoir with storage capacity of 350 acre-feet at normal maximum water surface elevation of 6,695 feet; (6) an 11,300-foot long, unlined tunnel, 9 feet wide by 10 feet high, conveying water from the North Fork Diversion into Spicer Meadow Reservoir; (7) a 15-foot high concrete weir structure designated Beaver Creek Diversion Dam creating; (8) a reservoir with a storage capacity of 25 acre-feet and a surface area of 5 acres at a normal maximum water surface elevation of 4,195 feet; (9) a 900-foot long, 7 feet by 10 feet tunnel diverting water into a reservoir created by; (10) a 170-foot high by 710-foot long concrete arch diversion structure designated McKays Point Diversion Dam creating; (11) a reservoir with storage capacity of 2,200 acre-feet with a

surface area of 40 acres at a normal maximum water surface elevation of 3,370 feet; (12) a 40,100-foot long tunnel, 17 feet by 9.5 feet, designated Collierville Tunnel extending to; (13) a 6,320-foot long steel penstock with varying diameter from 10.5 feet to 8.16 feet leading into; (14) the Collierville Powerhouse containing two equal-sized turbine-generator units with a total rated capacity of 200 MW; (15) a 56-foot high concrete gravity structure designated Collierville Afterbay, with an ungated overflow spillway, impounding a 920 acre-foot reservoir with a surface area of 40 acres to regulate releases from the Collierville Powerhouse; (16) an 11-mile long, 21-kV transmission line extending from the Spicer Meadow Powerhouse to the existing PG&E Cabbage Patch Substation; (17) a 35-mile long 230-kV transmission line extending from the Collierville Powerhouse to the existing PG&E Bellota Substation; (18) all appropriate transformers, step-up transformers and all other appurtenant transmission facilities; and (19) all other facilities and interests appurtenant to operation of the project, which are generally shown and described by the following exhibits:

<u>Exhibit</u>	<u>FERC No. 2409-</u>	<u>Showing</u>
L-1	83	North Fork Diversion Dam
L-2	84	North Fork Diversion Tunnel
L-3	85	New Spicer Meadow Dam
L-4	86	New Spicer Meadow Dam Powerplant
L-5	87	Beaver Creek Diversion Dam
L-6	88	McKays Point Diversion Dam
L-7	89	Collierville Tunnel
L-8	90	Collierville Powerplant
L-9	91	Collierville Penstock
L-10	92	Collierville Powerplant
L-11	93	Collierville Afterbay Dam

Exhibit M: Consisting of two typewritten pages titled "General Description of Mechanical, Electrical, and Transmission Equipment" filed November 30, 1978;

Exhibit R: Consisting of 46 pages of text and four drawings, FERC Nos. 2409-94 through 2409-97, filed November 30, 1978.

- (3) all of the structures, fixtures, equipment, or facilities used or useful in the maintenance and operation of the project and located within the project boundary, including such portable property as may be used or useful in connection with the project or any part thereof, whether located within or outside the project boundary, if and to the extent that the inclusion of such property as part of the project is approved or acquiesced in by the Commission; together with all riparian or other rights, the use or possession of which is necessary or appropriate in the maintenance of the project.
- (D) Exhibits J, K, L and M designated and described above are hereby approved only to the extent that they generally show the project area and the project works.
- (E) Exhibit R designated and described above is hereby approved only as it relates to the facilities proposed for the Spicer Meadow Reservoir area, and should be made part of any license issued.

(F) This license is subject to Articles 1 through 32 set forth in FERC Form L-2 (Revised October 1975) entitled "Terms and Conditions of the License for Unconstructed Major Project Affecting Lands of the United States," which are attached to and made a part of this license. This license is also subject to the following special conditions set forth as additional articles:

Article 33. The Licensee shall implement measures necessary for the control of vectors at the project, and shall obtain the recommendations of the State of California and the appropriate mosquito control district. In the event of the Licensee's failure to undertake effective control measures, the Commission reserves the right to order the Licensee to take appropriate measures for the control of vectors at the project. (8 Hemill 1/12/78)

Article 34. The Licensee, following consultation with the U.S. Forest Service and the California Department of Fish and Game, shall file with the Commission's Regional Engineer in San Francisco, California, and the Director, Office of Electric Power Regulation, prior to any ground disturbing activity, a detailed plan to control soil erosion and to minimize the quantity of inorganic sediments, or other potential pollutants resulting from construction of project facilities that would enter the North Fork Stanislaus River, Highland Creek, Beaver Creek, and the Stanislaus River. This plan shall include an implementation schedule, maintenance program, and evidence of agency consultation. The Director, Office of Electric Power Regulation may require changes in the plan to minimize erosion, sedimentation, or water pollution.

Article 35. The Licensee shall, in cooperation with the California Department of Fish and Game, the U.S. Fish and Wildlife Service, and the California Department of Parks and Recreation conduct a thermal prediction analysis to estimate downstream water temperatures during project operation, and to determine the type of outlet structure needed at Spicer Meadow Dam for the purpose of releasing water of suitable temperature for downstream fishery and recreational uses. The thermal prediction analysis shall include that section of the North Fork Stanislaus River from the confluence with Highland Creek to below the proposed McKays Point Diversion Dam. A report on the results of the analysis with recommendations and evidence of agency consultation shall be filed with the Commission within two years from the date of issuance of this license.

Further, the Licensee shall consult with the above resource agencies in the design of any outlet structure shown to be needed by the studies. Final design of any outlet structure shall be filed on the appropriate Exhibit L drawing for Commission approval pursuant to Article 52.

Article 36. The Licensee shall, in cooperation with the California Department of Fish and Game, the U.S. Fish and Wildlife Service, and the California Department of Parks and Recreation conduct a three-year post operation study to determine an operation schedule needed to release water of suitable temperature from Spicer Meadow Dam for downstream fishery and recreational uses. A report of the post-operation study with recommendations for any project modification shall be filed with the Commission within one year following its completion.

Article 37. The Licensee shall release a continuous minimum flow of 16.5 cfs immediately below Spicer Meadow Dam and below McKays Diversion Dam and a flow of 16.5 cfs or the natural inflow, if less, below the North Fork Diversion Dam and below Beaver Creek Diversion Dam. After the project becomes operational, the Licensee shall, in cooperation with the California Department of Fish and Game and the U.S. Fish and Wildlife Service, evaluate the minimum flow below McKays Diversion Dam to determine the adequacy and any modifications needed to protect and enhance the downstream aquatic habitat and fish resources of the North Fork Stanislaus River. Further, Licensee shall file, within 2 years after the project becomes operational, the results of the evaluation, evidence of agency consultation and, for Commission approval, recommendations for any proposed modification of the minimum flow.

Article 38. The Licensee, following consultation with the California Department of Fish and Game, U.S. Fish and Wildlife Service, and the U.S. Forest Service, shall file, within three years from the date of issuance of this license, a revised Exhibit B for approval, which shall include:

- (1) a detailed fish management plan for Spicer Meadow Reservoir and the North Fork Stanislaus River, including consideration of stocking, reservoir operating levels, rate of change in flow releases, and other measures to protect and enhance the fish resource;
- (2) a detailed comprehensive plan for the mitigation and enhancement of the wildlife resources affected by the construction, operation, and maintenance of the project including clearing and revegetation of the penstock right-of-way lands to include, among other things, development and maintenance procedures, materials, and a schedule for implementation of the wildlife mitigation plan. The plan shall also specify the location and acreage of replacement lands for Gabbot Meadow, and

- (3) estimated costs, and the portion to be paid by the Licensee and any other entities for implementing the fish and wildlife management plans.

Article 39. The Licensee, in cooperation with the California Department of Fish and Game, the U.S. Fish and Wildlife Service and the U.S. Forest Service, shall monitor wildlife mitigative measures; file with the Commission during project construction annual progress reports and within 3 years following commencement of commercial operations, file a final report showing the findings of this program together with recommendations on the need for modifications of physical structures and additional measures to further protect and enhance wildlife.

Article 40. The Licensee shall arrange for a preconstruction survey of all areas proposed to be disturbed by project construction or operation to determine the impacts, if any, on endangered or threatened species of flora and fauna. This survey shall be conducted by a professional(s) in the fields of botany and wildlife, and shall include the transmission line right-of-way, spoil sites, construction campsites, roads, laydown areas, and other project facility sites. The Licensee shall provide for a review of this survey by the California Department of Fish and Game, the U.S. Fish and Wildlife Service, and the U.S. Forest Service. Should it be determined from the survey that specimens of any threatened or endangered species of flora or fauna would be adversely affected by the construction or operation of the project, the Licensee shall cooperate with the aforementioned agencies in developing and implementing a mitigation plan for the affected species. A copy of the plan shall be filed with the Commission.

Article 41. The Licensee shall avoid or minimize any disturbance caused by construction and maintenance of the project works to the natural, scenic, historical, and recreational values of the project area, blending project works with natural views and revegetating, stabilizing, and landscaping all construction laydown areas, access road cuts, borrow and fill areas, and spoil areas as soon as practicable after construction.

Article 42. The Licensee shall cooperate with the California Department of Parks and Recreation in its baseline study of pre-project riparian vegetation along the North Fork Stanislaus River in Calaveras Big Trees State Park. Licensee shall continue to cooperate in monitoring the status of the riparian vegetation within the park boundaries for two years following commencement of commercial operations to determine the effects, if any, of project operations. If the study indicates that project operations have



adversely affected riparian vegetation in the park, Licensee shall, in consultation with the California Department of Parks and Recreation, file with the Commission a plan to compensate the Department of Parks and Recreation for the removal of riparian vegetation that has been adversely affected by project operations.

Article 43. Licensee shall, in cooperation with the California Department of Parks and Recreation, during the second summer season (June through August), following commencement of commercial operation of project facilities, monitor safety conditions at the swimming area adjacent to the bridge over the North Fork Stanislaus River within Calaveras Big Trees State Park and file with the Commission, within six months following completion of the monitoring program, a report outlining any measures necessary to reduce safety hazards and to mitigate the possible loss of recreational opportunities.

Article 44. Licensee shall, within one year from the date of issuance of this license, file for Commission approval an amendment to the Exhibit R describing Licensee's program for the development, operation, and maintenance of recreational facilities at Utica and Union Reservoirs.

Article 45. Licensee shall, prior to the start of project construction, consult and cooperate with Calaveras County officials concerning housing accommodations for project-related workers.

Article 46. Licensee shall, prior to the start of project construction, provide to the Vallecito Unified School District, Mark Twain Union Elementary School District, and Bret Harte Union High School District, funds equal to the difference between the incremental operating expenditures required to accommodate students who are dependents of project-related workers and the incremental revenues received from the State for the enrollment of these students.

Article 47. Licensee shall, prior to the start of project construction, provide to the Calaveras County Office of Sheriff, a sufficient amount of money to offset the additional costs of public safety necessitated by construction activities and the influx of project-related workers and their dependents into Calaveras County.

Article 48. Licensee shall reimburse Calaveras County for the costs of maintaining and repairing all portions of county roads that are impacted during construction by project-related truck traffic.

Article 49. The Licensee shall, prior to commencement of any construction or land disturbance at the project, file for Commission review a comprehensive cultural resource management plan. This plan should be consistent with studies already agreed to by the Licensee, the California State Historic Preservation Officer (SHPO), and the U.S. Forest Service, and it should be prepared in consultation with these agencies. The plan should be prepared by a professional archeologist and, among other things, should include: (1) the results of any necessary resurvey or additional survey work; (2) an analysis of surface collections of artifacts and or test excavations at previously identified archeological sites; (3) information derived from an historic and ethnographic study of the project area; (4) refined evaluations of the significance of cultural resource sites discovered at the project; (5) specific proposals for the avoidance of, or mitigation of damage to, cultural resource properties that might be affected by project activities, and (6) a timetable for any data recovery that might be necessary. Any data recovery proposed as part of the management plan shall be reviewed by the SHPO and the Forest Service, and shall be carried out by the Licensee prior to disturbance of a particular site or sites. The Management plan shall be filed with the Commission prior to disturbance of a particular site or sites. The Licensee shall make available funds in a reasonable amount for any survey or data recovery work as required. If any previously unrecorded archeological sites are discovered during the course of construction or development of any project works or other facilities at the project, construction activity in the vicinity shall be halted, a qualified archeologist shall be consulted to determine the significance of the sites, and the Licensee shall consult with the SHPO to develop a mitigation plan for the protection of significant archeological or historical resources. If the Licensee and the SHPO cannot agree on the amount of money to be expended on archeological or historical work related to the project, the Commission reserves the right to require the Licensee to conduct, at its own expense, any such work found necessary.

Article 50. Licensee shall operate the project in such a manner as not to cause fluctuations in the stream greater than one foot per hour, downstream of each project discharge facility. Licensee shall, in consultation with, and to the satisfaction of, the San Francisco Regional Engineer, establish the location of, and provide equipment for, measurement of the stream fluctuations downstream of each project discharge facility.

Article 51. Licensee shall locate and design Collierville afterbay dam so that it does not eliminate the present whitewater rafting access point at Camp Nine Bridge.

Article 52. The Licensee shall submit for "approval" 60 days prior to the start of construction of project structures revised Exhibit L drawings showing the final design of the project structures and shall not commence construction of such project structures until the Exhibit L drawings have been approved by the Director, Office of Electric Power Regulation. The Spicer Meadow rockfill dam shall be adequately compacted as demonstrated by test fills and in accordance with U.S. Army Corps of Engineers Manual EM 110-2-2300. All dams as shown on the revised Exhibit L drawings shall be designed to be stable under Probable Maximum Flood and earthquake loading conditions consistent with basin characteristics and the history of the seismic activity in the area. The Licensee shall prior to, or simultaneously with the filing of the revised Exhibit L drawings, submit for review the detailed basis for determining the Probable Maximum Flood and the design earthquake. The Licensee shall also provide in its final design drawings facilities for diversion of water to the Utica ditch of Project No. 2019.

Article 53. The Licensee shall file with the Commission's Regional Engineer and the Director, Office of Electric Power Regulation, one copy each of the contract drawings and specifications 60 days prior to the start of construction. The Director, Office of Electric Power Regulation, may require changes in the plans and specifications so as to assure a safe and adequate project.

Article 54. The Licensee shall retain a Board of three or more qualified, independent, engineering consultants to review the design, specifications, and construction of the project for safety and adequacy. The names and qualifications of the Board members shall be submitted to the Director, Office of Electric Power Regulation, for approval. Among other things, the Board shall assess the geology of the project site; the design, specifications and construction of the dikes, dams, spillways, powerhouses, electrical and mechanical equipment involved in water control and emergency power supply; the filling schedule for the reservoirs; the construction inspection program; and construction procedures and progress. The Licensee shall submit to the Commission copies of the Board's report on each meeting. Reports reviewing each portion of the project shall be submitted prior to or simultaneously with the submission of the corresponding Exhibit L final design drawings. The Licensee shall also submit a final report of the Board upon completion of the project. The final report shall contain a statement indicating the Board's satisfaction with the construction, safety, and adequacy of the project structures.

Article 55. Licensee shall locate and design Collierville powerhouse so that it is protected from flooding damage when the New Melones Lake is at maximum water surface elevation.

Article 56. The Licensee shall pay the United States the following annual charges, effective the first day of the month in which this license is issued:

(a) For the purpose of reimbursing the United States for the cost of administration of Part I of the Act, a reasonable amount as determined in accordance with the provisions of the Commission's regulations in effect from time to time. The authorized installed capacity for that purpose is 273,600 horsepower.

(b) For the purpose of recompensing the United States for the use, occupancy, and enjoyment of its lands, a reasonable annual charge as determined by the Commission in accordance with its regulations in effect from time to time. The acreage of United States lands for that purpose will be determined after submission of "as-built" exhibits for approval.

Article 57. Within one year from the date of commencement of operation of the project, the Licensee shall file for approval "as-built" Exhibits J, K and L drawings and Exhibit M, conforming with the Commission's regulations at that time, to show the project as finally constructed and located and the amount of U.S. lands occupied by it.

Article 58. The Licensee shall commence construction of the project within 1 year from the effective date of this license and, in good faith and with due diligence, shall prosecute and complete construction of the project works within 6 years from the effective date of this license.

Article 59. The Licensee for Project No. 2409 shall attempt to negotiate a settlement with Pacific Gas and Electric Company (PG&E) on the adequate compensation for the effects of Project No. 2409 on PG&E's licensed projects. The settlement shall provide compensation to PG&E for appropriate damages attributable to the proposed North Fork Stanislaus River Project No. 2409. If the Licensee and PG&E cannot reach settlement within six months from the date of issuance of this license, the Commission reserves the right to determine the appropriate compensation, after notice and opportunity for hearing.

Article 60. The Licensee shall review and approve the design and construction procedures for contractor-designed cofferdams and deep excavations prior to the start of construction. The licensee shall file with the Commission's Regional Engineer and Director, Office of the Electric Power Regulation, one copy of the approved construction drawings and specifications, and a copy of the letter of approval.

Article 41. (3) In accordance with the provisions of this Article, the Licensee shall have the authority to grant permission for certain types of use and occupancy of project lands and waters and to convey certain interests in project lands and waters for certain other types of use and occupancy, without prior Commission approval. The Licensee may exercise the authority only if the proposed use and occupancy is consistent with the purposes of protecting and enhancing the scenic, recreational, and other environmental values of the project. For those purposes, the Licensee shall also have continuing responsibility to supervise and control the uses and occupancies for which it grants permission, and to monitor the use of, and ensure compliance with the covenants of the instrument of conveyance for, any interests that it has conveyed, under this article. If a permitted use and occupancy violates any condition of this article or any other condition imposed by the Licensees for protection and enhancement of the project's scenic, recreational, or other environmental values, or if a covenant of a conveyance made under the authority of this article is violated, the Licensee shall take any lawful action necessary to correct the violation. For a permitted use or occupancy, that action includes, if necessary, cancelling the permission to use and occupy the project lands and waters and requiring the removal of any non-complying structures and facilities.

(b) The types of use and occupancy of project lands and waters for which the Licensee may grant permission without prior Commission approval are: (1) landscape plantings; (2) non-commercial piers, landings, boat docks, or similar structures and facilities; and (3) embankments, bulkheads, retaining walls, or similar structures for erosion control to protect the existing shoreline. To the extent feasible and desirable to protect and enhance the project's scenic, recreational, and other environmental values, the Licensee shall require multiple use and occupancy of facilities for access to project lands or waters. The Licensee shall also ensure, to the satisfaction of the Commission's authorized representative, that the uses and occupancies for which it grants permission are maintained in good repair and comply with applicable State and local health and safety requirements. Before granting permission for construction of bulkheads or retaining walls, the Licensee shall: (1) inspect the site of the proposed construction, (2) consider whether the planting of vegetation or the use of riprap would be adequate to control erosion at the site, and (3) determine that the proposed construction is needed and would not change the basic contour of the reservoir shoreline. To implement this paragraph (b), the Licensee may, among other things, establish a program for issuing permits for the specified types of use and occupancy of project lands and waters, which may be subject to the payment of a reasonable fee to cover the Licensee's costs of administering the permit program. The Commission reserves the right to require the Licensee to file a description of its standards, guidelines, and procedures for

implementing this paragraph (b) and to require modifications of those standards, guidelines, or procedures.

(c) The Licensee may convey easements or rights-of-way across, or leases of, project lands for: (1) replacement, expansion, realignment, or maintenance of bridges and roads for which all necessary State and Federal approvals have been obtained; (2) storm drains and water mains; (3) sewers that do not discharge into project waters; (4) minor access roads; (5) telephone, gas, and electric utility distribution lines; (6) non-project overhead electric transmission lines that do not require erection of support structures within the project boundary; (7) submarine, overhead, or underground major telephone distribution cables or major electric distribution lines (69-kV or less); and (8) water intake or pumping facilities that do not extract more than one million gallons per day from a project reservoir. No later than January 31 of each year, the Licensee shall file three copies of a report briefly describing for each conveyance made under this paragraph (c) during the prior calendar year, the type of interest conveyed, the location of the lands subject to the conveyance, and the nature of the use for which the interest was conveyed.

(d) The Licensee may convey fee title to, easements or rights-of-way across, or leases of project lands for: (1) construction of new bridges or roads for which all necessary State and Federal approvals have been obtained; (2) sewer or effluent lines that discharge into project waters, for which all necessary Federal and State water quality certificates or permits have been obtained; (3) other pipelines that cross project lands or waters but do not discharge into project waters; (4) non-project overhead electric transmission lines that require erection of support structures within the project boundary, for which all necessary Federal and State approvals have been obtained; (5) private or public marinas that can accommodate no more than 10 watercraft at a time and are located at least one-half mile from any other private or public marinas; (6) recreational development consistent with an approved Exhibit R or approved report on recreational resources of an Exhibit E; and (7) other uses, if: (i) the amount of land conveyed for a particular use is five acres or less; (ii) all of the land conveyed is located at least 75 feet, measured horizontally, from the edge of the project reservoir at normal maximum surface elevation; and (iii) no more than 50 total acres of project lands for each project development are conveyed under this clause (d)(7) in any calendar year. At least 45 days before conveying any interest in project lands under this paragraph (d), the Licensee must file a letter to the Director, Office of Electric Power Regulation, stating its intent to convey the interest and briefly describing the type of interest and location of the lands to be conveyed (a marked Exhibit G or R map may be used), the nature of the proposed use, the identity of any Federal or

State agency official consulted, and any Federal or State approvals required for the proposed use. Unless the Director, within 45 days from the filing date, requires the Licensee to file an application for prior approval, the Licensee may convey the intended interest at the end of that period.

(e) The following additional conditions apply to any intended conveyance under paragraphs (c) or (d) of this article:

(1) Before conveying the interest, the Licensee shall consult with Federal and State fish and wildlife or recreation agencies, as appropriate, and the State Historic Preservation Officer.

(2) Before conveying the interest, the Licensee shall determine that the proposed use of the lands to be conveyed is not inconsistent with any approved Exhibit R or approved report on recreational resources of an Exhibit E; or, if the project does not have an approved Exhibit R or approved report on recreational resources, that the lands to be conveyed do not have recreational value.

(3) The instrument of conveyance must include covenants running with the land adequate to ensure that: (i) the use of the lands conveyed shall not endanger health, create a nuisance, or otherwise be incompatible with overall project recreational use; and (ii) the grantee shall take all reasonable precautions to ensure that the construction, operation, and maintenance of structures or facilities on the conveyed lands will occur in a manner that will protect the scenic, recreational, and environmental values of the project.

(4) The Commission reserves the right to require the Licensee to take reasonable remedial action to correct any violation of the terms and conditions of this article, for the protection and enhancement of the project's scenic, recreational, and other environmental values.

(f) The conveyance of an interest in project lands under this article does not in itself change the project boundaries. The project boundaries may be changed to exclude land conveyed under this article only upon approval of revised Exhibit G or K drawings (project boundary maps) reflecting exclusion of that land. Lands conveyed under this article will be excluded from the project only upon a determination that the lands are not necessary for project purposes, such as operation and maintenance, flowage, recreation, public access, protection of environmental resources, and shoreline control, including shoreline aesthetic values. Absent extraordinary circumstances, proposals to exclude lands conveyed under this article from the project shall be consolidated for consideration when revised Exhibit G or K drawings would be filed for approval for other purposes.

(G) This order is final unless an application for rehearing is filed within 30 days from the date of its issuance, as provided in Section 313(a) of the Act. The filing of an application for rehearing does not operate as a stay of the effective date of this license or of any other date specified in this order, except as specifically ordered by the Commission. Failure of the Licensee to file an application for rehearing shall constitute acceptance of this license. In acknowledgment of acceptance of this license, the license shall be signed for the Licensee and returned to the Commission within 60 days from the date of issuance of this order.

By the Commission. Commissioner Sousa dissented with a separate statement attached.

( S E A L )

*Kenneth F. Plumb*  
Kenneth F. Plumb,  
Secretary.

IN TESTIMONY of its acknowledgment of acceptance of all of the terms and conditions of this order, Calaveras County Water District this 29th day of March, 1982, has caused its corporate name to be signed hereto by David J. Silveira, its Board of Directors President, and its corporate seal to be affixed hereto and attested by Steve Felte its Secretary Secretary, pursuant to a resolution of its Board of Directors duly adopted on the 29th day of March, 1982, a certified copy of the record of which is attached hereto.

By [Signature]  
President

Attest:

[Signature]  
Secretary

(Executed in quadruplicate)

SOUSA, A. G., COMMISSIONER, dissenting:

I must dissent from the majority decision handed down today in the matter of Calaveras County Water District, (C.C.W.D.), Project No. 2409, in which the majority issued a license to construct a hydroelectric facility which unquestionably encroaches upon an existing PG&E project, 2130.1/ My learned colleagues have seriously erred by circumventing the express limitations of the Commission's authority contained in Section 6 and by the misapplication of section 10(b) of the Federal Power Act.2/

The language of Section 6 is clear and unambiguous:

Licenses. . . may be altered. . . only upon the mutual agreement between the licensee and the Commission after 30 days notice.3/

Section 6 was enacted specifically to prevent what the majority has done, by affording investors in hydroelectric projects an assurance that their investments would be secure over the term of their license. This freedom from

1/ Calaveras County Water District, Project No. 2409, Order Issuing License (Major) and Denying Motions, p. 14, (hereinafter the Order).

2/ 16 U.S.C. §799, 803(b) (1979).

3/ Section 6, Federal Power Act, 16 U.S.C. §799 (1979).

unconsented interference with a completed project was viewed as a necessary requirement to attract the capital needed to develop the Nation's hydroelectric energy potential.<sup>4/</sup>

Section 6 was but one of several provisions of the Act designed to insure against regulatory interference with a license after issuance.<sup>5/</sup> Indeed, the need for certainty was so strong that Congress placed a limitation on itself to alter a license once issued or to affect the rights granted

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<sup>4/</sup> The need to protect privately invested capital was expressed several times in the hearings and reports incorporated into the House and Senate records. See: Senate Committee on Commerce, Improvement and Development of Waterways, S. Rep. No. 179, 65th Cong., 2d Sess. 1, 3-4 (1917); House Committee on Water Power, The Water Power Bill, H.R. No. 715, 65th Cong., 2d Sess. (1917); House Committee on Water Power, Federal Power Commission, H.R. No. 61, 66th Cong., 1st Sess. (1919). The language that was developed in these deliberations was adopted in total in the Federal Power Act.

<sup>5/</sup> Section 6 of the Act provides for the issuance of licenses for a period not to exceed 50 years. For all practical purposes, the license is irrevocable. Section 26 of the Act gives the United States District Courts equity jurisdiction to enforce license provisions and provides for revocation only in the event of proven noncompliance with a provision of the license. [16 U.S.C. §820 (1979)]. Section 28 prohibits subsequent Acts of Congress from affecting issued licenses, 16 U.S.C. §822 (1979).

thereby.<sup>6/</sup> It is difficult to imagine that Congress intended to permit the Commission to do what Congress itself could not.

The majority has taken another view and would allow measured infringements upon an existing licensee's rights. Although Section 6 makes no mention of "substantial" or "insubstantial" alterations, the majority has adopted a "substantial alteration test" which grants to the Commission the right to allow license alterations without the licensee's consent.<sup>7/</sup> Apparently this test was derived from language found in Section 10(b) of the Act:

Section 10 provides:

Section 10. All licenses issued under this part shall be on the following conditions:

- (b) That except when emergency shall require for the protection of navigation, life health, or property, no substantial alteration or addition not in conformity with the approved plans shall be

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<sup>6/</sup> "The right to alter, amend, or repeal this Act is hereby expressly reserved; but no such alteration, amendment, or repeal shall affect any license theretofore issued under the provisions of this Act, or the rights of any licensee thereunder." Federal Power Act, Section 28; 16 U.S.C. §822 (1979).

<sup>7/</sup> A number of sources relied upon by the majority to support the substantial alteration test were raised during the Commission's deliberations and were not cited as authority in the Order. Each of those sources will be addressed herein.

made to any dam or other project works constructed hereunder of an installed capacity in excess of two thousand horsepower without the prior approval of the Commission, and any emergency alteration or addition so made shall thereafter be subject to such modification and change as the Commission may direct.<sup>8/</sup> (Emphasis added)

In a remarkable feat of circular reasoning the majority, in essence, argues that since no substantial alteration is permissible except in emergency situations involving protection of navigation, life, health or property, therefore, "non-substantial alterations" will be permitted. It is further argued that Section 10(b) and Section 6 must somehow be read together, and that such reading allows the Commission to order insubstantial changes (even if the change is effected through the issuance of a license to a third party). The majority then concluded that granting a license to third-party C.C.W.D. for the same tailwater utilized by PG&E's existing project is equivalent to a change of PG&E's license, but not a "substantial alteration" and therefore such act is permissible.<sup>9/</sup>

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<sup>8/</sup> Section 10(b) of the Federal Power Act, 16 U.S.C. §803(b) (1977).

<sup>9/</sup> Order, at 14.

The majority completely misconstrues the purpose of Section 10(b). Section 10(b) is a condition to the issuance of a license, and as such is binding only upon the licensee. It cannot, under any reading be a grant of authority to the Commission. That section does no more than restrict, as a condition to the issuance of a license, the right of the licensee to unilaterally alter the project in question except in certain limited emergency situations. It is clear that Section 10(b) does not empower the Commission to alter a license through the issuance of another license.

This conclusion is supported by the legislative history of Section 10(b). The Report of the Committee on Water Power which described the purposes of Section 10, states:

This section provides that all licenses issued under the proposed act shall be upon conditions that the project adopted, including the maps, plans, and specifications, shall be such as in the judgment of the Commission will be best adapted to a comprehensive scheme of improvement for the purpose of navigation, water power uses, and the Commission shall have the power to require the modification of any project or plans and the specifications of any project works before approval. (Emphasis added) This section further provides that when any emergency shall require, as therein set out, any substantial alteration or addition not in conformity with approved plans, shall be made to any dam or other project works constructed

thereunder in excess of 100 horsepower without the prior approval of the Commission.<sup>10/</sup>

It becomes patently obvious that Section 10(b) was designed to allow a licensee to react swiftly to an emergency situation involving imminent danger to navigation, life, health or property by changing its plans without the necessity of receiving prior Commission approval.<sup>11/</sup>

The majority bolsters its argument by invoking a March 12, 1923 memorandum opinion of the Chief Counsel to the Executive Secretary of a predecessor Commission, which also refers to Section 10(b).<sup>12/</sup> In reading that opinion, however, it is clear that it covered a narrow set of facts limited to the necessity of public notice before "mak[ing] changes in licenses for such purposes as correction of errors, modification of plans, extension of time, etc., or to changes of a similar character involving no substantial modification of the

<sup>10/</sup> House Committee on Water Power, Federal Power Commission, H.R. No. 61, 66th Cong., 1st Sess., 7 (1919).

<sup>11/</sup> The right of the Commission to pass upon such modifications after the fact is expressly reserved. 16 U.S.C. §803(b) (1979).

<sup>12/</sup> Opinion of the Chief Counsel to the Secretary, Alterations of Licenses, March 12, 1923, as reported in the Third Annual Report of the Federal Power Commission (1923) at 223.

original provisions of the license"<sup>13/</sup>. Where the licensee requests a modification, correction, change in plans, etc., or where the Commission deems it necessary to make such changes or seeks to correct a known error not affecting the licensee's rights, no public hearing is required.<sup>14/</sup>

The situation referred to above involves only two parties - in this case the Commission and PG&E. By a quantum jump in reasoning the majority equates, modification, correction, change in plans, extensions of time, etc. requested by a licensee or deemed necessary by the Commission, with power to issue another license to a third party which interferes with the rights of an existing licensee. Section 6 specifically prohibits the Commission from altering or amending an issued license "in any way" absent the consent of the licensee.<sup>15/</sup> What the Commission cannot do directly to an

<sup>13/</sup> Id. at 224-25.

<sup>14/</sup> Id. at 225.

<sup>15/</sup> "A license issued under Part I of the Federal Power Act may not be altered except by agreement between the Federal Power Commission and the licensee. (§6 of the Act [16 U.S.C. §799]). The Commission has no power, acting alone, to amend or in any way change an outstanding license." Alabama Power Co. v. F.P.C., 482 F.2d 1208, 1215 (5th Cir. 1973); Niagara Mohawk Power Co. v. F.P.C., 202 F.2d 190, 198, n.3 (D.C. Cir. 1952), aff'd F.P.C. v. Niagara Mohawk Power Co., 347 U.S. 239, 98 L.Ed 666, 74 S. Ct. 487 (1954). (Emphasis added)



existing licensee it is forbidden to do indirectly.<sup>16/</sup>

It is also clear to me that Section 10 and particularly 10(b) covers a two-party situation (the Commission and a licensee) and not the facts at hand (a three-party situation involving the Commission, PG&E and C.C.W.D). That Section 10(b) covers only the original two parties in a two-party situation is clear by inclusion of the words "without the prior approval of the Commission." This obviously means that an original licensee (PG&E) cannot make a change to its own plans without seeking the approval of the Commission except in limited emergency situations.

16/ Any such authorization:

"... [W]ould put [the Commission] in the position of doing indirectly what we are forbidden to do directly. Familiar rules of law and our own regard for a proper observance of the limitations which Congress and the courts have placed upon our authority both restrain us from pursuing such a course." Central West Utility Co. v. F.P.C., 247 F.2d 306, 310 (3d Cir. 1957), affirming and incorporating the Commission's holding; Northern California Power Agency v. F.P.C., 514 F.2d 184, 189 (D.C. Cir. 1975); New York State Electric and Gas Corp. v. FERC, 638 F.2d 382, 408 (3d Cir. 1980), cert denied, 50 U.S.L.W. 3237 (1981).

To buttress the decision that the impact upon PG&E falls within the bounds of an insubstantial alteration the majority opinion cites what has been termed precedent for the substantial alteration test, to wit: Susquehanna Power Co. and Philadelphia Electric Co., Project 405, et al., 32 FPC 826 (1964); Town of Madison Electric Works Department, Project No. 2830 et al., 11 FERC ¶61,318 (1980); and North Kern Water Storage District, Project No. 4111-000, 16 FERC ¶61,082 (1981).<sup>17/</sup> The Susquehanna decision involved an application to license a project which would use an existing project's reservoir as its major source of power. The new project, which was being undertaken by a company affiliated with the existing license holder, did not have any effect on the power producing capacity of the existing project.<sup>18/</sup>

17/ Opinion, at 13 n.25; 14 n.29

18/ A Section 6 argument was never raised in Susquehanna although the Commission made some gratuitous comments about its' ability to authorize encroachments which did not "significantly impair the operational value of an existing project". The cases cited in the Susquehanna decision as precedent for the significant impairment standard are easily distinguished from the instant case: City of Seattle, Washington, Project No. 2114, 26 FPC 54, 92 (1961) (possibility of impairment of mine operations so "relatively slight" as not to require refusal of a license); P.U.D. No. 1 of Douglas County, Washington, Project No. 2149, 28 FPC 128 (1962) (encroachment on tailwater of dam under construction - license

(Footnote continued on next page).

In Madison Electric, the Commission was called upon to decide which of two competing applicants for a preliminary permit was best qualified. One of the applicants was an existing licensee of a project that it claimed would be adversely affected by the plans proposed by its permit competitor. After reviewing the arguments and examining the parties proposals, the Commission stated that development at the proposed sight would not involve any alteration of existing licenses.<sup>19/</sup> In North Kern, the Commission held that a reduction in waterflow of between 80% and 90% which would render two existing projects unusable constituted a substantial alteration to the existing licenses.<sup>20/</sup> There can be little doubt that the same result would have been reached under Section 6 absent any substantial alteration standard.

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<sup>18/</sup> (Footnote continued from previous page).

holder did not object to the issuance of the license which contained compensation requirement); P.U.D. No. 2 of Grant County, Washington, Project No. 2114, 28 FPC 718 (1962) (reservation in original license reserving to the Commission the right to order future changes in license project for more comprehensive resource development); P.U.D. No. 1 of Chelan County, Washington, Project No. 2145, 18 FPC 25, 79 (1957) (contention by one party that the issuance of a license to an applicant may infringe upon the future development of the water resource).

<sup>19/</sup> 11 FERC at 61,676, n.6.

<sup>20/</sup> 16 FERC at 61,152

It should be noted that the substantial alteration test discussed in the various decisions cited by the majority has never been the basis for decision. The Commission's ability to alter licenses has never been challenged because the concept has never been adversely applied against an existing licensee. On that basis, I find little support in the cited authorities for an alleged longstanding precedent which would control the outcome of this case.<sup>21/</sup>

Assuming, arguendo, that application or adoption of the "substantial alteration" test is acceptable, the majority action, under its own test, would fail; for surely, the granting of another license to a third party, where a licensee enjoyed an exclusive license undisturbed for a substantial number of years, cannot be deemed anything but a "substantial" alteration."

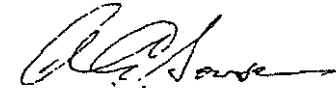
The majority's desire to promote development of hydroelectric energy is an admirable goal. I do not wish to leave the impression that I am in any manner opposed to this aim. To the contrary, the development of this Nation's hydroelectric energy resource is of paramount concern to

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<sup>21/</sup> If the cited authorities establish anything of relevance it is that the alteration of a waterflow or encroachment of one project upon another constitutes an alteration of a license.

me. Such development provides a stimulus to the economy, lessens the Nation's dependence on foreign sources of energy, and promotes the well being of society as a whole. But in its headlong rush to achieve this objective, the majority has circumvented Section 6, and misapplied Section 10(b) of the F.P.A. and treaded upon the rights of a licensee supplying this resource for decades. It has also misinterpreted the March 1923 Opinion to stand for the proposition that the Commission has the authority to license another project which will directly trespass upon the same water resource utilized by an existing licensee. In fact, the 1923 Opinion merely held that, at the option of the licensee (here PG&E) or upon the requirement of the Commission, a modification to the licensee's original plans may be made prior to issuance of a license without the necessity of public notice and hearing. Once the license is issued only "mere corrections of errors" or "extensions of time within the scope authorized by the act" or "other changes of similar character" involving no change in the substantive rights of the licensee may occur absent the mutual consent of the licensee and the Commission. By no stretch of the imagination can the 1923 Opinion be interpreted to allow a change in an issued license through the granting of another license for the same water resource to a third party.

By its action the majority has brought about exactly the opposite of what it is seeking to achieve. By destroying the integrity and certainty of a license, hydroelectric development will be discouraged.

  
A. G. Sousa

Joint Exercise of Powers Act

[See attached.]

CALIFORNIA CODES  
**GOVERNMENT CODE**  
SECTION 6500-6536

**6500.** As used in this article, "public agency" includes, but is not limited to, the federal **government** or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to this article by any of these agencies.

**6500.1.** This chapter shall be known and may be cited as the Joint Exercise of Powers Act.

6501. This article does not authorize any state officer, board, commission, department, or other state agency or institution to make any agreement without the approval of the Department of General Services or the Director of General Services if such approval is required by law.

6502. If authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties, even though one or more of the contracting agencies may be located outside this state.

It shall not be necessary that any power common to the contracting parties be exercisable by each such contracting party with respect to the geographical area in which such power is to be jointly exercised. For purposes of this section, two or more public agencies having the power to conduct agricultural, livestock, industrial, cultural, or other fairs or exhibitions shall be deemed to have common power with respect to any such fair or exhibition conducted by any one or more of such public agencies or by an entity created pursuant to a joint powers agreement entered into by such public agencies.

6502.5. In addition to any power common to its member districts, the Resource Conservation Energy Joint Powers Agency has the authority to finance, construct, install, and operate projects for the production of biogas and electricity from the digestion or fermentation of animal or agricultural waste. The agency may undertake these projects within its jurisdiction or outside its jurisdiction. The authority to undertake projects outside the jurisdiction of the agency is limited to the geographical areas of Fresno, Kings, Madera, Merced, San Joaquin, and Tulare Counties.

Prior to undertaking a project authorized by this section outside the jurisdiction of the agency, the agency shall obtain approval of the board of supervisors of the county in which the project is to be located.

6502.7. (a) If authorized by their legislative or other governing bodies, two or more public agencies which have the authority to identify, plan for, monitor, control, regulate, dispose of, or abate liquid, toxic, or hazardous wastes or hazardous materials may, by agreement, jointly exercise any of these powers common to the contracting parties.

(b) The contracting parties may provide special services, including persons specially trained, experienced, expert, and competent to perform these special services.

(c) The provisions of this section are declaratory of existing law and do not limit any authority which already exists.

6503. The agreements shall state the purpose of the agreement or the power to be exercised. They shall provide for the method by which the purpose will be accomplished or the manner in which the power will be exercised.

6503.1. (a) When property tax revenues of a county of the second class are allocated by that county to an agency formed for the purpose of providing fire protection pursuant to this chapter, those funds may only be appropriated for expenditure by that agency for fire protection purposes.

(b) As used in this section, "fire protection purposes" means those purposes directly related to, and in furtherance of, providing fire prevention, fire suppression, emergency medical services, hazardous materials response, ambulance transport, disaster preparedness, rescue services, and related administrative costs.

(c) This section shall not be interpreted to alter any provision of law governing the processes by which cities or counties select providers of ambulance transport services.

6503.5. Whenever a joint powers agreement provides for the creation of an agency or entity that is separate from the parties to the agreement and is responsible for the administration of the agreement, such agency or entity shall, within 30 days after the effective date of the agreement or amendment thereto, cause a notice of the agreement or amendment to be prepared and filed with the office of the Secretary of State. The agency or entity shall furnish an additional copy of the notice of the agreement or amendment to the Secretary of State, who shall forward the copy to the Controller. The notice shall contain:

(a) The name of each public agency that is a party to the agreement.

(b) The date that the agreement became effective.

(c) A statement of the purpose of the agreement or the power to be exercised.

(d) A description of the amendment or amendments made to the agreement, if any.

Notwithstanding any other provision of this chapter, any agency or entity administering a joint powers agreement or amendment to such an agreement, which agreement or amendment becomes effective on or after the effective date of this section, which fails to file the

notice required by this section within 30 days after the effective date of the agreement or amendment, shall not thereafter, and until such filings are completed, issue any bonds or incur indebtedness of any kind.

6503.6. Whenever an agency or entity files a notice of agreement or amendment with the office of the Secretary of State pursuant to Section 6503.5, the agency or entity shall file a copy of the full text of the original joint powers agreement, and any amendments to the agreement, with the Controller.

6503.7. Within 90 days after the effective date of this section, any separate agency or entity constituted pursuant to a joint powers agreement entered into prior to the effective date of this section and responsible for the administration of the agreement shall cause a notice of the agreement to be prepared and filed with the office of the Secretary of State. The agency or entity shall also furnish an additional copy of the notice of the agreement to the Secretary of State who shall forward the copy to the Controller. The notice shall contain all the information required for notice given pursuant to Section 6503.5.

Notwithstanding any other provision of this chapter, any joint powers agency that is required and fails to file notice pursuant to this section within 90 days after the effective date of this section shall not, thereafter, and until such filings are completed, issue any bonds, incur any debts, liabilities or obligations of any kind, or in any other way exercise any of its powers.

For purposes of recovering the costs incurred in filing and processing the notices required to be filed pursuant to this section and Section 6503.5, the Secretary of State may establish a schedule of fees. Such fees shall be collected by the office of the Secretary of State at the time the notices are filed and shall not exceed the reasonably anticipated cost to the Secretary of State of performing the work to which the fees relate.

6504. The parties to the agreement may provide that (a) contributions from the treasuries may be made for the purpose set forth in the agreement, (b) payments of public funds may be made to defray the cost of such purpose, (c) advances of public funds may be made for the purpose set forth in the agreement, such advances to be repaid as provided in said agreement, or (d) personnel, equipment or property of one or more of the parties to the agreement may be used in lieu of other contributions or advances. The funds may be paid to and disbursed by the agency or entity agreed upon, which may include a nonprofit corporation designated by the agreement to administer or execute the agreement for the parties to the agreement.

6505. (a) The agreement shall provide for strict accountability of all funds and report of all receipts and disbursements.

(b) In addition, and provided a separate agency or entity is created, the public officer performing the functions of auditor or

controller as determined pursuant to Section 6505.5, shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every agency or entity, except that the officer need not make or contract for the audit in any case where an annual audit of the accounts and records of the agency or entity by a certified public accountant or public accountant is otherwise made by any agency of the state or the United States only as to those accounts and records which are directly subject to such a federal or state audit. In each case the minimum requirements of the audit shall be those prescribed by the Controller for special districts under Section 26909 and shall conform to generally accepted auditing standards.

(c) When an audit of an account and records is made by a certified public accountant or public accountant, a report thereof shall be filed as public records with each of the contracting parties to the agreement and also with the county auditor of the county where the home office of the joint powers authority is located and shall be sent to any public agency or person in California that submits a written request to the joint powers authority. The report shall be filed within 12 months of the end of the fiscal year or years under examination.

(d) When a nonprofit corporation is designated by the agreement to administer or execute the agreement and no public officer is required to perform the functions of auditor or controller as determined pursuant to Section 6505.5, an audit of the accounts and records of the agreement shall be made at least once each year by a certified public accountant or public accountant, and a report thereof shall be filed as a public record with each of the contracting parties to the agreement and with the county auditor of the county where the home office of the joint powers authority is located, and shall be sent to any public agency or person in California that submits a written request to the joint powers authority. These reports shall be filed within 12 months after the end of the fiscal year or years under examination.

(e) Any costs of the audit, including contracts with, or employment of certified public accountants or public accountants, in making an audit pursuant to this section shall be borne by the agency or entity and shall be a charge against any unencumbered funds of the agency or entity available for the purpose.

(f) All agencies or entities may, by unanimous request of the governing body thereof, replace the annual special audit with an audit covering a two-year period.

(g) Notwithstanding the foregoing provisions of this section to the contrary, agencies or entities shall be exempt from the requirement of an annual audit if the financial statements are audited by the Controller to satisfy federal audit requirements.

6505.1. The contracting parties to an agreement made pursuant to this chapter shall designate the public office or officers or person or persons who have charge of, handle, or have access to any property of the agency or entity and shall require such public officer or officers or person or persons to file an official bond in an amount to be fixed by the contracting parties.

6505.5. If a separate agency or entity is created by the agreement, the agreement shall designate the treasurer of one of the



contracting parties, or in lieu thereof, the county treasurer of a county in which one of the contracting parties is situated, or a certified public accountant to be the depository and have custody of all the money of the agency or entity, from whatever source.

The treasurer or certified public accountant so designated shall do all of the following:

(a) Receive and receipt for all money of the agency or entity and place it in the treasury of the treasurer so designated to the credit of the agency or entity.

(b) Be responsible, upon his or her official bond, for the safekeeping and disbursement of all agency or entity money so held by him or her.

(c) Pay, when due, out of money of the agency or entity held by him or her, all sums payable on outstanding bonds and coupons of the agency or entity.

(d) Pay any other sums due from the agency or entity from agency or entity money, or any portion thereof, only upon warrants of the public officer performing the functions of auditor or controller who has been designated by the agreement.

(e) Verify and report in writing on the first day of July, October, January, and April of each year to the agency or entity and to the contracting parties to the agreement the amount of money he or she holds for the agency or entity, the amount of receipts since his or her last report, and the amount paid out since his or her last report.

The officer performing the functions of auditor or controller shall be of the same public agency as the treasurer designated as depository pursuant to this section. However, where a certified public accountant has been designated as treasurer of the entity, the auditor of one of the contracting parties or of a county in which one of the contracting parties is located shall be designated as auditor of the entity. The auditor shall draw warrants to pay demands against the agency or entity when the demands have been approved by any person authorized to so approve in the agreement creating the agency or entity.

The governing body of the same public entity as the treasurer and auditor specified pursuant to this section shall determine charges to be made against the agency or entity for the services of the treasurer and auditor. However, where a certified public accountant has been designated as treasurer, the governing body of the same public entity as the auditor specified pursuant to this section shall determine charges to be made against the agency or entity for the services of the auditor.

6505.6. In lieu of the designation of a treasurer and auditor as set forth in Section 6505.5, the agency or entity may appoint one of its officers or employees to either or both of such positions. Such offices may be held by separate officers or employees or combined and held by one officer or employee. Such person or persons shall comply with the duties and responsibilities of the office or offices as set forth in subdivisions (a) to (d), inclusive, of Section 6505.5.

In the event the agency or entity designates its officers or employees to fill the functions of treasurer or auditor, or both, pursuant to this section, such officers or employees shall cause an independent audit to be made by a certified public accountant, or public accountant, in compliance with Section 6505.

6506. The agency or entity provided by the agreement to administer or execute the agreement may be one or more of the parties to the agreement or a commission or board constituted pursuant to the agreement or a person, firm or corporation, including a nonprofit corporation, designated in the agreement. One or more of the parties may agree to provide all or a portion of the services to the other parties in the manner provided in the agreement. The parties may provide for the mutual exchange of services without payment of any consideration other than such services.

6507. For the purposes of this article, the agency is a public entity separate from the parties to the agreement.

6508. The agency shall possess the common power specified in the agreement and may exercise it in the manner or according to the method provided in the agreement. If the agency is not one or more of the parties to the agreement but is a public entity, commission or board constituted pursuant to the agreement and such agency is authorized, in its own name, to do any or all of the following: to make and enter contracts, or to employ agents and employees, or to acquire, construct, manage, maintain or operate any building, works or improvements, or to acquire, hold or dispose of property or to incur debts, liabilities or obligations, said agency shall have the power to sue and be sued in its own name. Any authorization pursuant to the agreement for the acquisition by the agency of property for the purposes of a project for the generation or transmission of electrical energy shall not include the condemnation of property owned or otherwise subject to use or control by any public utility within the state.

The governing body of any agency having the power to sue or be sued in its own name, created by an agreement entered into after the amendment to this section at the 1969 Regular Session of the Legislature, between parties composed exclusively of parties which are cities, counties, or public districts of this state, irrespective of whether all such parties fall within the same category, may as provided in such agreement, and in any ratio provided in the agreement, be composed exclusively of officials elected to one or more of the governing bodies of the parties to such agreement. Any existing agreement composed of parties which are cities, counties or public districts which creates a governing board of any agency having the power to sue or be sued may, at the option of the parties to the agreement, be amended to provide that the governing body of the created agency shall be composed exclusively of officials elected to one or more of the governing boards of the parties to such agreement in any ratio agreed to by the parties to the agreement. The governing body so created shall be empowered to delegate its functions to an advisory body or administrative entity for the purposes of program development, policy formulation, or program implementation, provided, however, that any annual budget of the agency to which the delegation is made must be approved by the governing body of the Joint Powers Agency.

In the event that such agency enters into further contracts, leases or other transactions with one or more of the parties to such agreement, an official elected to the governing body of such party may also act in the capacity of a member of the governing body of

such agency.

6508.1. If the agency is not one or more of the parties to the agreement but is a public entity, commission, or board constituted pursuant to the agreement, the debts, liabilities, and obligations of the agency shall be debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise.

A party to the agreement may separately contract for, or assume responsibility for, specific debts, liabilities, or obligations of the agency.

6509. Such power is subject to the restrictions upon the manner of exercising the power of one of the contracting parties, which party shall be designated by the agreement.

6509.5. Any separate agency or entity created pursuant to this chapter shall have the power to invest any money in the treasury pursuant to Section 6505.5 that is not required for the immediate necessities of the agency or entity, as the agency or entity determines is advisable, in the same manner and upon the same conditions as local agencies pursuant to Section 53601 of the **Government Code**.

If a nonprofit corporation is designated by the agreement to administer or execute the agreement for the parties to the agreement, it shall invest any moneys held for disbursement on behalf of the parties in the same manner and upon the same conditions as local agencies pursuant to Section 53601.

6509.6. Notwithstanding any other law, a joint powers authority created pursuant to this chapter may purchase or acquire, by sale, assignment, pledge, or other transfer from a local agency, and any local agency may sell, assign, pledge, or transfer to a joint powers authority any or all of that local agency's right, title, and interest in and to an assessment contract authorized by Chapter 29 (commencing with Section 5898.10) of Part 3 of Division 7 of the Streets and Highways **Code**, including any related lien, right, subsidy, or other right and receivable, and the enforcement and collection thereof, pursuant to any terms and conditions agreed to between the joint powers authority and the local agency.

6509.7. (a) Notwithstanding any other provision of law, two or more public agencies that have the authority to invest funds in their treasuries may, by agreement, jointly exercise that common power. Funds invested pursuant to an agreement entered into under this section may be invested as authorized by subdivision (p) of Section 53601. A joint powers authority formed pursuant to this section may issue shares of beneficial interest to participating public agencies. Each share shall represent an equal proportionate interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares of beneficial interest shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive, of Section 53601.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

(b) As used in this section, "public agency" includes a nonprofit corporation whose membership is confined to public agencies or public officials, in addition to those agencies listed in Section 6500.

6510. The agreement may be continued for a definite term or until rescinded or terminated. The agreement may provide for the method by which it may be rescinded or terminated by any party.

6511. The agreement shall provide for the disposition, division, or distribution of any property acquired as the result of the joint exercise of powers.

6512. The agreement shall provide that after the completion of its purpose, any surplus money on hand shall be returned in proportion to the contributions made.

6512.1. If the purpose set forth in the agreement is the acquisition, construction or operation of a revenue-producing facility, the agreement may provide (a) for the repayment or return to the parties of all or any part of any contributions, payments or advances made by the parties pursuant to Section 6504 and (b) for payment to the parties of any sum or sums derived from the revenues of said facilities. Payments, repayments or returns pursuant to this section shall be made at the time and in the manner specified in the agreement and may be made at any time on or prior to the rescission or termination of the agreement or the completion of the purpose of the agreement.

6512.2. If the purpose set forth in the agreement is to pool the self-insurance claims of two or more local public entities, the agreement may provide that termination by any party to the agreement shall not be construed as a completion of the purpose of the agreement and shall not require the repayment or return to the parties of all or any part of any contributions, payments, or advances made by the parties until the agreement is rescinded or terminated as to all parties. If the purpose set forth in the agreement is to pool the self-insurance claims of two or more local public entities, it shall not be considered an agreement for the purposes of Section 895.2, provided that the agency responsible for carrying out the agreement is a member of the pool and the pool purchases insurance or reinsurance to cover the activities of that agency in carrying out the purposes of the agreement. The agreement may provide that after the completion of its purpose, any surplus

money remaining in the pool shall be returned in proportion to the contributions made and the claims or losses paid.

6513. All of the privileges and immunities from liability, exemptions from laws, ordinances and rules, all pension, relief, disability, workmen's compensation, and other benefits which apply to the activity of officers, agents or employees of any such public agency when performing their respective functions within the territorial limits of their respective public agencies, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties extraterritorially under the provisions of this article.

6514. Any state department or agency concerned with the provisions of services or facilities to mentally retarded persons and their families may enter into agreements under this chapter.

6514.5. Any public agency may enter into agreements with other state agencies pursuant to the provisions of Section 11256.

6515. In addition to other powers, any agency, commission or board provided for by a joint powers agreement entered into pursuant to Article 1 (commencing with Section 6500) of this chapter between an irrigation district and a city, if such entity has the power to acquire, construct, maintain or operate systems, plants, buildings, works and other facilities and property for the supplying of water for domestic, irrigation, sanitation, industrial, fire protection, recreation or any other public or private uses, may issue revenue bonds pursuant to the Revenue Bond Law of 1941 (commencing with Section 54300) to pay the cost and expenses of acquiring, constructing, improving and financing a project for any or all of such purposes.

Upon the entity adopting the resolution referred to in Article 3 (commencing with Section 54380) the irrigation district and the city shall implement the same by each conducting the election in its own territory. The proposition authorizing the bonds shall be deemed adopted if it receives the affirmative vote of a majority of all the voters voting on the proposition within the entity.

The provisions of this section shall be of no further force and effect after December 31, 1973, unless the entity is unable to accomplish the purpose of this section by reason of litigation, in which case this section shall continue to be effective until the final determination of such litigation and for one year thereafter.

6516. Public agencies conducting agricultural, livestock, industrial, cultural, or other types of fairs or exhibitions may enter into a joint powers agreement to form an insurance pooling arrangement for the payment of workers' compensation, unemployment compensation, tort liability, public liability, or other losses incurred by those agencies. An insurance and risk pooling arrangement

formed in accordance with a joint powers agreement pursuant to this section is not subject to Section 11007.7 of the **Government Code**. The Department of Food and Agriculture may enter into such a joint powers agreement for the California Exposition and State Fair, district agricultural associations, or citrus fruit fairs, and the department shall have authority to contract with the California Exposition and State Fair, district agricultural associations, or citrus fruit fairs with respect to such a joint powers agreement entered into on behalf of the California Exposition and State Fair, district agricultural association, or citrus fruit fair. Any county contracting with a nonprofit corporation to conduct a fair pursuant to Sections 25905 and 25906 of the **Government Code** may enter into such a joint powers agreement for a fair conducted by the nonprofit corporation, and shall have authority to contract with a nonprofit corporation with respect to such a joint powers agreement entered into on behalf of the fair of the nonprofit corporation.

Any county contracting with a nonprofit corporation to conduct a fair shall assume all workers' compensation and liability obligations accrued prior to the dissolution or nonrenewal of the nonprofit corporation's contract with the county.

Any public entity entering into a joint powers agreement under this section shall establish or maintain a reserve fund to be used to pay losses incurred under the agreement. The reserve fund shall contain sufficient moneys to maintain the fund on an actuarially sound basis.

6516.3. Notwithstanding any other provision of law, a joint powers agency established in Orange County pursuant to a joint powers agreement in accordance with this chapter may issue bonds pursuant to Article 2 (commencing with Section 6540) of this chapter or Article 4 (commencing with Section 6584) of this chapter, in order to purchase obligations of local agencies or make loans to local agencies, which moneys the local agencies are hereby authorized to borrow, to finance the local agencies' unfunded actuarial pension liability or to purchase, or to make loans to finance the purchase of, any obligations arising out of any delinquent assessments or taxes levied on the secured roll by the local agencies, the county, or any other political subdivision of the state. Notwithstanding any other provision of law, including Section 53854 or subdivision (d) of Section 4705 of the Revenue and Taxation **Code**, the joint powers agency bonds and the local agency obligations or loans, if any, shall be repaid in the time, manner and amounts, with interest, security, and other terms as agreed to by the county or the local agency and the joint powers authority.

6516.5. Notwithstanding any other provision of law, a joint powers agency provided for by a joint powers agreement pursuant to Article 1 (commencing with Section **6500**) of this chapter may create risk pooling arrangements for the payment of general liability losses incurred by participants and exhibitors in fair sponsored programs and special events users of fair facilities, provided that the aggregate payments made under each program shall not exceed the amount available in the pool established for that program.

6516.6. (a) Notwithstanding any other provision of law, a joint

powers agency established pursuant to a joint powers agreement in accordance with this chapter may issue bonds pursuant to Article 2 (commencing with Section 6540) or Article 4 (commencing with Section 6584), in order to purchase obligations of local agencies or make loans to local agencies, which moneys the local agencies are hereby authorized to borrow, to finance the local agencies' unfunded actuarial pension liability or to purchase, or to make loans to finance the purchase of, delinquent assessments or taxes levied on the secured roll by the local agencies, the county, or any other political subdivision of the state. Notwithstanding any other provision of law, including Section 53854, the local agency obligations or loans, if any, shall be repaid in the time, manner and amounts, with interest, security, and other terms as agreed to by the local agency and the joint powers authority.

(b) Notwithstanding any other provision of law, a joint powers authority established pursuant to a joint powers agreement in accordance with this chapter may issue bonds pursuant to Article 2 (commencing with Section 6540) or Article 4 (commencing with Section 6584), in order to purchase or acquire, by sale, assignment, pledge, or other transfer, any or all right, title, and interest of any local agency in and to the enforcement and collection of delinquent and uncollected property taxes, assessments, and other receivables that have been levied by or on behalf of the local agency and placed for collection on the secured, unsecured, or supplemental property tax rolls. Local agencies, including, cities, counties, cities and counties, school districts, redevelopment agencies, and all other special districts that are authorized by law to levy property taxes on the county tax rolls, are hereby authorized to sell, assign, pledge, or otherwise transfer to a joint powers authority any or all of their right, title, and interest in and to the enforcement and collection of delinquent and uncollected property taxes, assessments, and other receivables that have been levied by or on behalf of the local agency for collection on the secured, unsecured, or supplemental property tax rolls in accordance with the terms and conditions that may be set forth in an agreement with a joint powers authority.

(c) Notwithstanding Division 1 (commencing with Section 50) of the Revenue and Taxation **Code**, upon any transfer authorized in subdivision (b), the following shall apply:

(1) A local agency shall be entitled to timely payment of all delinquent taxes, assessments, and other receivables collected on its behalf on the secured, unsecured, and supplemental tax rolls, along with all penalties, interest, costs, and other charges thereon, no later than 30 calendar days after the close of the preceding monthly or four-week accounting period during which the delinquencies were paid by or on account of any property owner.

(2) Upon its receipt of the delinquent taxes, assessments, and receivables that it had agreed to be transferred, a local agency shall pay those amounts, along with all applicable penalties, interest, costs, and other charges, to the joint powers authority in accordance with the terms and conditions that may be agreed to by the local agency and the joint powers authority.

(3) The joint powers authority shall be entitled to assert all right, title, and interest of the local agency in the enforcement and collection of the delinquent taxes, assessments, and receivables, including without limitation, its lien priority, its right to receive the proceeds of delinquent taxes, assessments, and receivables, and its right to receive all penalties, interest, administrative costs, and any other charges, including attorney fees and costs, if otherwise authorized by law to be collected by the local agency.

(4) (A) For any school district that participates in a joint powers authority using financing authorized by this section and that does not participate in the alternative method of distribution of tax levies under Chapter 3 of Division 1 of Part 8 of the Revenue and Taxation **Code**, the amount of property tax receipts to be reported in a fiscal year for the district under subdivision (f) of Section 75.70 of the Revenue and Taxation **Code**, or any other similar law requiring reporting of school district property tax receipts, shall be equal to 100 percent of the school district's allocable share of the taxes distributed to it for the then fiscal year, plus 100 percent of the school district's share of any delinquent secured and supplemental property taxes assigned from that year and 100 percent of its share of any delinquent secured and supplemental property taxes from any prior years which the school district has assigned to a joint powers authority in that fiscal year, as such delinquent taxes are shown on the delinquent tax roll prescribed by Section 2627 of the Revenue and Taxation **Code**, on an abstract list if one is kept pursuant to Chapter 4 (commencing with Section 4372) of Part 7 of Division 1 of the Revenue and Taxation **Code**, or other records maintained by the county, plus all other delinquent taxes that the school district has not assigned to a joint powers authority which are collected and distributed to the school district as otherwise provided by law, less any reduction amount required by subparagraph (B). One hundred percent of the school district's allocable share of the delinquent taxes assigned for the current fiscal year, and 100 percent of the school district's allocable share of the delinquent taxes assigned for all years prior thereto, as shown on the delinquent roll, abstract list, or other records maintained by the county, whether or not those delinquent taxes are ever collected, shall be paid by the joint powers authority to the county auditor and shall be distributed to the school district by the county auditor in the same time and manner otherwise specified for the distribution of tax revenues generally to school districts pursuant to current law. Any additional amounts shall not be so reported and may be provided directly to a school district by a joint powers authority.

(B) When a joint powers authority finances delinquent taxes for a school district pursuant to this section, and continuing as long as adjustments are made to the delinquent taxes previously assigned to a joint powers authority, the school district's tax receipts to be reported as set forth in subparagraph (A) shall be reduced by the amount of any adjustments made to the school district's allocable share of taxes shown on the applicable delinquent tax roll, abstract list, if one is kept, or other records maintained by the county, occurring for any reason whatsoever other than redemption, which reduce the amount of the delinquent taxes assigned to the joint powers authority.

(C) A joint powers authority financing delinquent school district taxes and related penalties pursuant to this subdivision shall be solely responsible for, and shall pay directly to the county, all reasonable and identifiable administrative costs and expenses of the county which are incurred as a direct result of the compliance of the county tax collector or county auditor, or both, with any new or additional administrative procedures required for the county to comply with this subdivision. Where reasonably possible, the county shall provide a joint powers authority with an estimate of the amount of and basis for any additional administrative costs and expenses within a reasonable time after written request for an estimate.

(D) In no event shall the state be responsible or liable for a joint powers authority's failure to actually pay the amounts required by subparagraphs (A) and (B), nor shall a failure constitute a basis



for a claim against the state by a school district, county, or joint powers authority.

(E) The phrase "school district," as used in this section, includes all school districts of every kind or class, including, without limitation, community college districts and county superintendents of school.

(d) The powers conferred by this section upon joint powers authorities and local agencies shall be complete, additional, and cumulative to all other powers conferred upon them by law. Except as otherwise required by this section, the agreements authorized by this section need not comply with the requirements of any other laws applicable to the same subject matter.

(e) An action to determine the validity of any bonds issued, any joint powers agreements entered into, any related agreements, including, without limitation, any bond indenture or any agreements relating to the sale, assignment, or pledge entered into by a joint powers authority or a local agency, the priority of any lien transferred in accordance with this section, and the respective rights and obligations of any joint powers authority and any party with whom the joint powers authority may contract pursuant to this chapter, may be brought by the joint powers authority pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the **Code** of Civil Procedure. Any appeal from a judgment in the action shall be commenced within 30 days after entry of judgment.

(f) This section shall not be construed to affect the manner in which an agency participates in or withdraws from the alternative distribution method established by Chapter 3 (commencing with Section 4701) of Part 8 of Division 1 of the Revenue and Taxation **Code**.

(g) Notwithstanding any other law, on and after January 1, 2007, a joint powers authority shall not purchase or acquire, and an Educational Revenue Augmentation Fund shall not sell, assign, pledge, or otherwise transfer to a joint powers authority, the right, title, or interest of an Educational Revenue Augmentation Fund in the enforcement and collection of delinquent and uncollected property tax revenues, assessments, or other receivables placed for collection on the secured, unsecured, or supplemental rolls.

6516.7. One or more public agencies and one or more private entities that provide child care or operate child day care facilities, as defined in Section 1596.750 of the Health and Safety **Code**, may enter into a joint powers agreement to form an insurance pooling arrangement for the payment of unemployment compensation or tort liability losses incurred by these public and private entities.

A joint powers agency or entity formed pursuant to this section may not elect to finance unemployment insurance coverage under Article 5 (commencing with Section 801) of Chapter 3 of Part 1 of Division 1 of the Unemployment Insurance **Code** unless each member entity individually satisfies the requirements set forth in Section 801 or 802 of the Unemployment Insurance **Code**.

Either a public agency or private entity entering into a joint powers agreement under this section shall establish or maintain a reserve fund to be used to pay losses incurred under the agreement. The reserve fund shall contain sufficient moneys to maintain the fund on an actuarially sound basis.

6516.8. Any two or more harbor agencies may establish a joint

powers authority pursuant to Part 1 (commencing with Section 1690) of Division 6 of the Harbors and Navigation **Code**.

6516.9. Notwithstanding any other provision of law, a joint powers agency or entity provided for by a joint powers agreement pursuant to this article, the members of which may conduct agricultural, livestock, industrial, cultural, or other types of fairs and exhibitions, or educational programs and activities, may establish and administer risk pooling arrangements for the payment of liability losses, workers' compensation losses, and other types of losses incurred by members of the joint powers agency or entity and by nonprofit corporations conducting or benefiting agricultural, livestock, industrial, cultural, or other types of fairs and exhibitions, or educational programs and activities, and by members of the joint powers agency or entity and by nonprofit corporations or auxiliary organizations operating facilities, programs, or events at public schools, the California Community Colleges, the California State University, or the University of California. For purposes of this section, one or more public agencies and one or more nonprofit corporations or auxiliary organizations operating facilities, programs, or events at public schools, the California Community Colleges, the California State University, or the University of California may enter into a joint powers agreement. The joint powers agency or entity may provide the nonprofit corporations with any services or nonrisk pooling programs provided to the agency's or entity's members. Aggregate payments made under each risk pooling arrangement shall not exceed the amount available in the pool established for that arrangement. The joint powers agency or entity may establish and administer as many separate risk pooling arrangements as it deems desirable. A liability risk pooling arrangement established pursuant to this section also may provide for the payment of losses incurred by special events users, lessees, and licensees of facilities operated by nonprofit corporations, auxiliary organizations, public schools, the California Community Colleges, the California State University, or the University of California and for the payment of losses incurred by employees, participants and exhibitors in programs sponsored by those entities.

6517. (a) Notwithstanding any other provision of this chapter, the Department of General Services may enter into a joint powers agreement with any other public agency for the purpose of creating an agency or entity to finance the acquisition of land and the design and construction of state office buildings and parking facilities thereon. The joint powers agency or entity shall have the power to acquire land and construct office and parking facilities and to issue revenue bonds for these purposes.

(b) The department may lease state property to, and enter into a lease-purchase agreement with, the joint powers agency or entity on behalf of the State of California for terms not exceeding 50 years. The lease may contain any other terms and conditions which the Director of the Department of General Services determines to be in the best interests of the state.

(c) Any joint powers agreement and any agreement between the state and any joint powers agency or entity created pursuant to this section shall be submitted to the Legislature for approval through the budgetary process before execution.

(d) This section shall not apply to or in any way limit the powers of any authority authorized under Section 8169.4.

6517.5. (a) Notwithstanding any other provision of this chapter, the Community Redevelopment Agency of the City of Los Angeles may advance funds, not to exceed four million dollars (\$4,000,000), to the Department of General Services and the Los Angeles State Office Building Authority to complete plans and prepare bid specifications and related documents for a proposed state office building to be located in the City of Los Angeles between Spring Street, Main Street, Third Avenue, and Fourth Street, subject to the requirements of this section.

(b) The department or the authority shall make a determination on whether to proceed with construction of the state office building by June 30, 1987.

(c) If the department or the authority determines not to proceed with construction of the state office building, the department shall reimburse the agency by December 31, 1987, from the Special Fund for Capital Outlay, for any and all funds advanced by the agency to the department or to the authority for completing plans, preparing bid documents, and taking other actions, including the employment of legal counsel, relating to the design development phase, construction document phase, and bidding phase for the state office building.

(d) If the department or the authority determines to proceed with construction of the state office building, the agency shall be reimbursed for any and all funds advanced by the agency from the bond proceeds or from other financing available for construction of the state office building.

(e) The authority may acquire, own, construct, and operate parking facilities to serve the state office building, as the authority may deem to be in the best interests of the people of the State of California.

(f) The department and the agency may amend the authority agreement to provide for longer terms of office and to remove the restrictions on the number of terms for the members of the governing board of the authority, as the department and agency may deem appropriate.

(g) As used in this section, "funds advanced by the agency" means the principal amount of the agency's advance.

6517.6. (a) (1) Notwithstanding any provision of this chapter, the Department of General Services may enter into a joint powers agreement with any other public agency to finance the acquisition of real property authorized by Section 14015 and all costs incidental or related thereto. The joint powers agency or entity shall have the power to acquire office and parking facilities and to issue certificates of participation as determined by the Treasurer in accordance with Section 14015.

(2) Upon the request of the department, the Treasurer is hereby further authorized to serve as treasurer of the joint powers agency established pursuant to this section and to serve as trustee or fiscal agent for the certificates of participation.

(3) The department may lease property from, and enter into an agreement with, the joint powers agency or entity created pursuant to subdivision (a) to purchase real property and improvements thereon on behalf of the state for terms not exceeding 25 years.

(4) The department shall provide the Legislature with a 30-day notification of intent to advertise for proposals pursuant to this section. The department shall further provide the Legislature and the California Transportation Commission with notification of intent to acquire the real property 30 days prior to the acquisition.

(b) Following the acquisition and occupation of the real property being acquired, the Department of Transportation shall sell or cause to be sold the existing office building located at 150 Oak Street in the City and County of San Francisco. The proceeds of the sale shall be deposited in the State Highway Account in the State Transportation Fund to be used to reduce the amount to finance the acquired facility.

6518. (a) A joint powers agency, without being subject to any limitations of any party to the joint powers agreement pursuant to Section 6509, may also finance or refinance the acquisition or transfer of transit equipment or transfer federal income tax benefits with respect to any transit equipment by executing agreements, leases, purchase agreements, and equipment trust certificates in the forms customarily used by a private corporation engaged in the transit business to effect purchases of transit equipment, and dispose of the equipment trust certificates by negotiation or public sale upon terms and conditions authorized by the parties to the agreement. Payment for transit equipment, or rentals therefor, may be made in installments, and the deferred installments may be evidenced by equipment trust certificates payable from any source or sources of funds specified in the equipment trust certificates that are authorized by the parties to the agreement. Title to the transit equipment shall not vest in the joint powers agency until the equipment trust certificates are paid.

(b) An agency that finances or refinances transit equipment or transfers federal income tax benefits with respect to transit equipment under subdivision (a) may provide in the agreement to purchase or lease transit equipment any of the following:

(1) A direction that the vendor or lessor shall sell and assign or lease the transit equipment to a bank or trust company, duly authorized to transact business in the state as trustee, for the benefit and security of the equipment trust certificates.

(2) A direction that the trustee shall deliver the transit equipment to one or more designated officers of the entity.

(3) An authorization for the joint powers agency to execute and deliver simultaneously therewith an installment purchase agreement or a lease of equipment to the joint powers agency.

(c) An agency that finances or refinances transit equipment or transfers federal income tax benefits with respect to transit equipment under subdivision (a) shall do all of the following:

(1) Have each agreement or lease duly acknowledged before a person authorized by law to take acknowledgments of deeds and be acknowledged in the form required for acknowledgment of deeds.

(2) Have each agreement, lease, or equipment trust certificate authorized by resolution of the joint powers agency.

(3) Include in each agreement, lease, or equipment trust certificate any covenants, conditions, or provisions that may be deemed necessary or appropriate to ensure the payment of the equipment trust certificate from legally available sources of funds, as specified in the equipment trust certificates.

(4) Provide that the covenants, conditions, and provisions of an agreement, lease, or equipment trust certificate do not conflict with any of the provisions of any trust agreement securing the payment of

any bond, note, or certificate of the joint powers agency.

(5) File an executed copy of each agreement, lease, or equipment trust certificate in the office of the Secretary of State, and pay the fee, as set forth in paragraph (3) of subdivision (a) of Section 12195 of the **Government Code**, for each copy filed.

(d) The Secretary of State may charge a fee for the filing of an agreement, lease, or equipment trust certificate under this section. The agreement, lease, or equipment trust certificate shall be accepted for filing only if it expressly states thereon in an appropriate manner that it is filed under this section. The filing constitutes notice of the agreement, lease, or equipment trust certificate to any subsequent judgment creditor or any subsequent purchaser.

(e) Each vehicle purchased or leased under this section shall have the name of the owner or lessor plainly marked on both sides thereof followed by the appropriate words "Owner and Lessor" or "Owner and Vendor," as the case may be.

6519. Notwithstanding any other provision of law, the State of California does hereby pledge to, and agree with, the holders of bonds issued by any agency or entity created by a joint exercise of powers agreement by and among two or more cities, counties, or cities and counties, that the state will not change the composition of the issuing agency or entity unless such change in composition is authorized by a majority vote of the legislative body of each such city, county, or city and county, or by a majority vote of the qualified electors of each such city, county, or city and county.

"Change in composition," as used in this section, means the addition of any public agency or person to any agency or entity created by a joint exercise of powers agreement pursuant to this chapter, the deletion of any public agency from any such joint powers agency or entity, or the addition to, or deletion from, the governing body of any such joint powers agency, or entity of any public official of any member public agency or other public agency, or any other person.

6520. (a) Notwithstanding any other provision of law, the Board of Supervisors of San Diego County and the City Council of the City of San Diego may create by joint powers agreement, the San Diego Courthouse, Jail, and Related Facilities Development Agency, hereinafter referred to as "the agency," which shall have all the powers and duties of a redevelopment agency pursuant to Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety **Code** as well as all the powers of a joint powers agency pursuant to this chapter, with respect to the acquisition, construction, improvement, financing, and operation of a combined courthouse-criminal justice facility, including a parking garage, and other related improvements, hereinafter referred to as "the facility."

(b) The agency shall be governed by a board of directors composed of one city council member and one citizen designated by the San Diego City Council; one supervisor and one citizen designated by the San Diego County Board of Supervisors; two citizens appointed by the presiding judge of the superior court effective during his or her term of presidency; the Sheriff of San Diego County; the president or designee of the San Diego County Bar Association; and one citizen

designated by the District Attorney of San Diego County; all of whom shall serve at the pleasure of the appointing power and without further compensation.

(c) The City of San Diego and the County of San Diego shall each have the power of nonconcurrency over any action taken by the board of directors, provided that a motion for reconsideration is made by a member of the board of directors immediately following the vote of the board of directors approving such action, and further provided that the city council or the board of supervisors votes to nullify such action, by a majority vote of its membership, within 30 days.

(d) The county may transfer to the agency county funds in either a Courthouse Temporary Construction Fund or a County Criminal Justice Facility Temporary Construction Fund, or both, to be expended for purposes of the facility.

(e) In addition to those funds, (1) the agency's governing body may allot up to 15 percent of the fines and forfeitures received by the City of San Diego pursuant to Section 1463 of the Penal **Code** from the service area of the downtown courts, as defined by the agency, for expenditure by the agency for the purposes specified in subdivision (a); (2) the City of San Diego and the County of San Diego may allot to the agency any state or federal funds received for purposes of the facility; and (3) the agency may expend any rent, parking fees, or taxes received on leasehold interests in the facility, for the purposes specified in subdivision (a).

6520.1. Notwithstanding any other provision of this **code**, the Board of Supervisors of Siskiyou County and the city councils of the cities within Siskiyou County may create, by joint powers agreement, the Collier Interpretive and Information Center Agency to construct, improve, finance, lease, maintain, and operate the Randolph E. Collier Safety Roadside Rest Area as an information and safety rest facility and to expand the use of the site into a cultural, tourist, river fisheries, water, natural resource, and aquatic habitat interpretive center.

6522. Notwithstanding any other provision of this chapter, any state department or agency entering into a joint powers agreement with a federal, county, or city **government** or agency or public district in order to create a joint powers agency, shall ensure that the participation goals specified in Section 16850 and Section 10115 of the Public Contract **Code** and in Article 6 (commencing with Section 999) of Chapter 6 of Division 4 of the Military and Veterans **Code** become a part of the agreement, and shall apply to contracts executed by the joint powers agency.

6523. (a) The West Sacramento Area Flood Control Agency, a joint powers entity that is created pursuant to an agreement entered into, in accordance with this article, by the City of West Sacramento, Reclamation District No. 537, and Reclamation District No. 900 is granted the authority to accomplish the purposes and projects necessary to achieve and maintain at least a 200-year level of flood protection, and may exercise the authority granted to reclamation districts under Part 7 (commencing with Section 51200) and Part 8 (commencing with Section 52100) of Division 15 of the Water **Code** for the purposes of Sections 12670.2, 12670.3, and 12670.4 of the Water

**Code.**

(b) Prior to January 1, 2009, the agency may create indebtedness and thereafter continue to levy special assessments to repay that indebtedness for the purposes described in subdivision (a), pursuant to any of the following provisions:

(1) The Improvement Act of 1911 (Division 7 (commencing with Section 5000) of the Streets and Highways **Code**).

(2) The Municipal Improvement Act of 1913 (Division 12 (commencing with Section 1000) of the Streets and Highways **Code**).

6523.4. (a) Notwithstanding any other provision of this chapter, the Selma Community Hospital, a private, nonprofit hospital in Fresno County, may enter into a joint powers agreement with one or more of the following public agencies:

(1) The Alta Hospital District.

(2) The Kingsburg Hospital District.

(3) The Sierra-Kings Hospital District.

(b) The joint powers authority created pursuant to subdivision (a) may perform only the following functions:

(1) Engage in joint planning for health care services.

(2) Allocate health care services among the different facilities operated by the hospitals.

(3) Engage in joint purchasing, joint development, and joint ownership of health care delivery and financing programs.

(4) Consolidate or eliminate duplicative administrative, clinical, and medical services.

(5) Engage in joint contracting and negotiations with health plans.

(6) Take cooperative actions in order to provide for the health care needs of the residents of the communities they serve.

(c) Nonprofit hospitals and public agencies participating in a joint powers agreement entered into pursuant to subdivision (a) shall not reduce or eliminate any emergency services, as a result of that agreement, following the creation of the joint powers authority without a public hearing by the authority. The joint powers authority shall provide public notice of the hearing to the communities served by the authority not less than 14 days prior to the hearing and the notice shall contain a description of the proposed reductions or changes.

(d) Nothing in this section shall be construed to grant any power to any nonprofit hospital that participates in an agreement authorized under this section to levy any tax or assessment. Nothing in this section shall permit any entity, other than a nonprofit hospital corporation or a public agency, to participate as a party to an agreement authorized under this section.

(e) Nothing in this section shall authorize activities that corporations and other artificial legal entities are prohibited from conducting by Section 2400 of the Business and Professions **Code**.

6523.5. Notwithstanding any other provision of this chapter, a private, nonprofit hospital in the County of Contra Costa may enter into a joint powers agreement with a public agency, as defined in Section **6500**.

6523.6. (a) Notwithstanding any other provision of this chapter, a

private, nonprofit hospital in the County of Tulare may enter into a joint powers agreement with a public agency, as defined in Section **6500**.

(b) Nonprofit hospitals and public agencies participating in a joint powers agreement entered into pursuant to subdivision (a) shall not reduce or eliminate any emergency services, as a result of that agreement, following the creation of the joint powers authority without a public hearing by the authority. The joint powers authority shall provide public notice of the hearing to the communities served by the authority not less than 14 days prior to the hearing and the notice shall contain a description of the proposed reductions or changes.

(c) Nothing in this section shall be construed to grant any power to any nonprofit hospital that participates in an agreement authorized under this section to levy any tax or assessment. Nothing in this section shall permit any entity, other than a nonprofit hospital corporation or a public agency, to participate as a party to an agreement authorized under this section.

6523.7. (a) Notwithstanding any other provision of this chapter, a private, nonprofit hospital in the County of Kings may enter into a joint powers agreement with a public agency, as defined in Section **6500**.

(b) Nonprofit hospitals and public agencies participating in a joint powers agreement entered into pursuant to subdivision (a) shall not reduce or eliminate any emergency services, as a result of that agreement, following the creation of the joint powers authority without a public hearing by the authority. The joint powers authority shall provide public notice of the hearing to the communities served by the authority not less than 14 days prior to the hearing and the notice shall contain a description of the proposed reductions or changes.

(c) Nothing in this section shall be construed to grant any power to any nonprofit hospital that participates in an agreement authorized under this section to levy any tax or assessment. Nothing in this section shall permit any entity, other than a nonprofit hospital corporation or a public agency, to participate as a party to an agreement authorized under this section.

6523.8. (a) Notwithstanding any other provision of this chapter, a nonprofit hospital in the County of Tuolumne may enter into a joint powers agreement with a public agency, as defined in Section **6500**.

(b) Nonprofit hospitals and public agencies participating in a joint powers agreement entered into pursuant to subdivision (a) shall not reduce or eliminate any emergency services, as a result of that agreement, following the creation of the joint powers authority without a public hearing by the authority.

(c) The joint powers authority shall provide public notice of the hearing to the communities served by the authority not less than 14 days prior to the hearing and the notice shall contain a description of the proposed reductions or changes.

(d) Nothing in this section shall be construed to grant any power to any nonprofit hospital that participates in an agreement authorized under this section to levy any tax or assessment. Nothing in this section shall permit any entity, other than a nonprofit hospital corporation or a public agency, to participate as a party to



an agreement authorized under this section.

6523.9. (a) Notwithstanding any other provision of this chapter, a nonprofit hospital in the County of San Diego may enter into a joint powers agreement with any public agency, as defined in Section 6500.

(b) Nonprofit hospitals and public agencies participating in a joint powers agreement entered into pursuant to subdivision (a) shall not reduce or eliminate any emergency services, as a result of that agreement, following the creation of the joint powers authority without a public hearing by the authority.

(c) The joint powers authority shall provide public notice of the hearing to the communities served by the authority not less than 14 days prior to the hearing and the notice shall contain a description of the proposed reductions or changes.

(d) Nothing in this section shall be construed to grant any power to any nonprofit hospital that participates in an agreement authorized under this section to levy any tax or assessment. Nothing in this section shall permit any entity, other than a nonprofit hospital corporation or a public agency, to participate as a party to an agreement authorized under this section.

6524. Notwithstanding any other provision of this chapter, a private, nonprofit children's hospital in a county of the third class may enter into a joint powers agreement with any public agency, as defined in Section 6500.

6525. Notwithstanding any other provision of this chapter, a mutual water company may enter into a joint powers agreement with any public agency for the purpose of jointly exercising any power common to the contracting parties.

6526. Notwithstanding any other provision of law, any public agency that is a member of the South East Regional Reclamation Authority, the Aliso Water Management Agency, the South Orange County Reclamation Authority, or the San Juan Basin Authority may exercise any power granted to those entities by any of the joint powers agreements creating those entities, whether or not that public agency is a signatory to any of these joint powers agreements granting that power or is otherwise authorized by law to exercise that power, for the purpose of promoting efficiency in the administration of these joint powers entities.

6527. (a) Notwithstanding any other provision of law, where two or more health care districts have joined together to pool their self-insurance claims or losses, a nonprofit corporation that provides health care services that may be carried out by a health care district may participate in the pool, provided that its participation in an existing joint powers agreement, as authorized by this section, shall be permitted only after the public agency members, or public agency representatives on the governing body of the joint powers entity make a finding, at a public meeting, that the agreement provides both of the following:

(1) The primary activities conducted under the joint powers

agreement will be substantially related to and in furtherance of the governmental purposes of the public agency.

(2) The public agency participants will maintain control over the activities conducted under the joint powers agreement through public agency control over governance, management, or ownership of the joint powers authority.

(b) Any public agency or private entity entering into a joint powers agreement under this section shall establish or maintain a reserve fund to be used to pay losses incurred under the agreement. The reserve fund shall contain sufficient moneys to maintain the fund on an actuarially sound basis.

(c) In any risk pooling arrangement created under this section, the aggregate payments made under each program shall not exceed the amount available in the pool established for that program.

(d) A public meeting shall be held prior to the dissolution or termination of any enterprise operating under this section to consider the disposition, division, or distribution of any property acquired as a result of exercise of the joint exercise of powers.

(e) Nothing in this section shall be construed to do any of the following:

(1) Relieve a public benefit corporation that is a health facility from charitable trust obligations.

(2) Exempt such a public benefit corporation from existing law governing joint ventures, or the sale, transfer, lease, exchange, option, conveyance, or other disposition of assets.

(3) Grant any power to any private, nonprofit hospital that participates in an agreement authorized under this section to levy any tax or assessment.

(4) Permit any entity, other than a private, nonprofit hospital corporation or a public agency, to participate as a party to an agreement authorized under this section.

(5) Permit an agency or entity created pursuant to a joint powers agreement entered into pursuant to this section to act in a manner inconsistent with the laws that apply to public agencies, including, but not limited to, the California Public Records Act (Chapter 3.5 (commencing with Section 6250)), the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5), and the Political Reform Act of 1974 (Title 9 (commencing with Section 81000)).

(f) Notwithstanding any other provision of law, the Self-Insurers' Security Fund established pursuant to Article 2.5 (commencing with Section 3740) of Chapter 4 of Part 1 of Division 4 of the Labor **Code** shall owe no duties or obligations to any entity that participates as a party to an agreement authorized pursuant to this section, or to its employees, and shall not be required, under any circumstances, to assume the worker's compensation liabilities of this entity if it becomes insolvent or otherwise unable to pay those liabilities.

(g) For purposes of this section, "self-insurance claims or losses" includes, but is not limited to, claims or losses incurred pursuant to Chapter 4 (commencing with Section 3700) of Part 1 of Division 4 of the Labor **Code**.

6528. A charter school, including a charter school organized pursuant to Section 47604 of the Education **Code**, may be considered a public agency, as defined in Section **6500**, for the purpose of being eligible for membership in a joint powers agreement for risk-pooling.

6529. (a) (1) The Elk Valley Rancheria Tribal Council, as the governing body of the Elk Valley Rancheria, California, a federally recognized Indian tribe, may enter into a joint powers agreement with the County of Del Norte and the City of Crescent City, or both, and shall be deemed to be a public agency for purposes of this chapter.

(2) The Smith River Rancheria Tribal Council, as the governing body of the Smith River Rancheria, California, a federally recognized Indian tribe, may enter into a joint powers agreement to participate in the Border Coast Regional Airport Authority, and may also enter into a joint powers agreement with the County of Del Norte and the City of Crescent City, or both, to assist, facilitate, develop, or enhance sewer, stormwater, drinking water, or transportation services, and, for those purposes, shall be deemed to be a public agency for purposes of this chapter.

(b) On and after January 1, 2004, the joint powers authorities created pursuant to subdivision (a) shall not have the power to authorize or issue bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7) unless the public improvements to be funded by the bonds will be owned and maintained by the authorities or one or more of its public agency members, and the revenue streams pledged to repay the bonds derive from the authorities or one or more of its public agency members.

6529.5. (a) Any joint powers authority that includes a federally recognized Indian tribe shall not have the authority to authorize or issue bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584)) unless the public improvements to be funded by the bonds will be owned and maintained by the authority or one or more of its public agency members, and the revenue streams pledged to repay the bonds derive from the authority, one or more of its public agency members, or any governmental or public fund or account the proceeds of which may be used for that purpose.

(b) As used in this section, "governmental or public fund or account" includes, but is not limited to, any fund or account that is funded by moneys or revenue streams derived from, held by, belonging to, due to, or otherwise held for the benefit of, one or more public agency members, but shall not include any fund or account that is funded by any grants distributed pursuant to Chapter 7.5 (commencing with Section 12710) of Part 2 of Division 3 of Title 2.

6531. (a) The Legislature finds and declares all of the following:

(1) It is in the best interests of communities located within the City of San Diego for the local public agencies that have jurisdiction within the city to form a joint powers agency to provide for the orderly and coordinated acquisition, construction, and development of model school projects. These projects may include the acquisition of land by negotiation or eminent domain, the construction of schools, the construction of recreational facilities or park sites or both, and the construction of replacement and other housing, including market rate, moderate-income, and low-income housing.

(2) The coordinated construction of these projects by redevelopment agencies, school districts, housing authorities,

housing commissions, and the city is of great public benefit and will save public money and time in supplying much needed replacement housing lost when schools are constructed within existing communities.

(3) Legislation is needed to allow redevelopment agencies, school districts, housing authorities, housing commissions, and the city to use their powers to the greatest extent possible to expedite, coordinate, and streamline the construction and eventual operation of such projects.

(b) (1) Notwithstanding any other provision of law, the Redevelopment Agency of the City of San Diego, the Housing Authority of the City of San Diego, the San Diego Housing Commission, the San Diego Unified School District, and the City of San Diego may enter into a joint powers agreement to create and operate a joint powers agency for the development and construction of a model school project located within the City Heights Project Area. The agency created pursuant to this section shall be known as the San Diego Model School Development Agency. The San Diego Model School Development Agency shall have all the powers of a redevelopment agency pursuant to Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety **Code**, all of the powers of a housing authority pursuant to Part 2 (commencing with Section 34200) of Division 24 of the Health and Safety **Code**, and all of the powers of the San Diego Unified School District, as well as all the powers of a joint powers agency granted pursuant to this chapter, to acquire property and to construct and improve and finance one or more schools, housing projects, parks, recreational facilities, and any other facilities reasonably necessary for their proper operation. Further, the San Diego Model School Development Agency shall have all of the powers of the City of San Diego pursuant to its charter and state law to acquire property and to finance and operate parks and recreational facilities and any other facilities reasonably necessary for their proper operation.

(2) Notwithstanding paragraph (1), neither the San Diego Model School Development Agency nor the Redevelopment Agency of the City of San Diego shall expend any property tax increment revenues to acquire property, and to construct, improve, and finance a school within the City Heights Project Area.

(3) Nothing in this section shall relieve the San Diego Model School Development Agency or the Redevelopment Agency of the City of San Diego from its obligations to increase, improve, and preserve the community's supply of low- and moderate-income housing, including, but not limited to, the obligation to provide relocation assistance, the obligation to provide replacement housing, the obligation to meet housing production quotas, and the obligation to set aside property tax increment funds for those purposes.

(4) The San Diego Model School Development Agency shall perform any construction activities in accordance with the applicable provisions of the Public Contract **Code**, the Education **Code**, and the Labor **Code** that apply, respectively, to the redevelopment agency, housing authority, housing commission, school district, or city creating the San Diego Model School Development Agency. Funding pursuant to Proposition MM, a local San Diego County bond measure enacted by the voters for the purpose of school construction, shall be used only for the design, development, construction, and financing of school-related facilities and improvements, including schools, as authorized and to the extent authorized under Proposition MM.

(c) Any member of the joint powers agency, including the school district, may, to the extent permitted by law, transfer and contribute funds to the agency, including bond funds, to be deposited

into and to be held in a facility fund to be expended for purposes of the acquisition of property for, and the development and construction of, any school, housing project, or other facility described in this section.

(d) Nothing contained in this section shall preclude the joint powers agency from distributing funds, upon completion of construction, the school, housing project, park, recreational facility, or other facility to a member of the agency to operate the school, housing project, park, or other facility that the member is otherwise authorized to operate. These distribution provisions shall be set forth in the joint powers agreement, if applicable.

(e) The San Diego Model School Development Agency may construct a school in the City Heights Project Area pursuant to Chapter 2.5 (commencing with Section 17250.10) of Part 10.5 of the Education **Code**.

(f) (1) For contracts for public works projects awarded prior to the effective date of the regulations adopted by the Department of Industrial Relations pursuant to subdivision (g) of Section 1771.5 of the Labor **Code**, the San Diego Model School Development Agency shall establish and enforce, with respect to construction contracts awarded by the joint powers agency, a labor compliance program containing the requirements outlined in Section 1771.5 of the Labor **Code** or shall contract with a third party to operate a labor compliance program containing those requirements. This requirement shall not apply to projects where the agency has entered into a collective bargaining agreement that binds all of the contractors and subcontractors performing work on the project, but nothing shall prevent the joint powers agency from operating a labor compliance program with respect to those projects.

(2) For contracts for public works projects awarded on or after the effective date of the regulations adopted by the Department of Industrial Relations pursuant to subdivision (g) of Section 1771.5 of the Labor **Code**, the agency shall reimburse the department for its reasonable and directly related costs of performing prevailing wage monitoring and enforcement on public works projects pursuant to rates established by the department as set forth in subdivision (h) of Section 1771.5 of the Labor **Code**. All moneys collected pursuant to this subdivision shall be deposited in the State Public Works Enforcement Fund created by Section 1771.3 of the Labor **Code**, and shall be used only for enforcement of prevailing wage requirements on those projects.

(3) In lieu of reimbursing the Department of Industrial Relations for its reasonable and directly related costs of performing monitoring and enforcement on public works projects, the San Diego Model School Development Agency may elect to continue operating an existing previously approved labor compliance program to monitor and enforce prevailing wage requirements on the project if it has either not contracted with a third party to conduct its labor compliance program and requests and receives approval from the department to continue its existing program or it enters into a collective bargaining agreement that binds all of the contractors performing work on the project and that includes a mechanism for resolving disputes about the payment of wages.

(g) Construction workers employed as apprentices by contractors and subcontractors on contracts awarded by the San Diego Model School Development Agency shall be enrolled in a registered apprenticeship program, approved by the California Apprenticeship Council, that has graduated apprentices in the same craft in each of the preceding five years. This graduation requirement shall be applicable for any craft that was first deemed by the Department of Labor and the Department

of Industrial Relations to be an apprenticeable craft prior to January 1, 1998. A contractor or subcontractor need not submit contract award information to an apprenticeship program that does not meet the graduation requirements of this subdivision. If no apprenticeship program meets the graduation requirements of this subdivision for a particular craft, the graduation requirements shall not apply for that craft.

6532. (a) The Legislature finds and declares that it is in the best interest of the communities located in and around the City of Santa Clara that a joint powers agency that includes the City of Santa Clara and the Redevelopment Agency of the City of Santa Clara formed to construct, operate, and maintain a stadium for use by a professional football team be authorized to let a sole source contract for the stadium construction project to a qualified design-build contractor. This authorization may enable that joint powers agency to contain costs, improve efficiency, and benefit from specialized expertise. Nothing in this section shall be construed to affect any contract relating to the development of the stadium between the joint powers agency and any private party other than a design-build contract awarded pursuant to this section.

(b) (1) Consistent with existing law, the City of Santa Clara and the Redevelopment Agency of the City of Santa Clara may enter into a joint powers agreement to create and operate a joint powers agency for the construction, operation, and maintenance of a stadium and related facilities located within the North Bayshore Redevelopment Project Area that are suitable for use by a professional football team. The joint powers agency created pursuant to this section shall be known as the Santa Clara Stadium Authority. In addition to, and without limitation on, any powers common to the City of Santa Clara and the Redevelopment Agency of the City of Santa Clara, the Santa Clara Stadium Authority shall have the power to acquire, finance, construct, manage, maintain, and operate a stadium and related facilities suitable for use by a professional football team.

(2) Notwithstanding paragraph (1), the Santa Clara Stadium Authority and the Redevelopment Agency of the City of Santa Clara shall not expend any property tax increment revenues allocated to the redevelopment agency pursuant to Section 33670 of the Health and Safety **Code** to operate or maintain a stadium within the North Bayshore Redevelopment Project Area.

(c) (1) Notwithstanding any other provision of law, and subject to subdivision (d), the Santa Clara Stadium Authority may award a design-build contract to a qualified design-build contractor to construct the stadium without utilizing an otherwise applicable competitive bid process, provided that all of the following have occurred:

(A) A ballot measure endorsing the development of a stadium suitable for use by a professional football team is approved by voters in the City of Santa Clara in a citywide election.

(B) The governing body of the Santa Clara Stadium Authority determines that the cost of the contract is reasonable.

(C) The governing body of the Santa Clara Stadium Authority determines that the award of the contract is in its best interest.

(2) The contract awarded to the qualified design-build contractor pursuant to paragraph (1) shall not be funded, either through direct payment or reimbursement, using funds contributed by the Redevelopment Agency of the City of Santa Clara or by a community facilities district established under the Mello-Roos Community

Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5), except that these funds may be used to pay for or reimburse for subcontract work pursuant to subcontracts awarded by the design-build contractor to the lowest responsible bidder as provided in subdivision (e).

(d) The Santa Clara Stadium Authority shall not award a design-build contract pursuant to subdivision (c) unless all of the following conditions are met:

(1) The design-build contract does not require expenditure of money from the general fund or enterprise funds of the City of Santa Clara.

(2) The obligation of the Redevelopment Agency of the City of Santa Clara to contribute funding is limited to a specified maximum amount, exclusive of debt service and other related financing costs, and these funds are used only to pay for or reimburse for subcontract work pursuant to subcontracts awarded by the design-build contractor to the lowest responsible bidder as provided in subdivision (e). Nothing in this subdivision modifies the requirements and limitations set forth in the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety **Code**) with respect to the financial obligations of the Redevelopment Agency of the City of Santa Clara to the joint powers agency.

(3) A private party will be responsible for any construction cost overruns.

(e) If the Santa Clara Stadium Authority awards a design-build contract pursuant to this section, it shall establish a competitive bid process for awarding subcontracts, and it shall require the design-build contractor to award subcontracts using this process. This competitive bid process shall provide that subcontracts be awarded using either the lowest responsible bidder or by best value, as defined in Section 20133 of the Public Contract **Code**. Subcontracts awarded on the basis of best value shall not be funded, either through direct payment or reimbursement, using funds contributed by the Redevelopment Agency of the City of Santa Clara or by a community facilities district established under the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5). Funds contributed by the Redevelopment Agency of the City of Santa Clara or a community facilities district may be used only to fund subcontracts awarded to the lowest responsible bidder in a manner consistent with the process applicable to the City of Santa Clara under its charter.

(f) Notwithstanding Section 3248 of the Civil **Code**, for design-build contracts awarded pursuant to this section, the Santa Clara Stadium Authority may specify that the payment bond shall be in a sum not less than one-half of the contract price or three hundred million dollars (\$300,000,000), whichever is less.

(g) If the Santa Clara Stadium Authority elects to proceed under this section and uses the design-build method to construct a stadium suitable for use by a professional football team, it shall submit to the Legislative Analyst's Office, within six months following the completion of construction of the stadium, a report regarding the project that shall include, but shall not be limited to, all of the following information:

(1) A brief description of the project.

(2) The gross square footage of the project.

(3) The design-build entity that was awarded the project.

(4) Where appropriate, the estimated and actual length of time to complete the project.

(5) The estimated and actual project costs.

(6) A description of any written protests concerning any aspect of

the solicitation, bid, proposal, or award of the design-build project, including the resolution of the protests.

(7) An assessment of the prequalification process and criteria.

(8) A description of the method used to award the contract. If best value, as defined in Section 20133 of the Public Contract **Code**, was the method, the report shall describe the factors used to evaluate the bid, including the weighting of each factor and an assessment of the effectiveness of the methodology.

(h) It is not the intent of the Legislature, under the provisions of this section, to authorize design-build for other infrastructure, including, but not limited to, streets and highways, public rail transit, or water resource facilities and infrastructure not located on the stadium site or adjacent city streets and property.

(i) If the construction and operation or maintenance of a stadium as contemplated by this section is deemed by the Department of Transportation under otherwise applicable law to require improvements on the state highway system, all of the following provisions shall apply:

(1) Notwithstanding any other provision of this section, for any project on the state highway system deemed necessary by the department due to the construction, operation, or maintenance of the stadium as contemplated by this section, the department is the responsible agency for the performance of project development services, including performance specifications, preliminary engineering, prebid services, the preparation of project reports and environmental documents, project design, and construction inspection services. The department is also the responsible agency for the preparation of documents that may include, but need not be limited to, the size, type, and desired design character of the project, performance specifications covering quality of materials, equipment, and workmanship, preliminary and final plans and specifications, and any other information deemed necessary to design and construct a project that meets the needs of the department.

(2) The department may use department employees or consultants to perform these services, consistent with Article XXII of the California Constitution. Department resources, including personnel requirements necessary for the performance of those services, shall be included in the department's capital outlay support program for workload purposes in the annual Budget Act.

(j) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application. Except as provided in this section, nothing in this section shall be construed to affect the application of any other law.

6533. (a) The board of directors of the Eastern Water Alliance Joint Powers Agency may grant available funds to a member public agency for the purposes of assisting that member public agency in acquiring water if the board determines that that water supply will benefit the Eastern San Joaquin County Groundwater Basin as a whole and that that member public agency would otherwise be unable to acquire that water. Section 10753.1 of the Water **Code** applies to any groundwater regulation under this section. As used in this section, the term "groundwater" has the same definition as set forth in subdivision (a) of Section 10752 of the Water **Code**.

(b) (1) For the purpose of supplementing the general operating revenues of the joint powers agency, upon the request of the board of



directors of the joint powers agency, the Board of Supervisors of San Joaquin County may grant to the joint powers agency funds from the county general fund or Zone 2 of the San Joaquin County Flood Control and Water Conservation District that are available to carry out any purpose of the joint powers agency for which the county or district is authorized to expend funds.

(2) Nothing in paragraph (1) grants a preference to the joint powers agency over other public agencies for the purposes of receiving funds described in that paragraph.

(c) The joint powers agency shall deposit any county or district funds received pursuant to subdivision (b) in a separate account, and upon request of the county or district, shall demonstrate that all expenditures made from that account are being used only to carry out the powers, projects, and purposes of the joint powers agency and San Joaquin County or Zone 2 of the San Joaquin County Flood Control and Water Conservation District.

(d) Subject to Article XIII D of the California Constitution, the joint powers agency may impose a plan implementation charge, in accordance with this subdivision, on landowners within its boundaries for the property related service received from improved groundwater management and planning, and for improved groundwater levels and availability, provided by the joint powers agency. This plan implementation charge shall be a charge for water subject to the procedures and requirements set forth in subdivisions (a) and (b) of Section 6 of Article XIII D of the California Constitution, as follows:

(1) Each year the board of directors of the joint powers agency may fix a plan implementation charge that may not exceed the annual cost of carrying out the actions financed by the charge. The board of directors may use multiyear budgeting to determine the plan implementation charge for up to five years and adopt a schedule of charges for this time period.

(2) Before imposing the plan implementation charge, the board of directors of the joint powers agency shall identify the parcels of land within the joint powers agency to be benefited by the actions financed by the charge, the need for the plan implementation charge, and the amount of the charge to be imposed on each parcel. The amount of the charge upon any parcel may not exceed the proportional costs of the actions financed by the charge attributable to that parcel. The joint powers agency shall provide written notice of the plan implementation charge and conduct a public hearing as provided in subdivision (a) of Section 6 of Article XIII D of the California Constitution. The joint powers agency may not impose the plan implementation charge if written protests against the charge are presented by a majority of the owners of the identified parcels upon which the charge will be imposed.

(3) (A) The plan implementation charge, at the option of the joint powers agency, may be collected on the tax rolls of the county in the same manner, by the same persons, and at the same time as, together with and not separate from, county ad valorem property taxes. In that event, of the amount collected pursuant to this paragraph, the county auditor may deduct that amount required to reimburse the county for its actual cost of collection.

(B) In lieu of that option, the joint powers agency shall collect plan implementation charges at the same time, together with penalties and interest at the same rates as is prescribed for the collection of county ad valorem property taxes.

(4) The amount of an unpaid plan implementation charge, together with any penalty and interest thereon, shall constitute a lien on that land as of the same time and in the same manner as does the tax

lien securing county ad valorem property taxes.

(5) In lieu of a plan implementation charge being imposed on parcels within the boundaries of any individual member public agency of the joint powers agency, any member of the joint powers agency may determine by resolution to make payment to the joint powers agency of funds in an amount equal to the amount that would be raised by imposition of the plan implementation charge within the boundaries of that member, to be paid at the same time that the plan implementation charge would be collected if imposed.

(e) For the purposes of this section, "joint powers agency" means the Eastern Water Alliance Joint Powers Agency.

(f) For the purposes of this section, "Eastern San Joaquin County Groundwater Basin" means the Eastern San Joaquin County Basin described on pages 38 and 39 of the Department of Water Resources' Bulletin No. 118-80.

6534. (a) This section shall be known, and may be cited, as the California Prison Inmate Health Service Reform Act.

(b) The Department of Corrections may enter into joint powers agreements under this chapter with one or more health care districts established in accordance with Division 23 (commencing with Section 32000) of the Health and Safety **Code**, in order to establish regional inmate health service joint powers agencies.

(c) Inmate health service joint powers authorities may be utilized for any purpose related to the provision, acquisition, or coordination of inmate health care services, including, but not limited to, all of the following:

(1) The provision of district hospital-based surgical, diagnostic, emergency, trauma, acute care, skilled nursing, long-term, and inpatient psychiatric care.

(2) Health care utilization review services.

(3) Health facility management consultation services.

(4) Health care contract design, negotiation, management, and related consultation services.

(5) Health care quality monitoring, management, and oversight consulting services.

(6) Physician and health care staff recruitment services.

(7) The design, construction, and operation of dedicated, secure, community-based health care facilities for the provision of inmate health care services.

6535. Any entity that is established pursuant to a joint powers agreement authorized under this article that is also licensed under Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety **Code**, where one of the parties to the joint powers agreement is an entity established pursuant to Section 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, or 14087.9605 of the Welfare and Institutions **Code**, shall be subject to all of the same provisions, including, but not limited to, governance, public records requirements, open meeting requirements, and conflicts of interest as is the entity established pursuant to Section 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, or 14087.9605 of the Welfare and Institutions **Code**, as applicable, that is a party to the joint powers agreement.

6536. Notwithstanding any other provision of this chapter, a private, nonprofit corporation that conducts fairs and other events and exhibitions on land leased from the County of Los Angeles may enter into a joint powers agreement with a public agency, as defined in Section 6500, for mutually beneficial uses of the public land. The agency formed pursuant to this joint powers agreement shall be deemed a public entity as described in Section 6507.

CROSS REFERENCE

A copy of the Escrow Deposit Agreement, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as Escrow Agent, is included in this transcript as Document No. A-6.

Northern California Power Agency Member Service Agreement

[See attached.]

11-19-80 #1663A

## NORTHERN CALIFORNIA POWER AGENCY

MEMBER SERVICE AGREEMENT

This Member service Agreement, hereinafter referred to as the "Agreement", is made and entered into effective 2/12/81, ~~1980~~, by and between the Northern California Power Agency, hereinafter referred to as "NCPA", and the signing Cities, not fewer than eight, of the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara and Ukiah, and Plumas-Sierra Rural Electric Cooperative, hereinafter individually or collectively referred to as "Members" unless the context requires otherwise.

WHEREAS, NCPA has heretofore been duly established as a public agency pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California and, among other things, is authorized to acquire, construct, finance, and operate buildings, works, facilities and improvements for the generation and transmission of electric power and energy for resale to public and private users; and

WHEREAS, each of the Members owns a system for the distribution of electric power and energy for public and

private use and is authorized to obtain electric power and energy for its present or future requirements, through contracts with NCPA or otherwise; and

WHEREAS, NCPA has established and may establish projects for the supply of electric power and energy and may provide other services relating thereto to some or all of the Members from time to time upon their request, and the Parties desire to formalize their relationships to provide the framework and certain terms of future agreements to be entered into between them, to avoid misunderstanding, and to facilitate the activities of NCPA;

NOW, THEREFORE, in consideration of the covenants of each of the Parties hereto, it is hereby agreed as follows:

## ARTICLE I

### DEFINITIONS

1.00. The following terms, when used in this Agreement with the first letter capitalized, whether in the singular or the plural, shall have the following meanings:

1.01. "Delivery Point" for purposes of Sections 9.01 and 9.02 is the point or points where electric power and energy enters the electric distribution system of each of the Members.

1.02. "Development Fund Projects" mean projects under the "NCPA Member Agreement for Participation in Electric Power Development Fund", dated as of May 1, 1978, as

amended, commonly referred to as the "Development Fund Agreement."

1.03. "First Phase" is defined in section 2.02(a) hereof.

1.04. "NCPA" means the Commission of NCPA.

1.05. "NCPA Percentage Participation" for any member for the most recent prior calendar year means the ratio of the maximum firm electric power demand of such Member for the year as reported to the Federal Energy Regulatory Commission, to the total of such demands for all NCPA Members.

1.06. "NCPA Project" is defined in section 2.01.

1.07. "Participating Member" means a member who enters into an agreement with NCPA relating to the Second Phase or Third Phase of an NCPA Project.

1.08. "Project Participation Percentage" means the percentages of participation of a Participating Member in an NCPA Project as specifically set forth in an agreement between NCPA and all Participating Members. Such agreement shall be a Service Schedule

1.09. "Second Phase" is defined in section 2.02(b).

1.10. "Service Schedule" means an agreement referred to in section 2.04 inclusive of amendments thereto, or any other agreement between NCPA and Members made pursuant to this Agreement.



1.11. "Supplemental Power Supply" means any sources of power other than on NCPA Project.

1.12. "Third Phase" is defined in Section 2.02(c).

1.13. "Uncontrollable Forces" means act of God, a public enemy, sabotage, strikes, lockouts, riots, rebellions, injunctions, or interference through legal proceedings, municipal, State or Federal laws or regulations, or the requisitions of any governmental or acting authority, beyond the reasonable control of the Party.

## ARTICLE II

### PROJECT SERVICES

2.01. Scope. All projects undertaken by NCPA beyond the first phase shall be known as NCPA Projects, and the relationships between NCPA and its Members with respect to all phases of NCPA Projects shall be as provided for in this Agreement, except where the Service Schedule provides otherwise.

2.02. Phases. Any project undertaken by NCPA may have one or more of the following phases:

- (a) First Phase consists of all preliminary investigation work done by NCPA staff on a project supported solely out of its general funds and prior to the time that NCPA declares it as an NCPA Project. For the

purpose of ending the First Phase, NCPA may declare a termination of investigations regarding the project or declare the project to be an NCPA Project by entering into an agreement with one or more Members desiring to participate as indicated in subsection (b) or (c) below.

(b) Second Phase consists of all work done after one or more of the Members has signed an agreement with NCPA for project study, design, or development, but before any Member has signed an agreement with NCPA for the Third Phase of the Project.

(c) Third Phase consists of all work done after one or more of the Members has contracted with NCPA to participate in the financing, construction, and/or rights to the output, of the NCPA Project.

Nothing herein prevents the combination of the Second and Third Phases if NCPA and the Participating Members so desire.

2.03. Participation. The Second and Third Phases shall be participated in and financed by those Members who elect to participate therein, and enter into an appropriate agreement therefor. The Project Participation Percentage

shall not be greater than the NCPA Percentage Participation of the Member divided by the sum of NCPA Percentage Participation of all Participating Members, unless the NCPA Project is not fully subscribed because one or more of the Participating Members elects to have a Project Participation Percentage less than its maximum percentage. In such case any unsubscribed portion of the NCPA Project shall be divided among Participating Members electing to increase their share in proportion to their respective Project Percent Participation, unless otherwise unanimously agreed to by the Project Participating Members electing to increase their share.

Any agreement between NCPA and its Participating Members relating to the Third Phase of an NCPA Project shall provide for reimbursement of the expenditures of Members in the Second and Third Phases of such project, along with interest as provided for in the appropriate Service Schedule, out of final long term financing of the NCPA Project.

Those who are not Participating Members in the Second Phase may participate in the Third Phase provided no Second Phase Participating Member objects within 45 days after written notice of a desire to participate.

This section shall not apply to Development Fund Projects.

2.04. Service Schedules. All agreements between NCPA and Participating Members relating to the Second and Third phases of NCPA Projects including Development Fund Projects shall be attached to this Agreement as Service Schedules, and shall be numbered consecutively in the order of their approval.

2.05. Project Voting. All Service Schedules for NCPA Projects other than Development Fund Projects, Calaveras, and Feather River shall provide as follows:

(a) that a quorum of the Commission, for purposes of acting upon matters relating to an NCPA Project, shall consist of those Commissioners, or their designated alternates, representing a numerical majority of the Participating Members in such project, or, in the absence of such, those Commissioners representing Members having a combined Project Participation Percentage of at least 50%.

(b) that special meetings of the Commission to act only on matters relating to an NCPA Project may be called by a majority of the Commissioners of Participating Members upon notice as required by the Ralph M. Brown Act.

(c) that at regular or special meeting of the Commission, voting on matters relating to an NCPA Project shall be by Project Participation Percentage, and more than a 50% affirmative vote shall be required to take action.

(d) that upon demand of any Commissioners (including alternates) of Project Participants in the involved NCPA Project, at any meeting of the Commission other than the special meeting referred to in paragraph (b) above, the vote on any issue relating to such Project shall be by Project Participation Percentage and 65% or greater affirmative vote shall be required to take action.

(e) that any Project Participant may veto a discretionary action of the Project Participants relating to the project that was not taken by a 65% or more Project Participation Percentage vote within 10 days following mailing of notice of such Commissioners' action by giving written notice of veto to NCPA unless at a meeting of Commissioners or Alternates of Project Participants called for the purpose of considering the veto, held within 30 days after such veto notice, the holders of 65% or more of the Project Participation Percentage shall vote to override the veto.

(f) that 65% of percentage participation specified in this section shall be reduced by the amount that the percentage participation of any member shall exceed 35%, but such 65% shall not be reduced below 50%.

2.06. Other Projects. Members signing this Agreement shall not pursue the development of power projects outside of their city limits (or service area, in the case of Plumas-Sierra Rural Electric Cooperative) either alone or

with other parties without first offering such projects to NCPA. Such members shall allow NCPA 30 days to adopt a resolution declaring its intent to pursue the project. If NCPA decides to pursue such project within 30 days of members' notification of NCPA, then no member shall pursue such project individually or in combination with other members or others.

As used in this section "power project" includes all construction or ownership in whole or in part, of a power generation plant, and includes the purchase of power from sources other than Pacific Gas and Electric Company or Western Area Power Administration, but does not include any project as to which the member has taken significant action prior to the date of this agreement, nor does it include the acquisition or development of rights to water, or steam, or fuel for power generation.

Each member shall make a good faith effort to comply with the provision in this section 2.06, and will make every effort not to deviate from such policies except where in its judgment such compliance may threaten the member's ability to pursue and develop the project.

2.07. Use of NCPA Consultants. Each member agrees that it shall neither individually, nor in concert with any other member or any third party, employ or retain an NCPA consultant or NCPA legal counsel for purposes of pursuing a non-NCPA power project without first notifying NCPA.

2.08. No Unilateral Negotiations. Each member agree that it shall neither individually, nor in concert with an other member or any third party, enter into a transmission interconnection, integration, or any similar agreement with a private utility or public agency without first notifying NCPA. If a member desires to enter into such an agreement with PG&E, said member agrees that the agreement shall contain a provision which provides that the agreement may be superseded by any subsequent NCPA/PG&E interconnection agreement that provides for, among other things, comparable services contained in the Member/PG&E agreement.

### ARTICLE III

#### POWER AND ENERGY SALES TO THE MEMBER

3.01. NCPA Projects. As specified in Service Schedules attached hereto, NCPA shall deliver, or cause to be delivered, to the point of delivery the Member's participation share of the capacity and energy from such specified NCPA Projects.

3.02. Supplemental Power Supply. NCPA shall deliver or cause to be delivered Supplemental Power Supply from the suppliers of such capacity and energy to Members to the extent, if any, provided for in an agreement to be entered into between NCPA and such Members and attached hereto as a Service Schedule. NCPA's obligation to provide Supplemental Power Supply to any Member under such a Service

schedule shall be limited to the supplying party's obligation to provide such capacity and energy as set forth in the agreement or agreements to provide capacity and energy between NCPA and the supplying party which shall become Service Schedules hereto. The Member shall pay to NCPA an amount for providing such Supplemental Power Supply to the Member as per Service Schedule.

#### ARTICLE IV

##### SCHEDULING OF RESOURCES

###### 4.01. NCPA Projects and Supplemental Power Supply.

NCPA shall schedule all power from NCPA Projects, and shall schedule all power from PG&E or other suppliers which the Members have requested NCPA to obtain for them, all in accordance with Service Schedules comprising agreements between NCPA and such Participating Members which shall be attached hereto.

4.02. Other Member Projects. NCPA may also schedule power from other projects in which the Members are involved, pursuant to an agreement between NCPA and such Members, which agreement shall be attached hereto as a Service Schedule. Such scheduling shall not be undertaken in a fashion that will reduce the benefits to Members of scheduling under the next preceding section.

4.03. Method. Scheduling by NCPA may be provided directly by NCPA, or pursuant to a contract between NCPA



and another entity which will provide that function, with appropriate controls exercised by NCPA as may be provided in a Service Schedule between NCPA and its Members.

## ARTICLE V

### PLANNING

5.01. Forecasts by Members. Each Member shall submit to NCPA annually, within the time specified by NCPA, and at such other times as may be reasonably required, a forecast of the Member's peak demand and energy requirements for the ensuing 20 calendar year period, as well as a forecast of capacity and energy, if any, from sources other than NCPA Projects and Supplemental Power Supply.

5.02. Assistance to Members. A Member may upon request, and agreement to pay the costs thereof, obtain assistance from NCPA in preparing the forecast, pursuant to an agreement between such Member and NCPA which shall be attached hereto as a Service Schedule; but obtaining such assistance shall not relieve the Member of responsibility for the forecast.

5.03. Adoption of Plan. On the basis of the forecasts and other data supplied to NCPA by its Members, NCPA shall prepare in cooperation with such Members a plan for the supply of capacity and energy to all Members. Such plan shall be updated annually and shall include existing and potential sources of capacity and energy including NCPA

Projects, Supplemental Power Supply, and all other sources of power available to the Members. NCPA shall formally adopt such a plan annually.

5.04. Forecast Errors. When actual usage by a Member exceeds the tolerances allowed for a forecast in a Service Schedule attached hereto, based on the agreement(s) between NCPA and the party or parties supplying capacity and energy to NCPA, and the total usage of all NCPA Members falls outside such tolerances, all Members whose usage exceeds the tolerance shall share the added cost resulting to NCPA on account of exceeding such tolerances in proportion to the amount of excess by each party.

## ARTICLE VI

### SALE OF SURPLUS POWER

6.01. Sale by NCPA. Except where the applicable Service Schedule provides otherwise, when a Member does not need its entire share of an NCPA Project in which it is participating for a specific time interval, NCPA shall, if requested by such Member to do so, sell the portion of a Member share of an NCPA Project which is in excess of the Member's needs. In selling such power, NCPA shall be guided by the following:

1. NCPA shall use its best efforts to sell such excess power at a price at least equal to the Member's cost for such power.

2. Other Members participating in the Project shall have a right of first refusal, and other NCPA members shall have the second right, pursuant to paragraphs 4 and 5 of this section 6.01.
3. NCPA shall not purchase power from other sources until it has disposed of all Members' excess power from NCPA Projects.
4. If NCPA can purchase equivalent power from other sources for less than the Member's cost for the excess power, the sale price of such power to another NCPA Member shall be equal to the cost of purchasing the power from another source.
5. If the alternative cost of purchasing power for other Members is more than a Member's cost for the excess power from an NCPA Project, then the sales price shall be the Member's cost plus one-half the difference between the Member's cost and the cost of power from an alternative source.

6.02. Development Fund Projects. This article shall not apply to Development Fund Projects.

## ARTICLE VII

### REPORTS, RECORDS, ACCOUNTS, AUDITS

7.01. Records and Accounts. NCPA shall keep accurate records and accounts for each NCPA Project, for supplemental power supply, for each identifiable service which it supplies to the Member or other Members through this Agreement or through any Service Schedule which may be entered into between NCPA and the Member or other Members, and for other transactions of NCPA. Such records and accounts shall be kept in general accordance with the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act, as adopted by the Federal Energy Regulatory Commission and amended from time to time, and shall be audited annually by a firm of independent certified public accountants experienced in electric utility accounting and of national reputation. Such records and accounts shall be made available to members by NCPA for inspection at any reasonable time, and a copy of such annual audit shall be submitted to the Member not later than four months after the end of NCPA's Fiscal Year.

7.02. Reports to Other Agencies. NCPA will submit such reports and records which are required or may be required by the California Energy Commission, the Federal Energy Regulatory Commission or other such local, state or

federal agencies, as such reports and records are required for NCPA to fulfill its obligations under this Agreement.

7.03. Reports to Members. NCPA will prepare and issue to the Member the following reports each month of the contract year:

- a. Financial Operating Statement.
- b. Status of Annual Budget.
- c. Such additional reports as are required under the Service Schedules to which Member is a signatory.

#### ARTICLE VIII

##### BUDGETS

8.01. Principles. It is the intention of the parties hereto that the responsibilities and level of effort of NCPA's staff is set forth in this Agreement and the Service Schedules attached hereto, and that funding and support for staff will be provided by the Members to allow it to perform the functions mandated to them herein.

8.02. Adoption. NCPA shall prepare and submit to the Members at least three calendar months prior to each July 1 a proposed Annual Budget for the ensuing Fiscal Year. The Annual Budget shall include costs identifiable for each Service Schedule, costs associated with NCPA fulfilling other obligations as identified herein (General Fund), as

required by any other agreements entered into by NCPA, and any contingency funds which NCPA deems necessary to maintain. After consideration of comments of the Members, NCPA shall adopt an Annual Budget for such Fiscal Year.

8.03. Amendments. During each Fiscal Year, NCPA shall from time to time review the Annual Budget for such Fiscal Year. In the event such review indicates that the Annual Budget does not, or will not, substantially correspond with actual receipts and expenditures, or if at any time during such Fiscal Year there are or are expected to be extraordinary receipts, credits or costs substantially affecting the Annual Budget, NCPA shall submit to the Members and subsequently adopt an amended Annual Budget which shall supersede the Annual Budget or amended Annual Budget.

8.04. Information. NCPA shall cause staff to develop a detailed progress reporting system. This system shall be based on presenting reports on a monthly basis with regard to status of work (actual status of work compared to planned status of work) and with regard to cost (actual costs to date compared to planned costs to date).

8.05. Payment. Each member shall pay amounts due in accordance with the budget adopted pursuant to Section 8.02 in four equal amounts payable on or before July 1, October 1, January 1 and April 1. If the budget is amended

during the year, the remaining payments for that year shall be adjusted to reflect the amended budget. Any payments not made within 30 days following the due date shall bear interest at the prime rate of the Bank of America NT & SA, then in effect computed on a daily basis plus two percent until paid.

Nothing in this agreement shall obligate any Member to pay more to NCPA than is provided in NCPA's joint powers agreement and in Service Schedules approved by it attached hereto.

#### ARTICLE IX

##### LIABILITY OF PARTIES

9.01. Division of Responsibility. Neither NCPA, nor its Members, nor a corporation acting on behalf of NCPA or the Members, shall be responsible for the transmission, control, use, or application of electric capacity and energy provided under the Service Schedules attached hereto on the other party's side of the Delivery Point therefor and shall not, in any event, be liable for damage or injury to any person or property whatsoever arising, accruing, or resulting from, in any manner, the receiving, transmission, control, use, application, or distribution by NCPA, or its Members, or a corporation acting on behalf of NCPA or the Members, of said electric power and energy on the other party's side of the delivery point.

9.02. Indemnity. NCPA and the Members individually shall indemnify, defend, hold, and save each other harmless from any and all loss or damage sustained, and from any and all liability to any person or property incurred by the other(s) by reason of any act or performance, or failure to act or perform, on the part of the indemnifying party or its officers, agents, or employees in constructing, maintaining or operating the indemnifying party's apparatus, applicances, or other property, or in the transmission, control or application, redistribution, delivery, or sale of said power and energy on the indemnifying party's side of said Delivery Point. Such indemnification shall hold harmless the one indemnified, its agents, servants, and employees, from and against any and all liability and any and all losses, damages, injuries, costs, and expenses, including expenses incurred by the one indemnified, its agents, servants, or employees, in connection with investigating any claim or defending any action and including reasonable attorney's fees incurred or suffered by the one indemnified, its agents, servants, or employees.

#### ARTICLE X

##### ASSIGNMENT OF AGREEMENT

10.01. Limitations. This Agreement, exclusive of the Service Schedules, shall inure to the benefit of and shall be binding upon the respective successors and



assignees of the parties to this Agreement; provided, however, that, except as provided in the event of a default, and, except for the assignment by NCPA authorized hereby, neither this Agreement nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other party hereto; provided, however, that such consent shall not be withheld unreasonably. No assignment or transfer of this Agreement shall relieve the parties of any obligation hereunder, except as otherwise so provided herein. This Agreement shall not be assigned by Plumas-Sierra Rural Electric Cooperative without the approval in writing of the Administrator of the Rural Electrification Administration.

10.02. Pledge. The Members acknowledge and agree that NCPA or a corporation acting on behalf of NCPA may assign and pledge to a corporation acting on behalf of NCPA or any Trustee designated in a Bond Resolution any of NCPA's rights under the provisions of this Agreement exclusive of any Service Schedule except as expressly provided therein. Upon the execution of such assignment and pledge, such assignee shall have the rights and remedies herein provided to NCPA, and any reference herein to NCPA shall be deemed, with the necessary changes in detail, to include such assignee which shall be a third-party beneficiary of the covenants and agreements of the Member herein contained.

## ARTICLE XI

### UNCONTROLLABLE FORCES

11.01. No default. None of the Parties shall be considered to be in default with respect to any obligation hereunder other than the payment of money if prevented from fulfilling such obligation by reason of Uncontrollable Forces but such Party shall, however, use reasonable diligence to put itself again in a position to carry out its obligations hereunder.

## ARTICLE XII

### TERM OF AGREEMENT

12.01. Original Term. Except as specifically otherwise provided herein, this Agreement shall become effective upon the date first above written and shall continue in full force and effect for a period of thirty (30) years from said effective date or until termination of all Service Schedules attached hereto, whichever occurs last. Thereafter this Agreement shall continue until terminated by any party by written notice to all Parties giving not less than three years' intention to terminate.

This Agreement, any amendments thereto, and any Service Schedule shall not be binding upon Plumas-Sierra Rural Electric Cooperative until approved in writing by the Administrator of the Rural Electrification Administration.

12.02. Termination by Members. Notwithstanding the above, the Member may terminate its participation in this

Agreement at any time upon three years' written notice to NCPA, provided, however, that such terminating Member shall be obligated for all expenses and liabilities incurred prior to the effective date of such termination on its behalf by NCPA pursuant to and in accordance with this Agreement, and shall maintain its rights and liabilities as contained in the Service Schedules attached hereto. Further, such terminating Members shall in any event be obligated and bound by the Member covenants as contained herein and as are a part of the security afforded by this Agreement for the payment of principal of and premium, if any, and interest on any outstanding Bonds.

12.03      Execution of Agreement. Members of NCPA desiring to enter into this Agreement must execute this Agreement before February 12, 1981, provided, however, members of NCPA may enter into this Agreement after such date upon a showing of good cause and with the approval of the Participating Members in accordance with the voting procedures of Section 2.05 herein, but in no event after February 12, 1982. This section does not apply to public entities that become members of NCPA after the effective date of this Agreement.

IN WITNESS WHEREOF each NCPA Member has executed a counterpart of this agreement with the approval of its governing body, and caused its official seal to be affixed

and NCPA has executed each counterpart of this agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGENCY

By 

and 

CITY OF BIGGS

CITY OF ALAMEDA

By 

and 

CITY OF GRIDLEY

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_

and \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

and NCPA has executed each counterpart of this agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGE

By *Walter H. H. H.*

and *Paul S. S.*

CITY OF BIGGS

CITY OF ALAMEDA

By \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

and \_\_\_\_\_

CITY OF GRIDLEY

CITY OF HEALDSBURG

By *Alvin L.*

By \_\_\_\_\_

and *Donald E. R.*

and \_\_\_\_\_

CITY OF LODI

CITY OF LOMPOC

By \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

and \_\_\_\_\_

CITY OF PALO ALTO

CITY OF REDDING

By \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

and \_\_\_\_\_

and NCPA has executed each counterpart of this agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGENCY

CITY OF ALAMEDA

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

and \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_

William H. Callaway, Mayor

and \_\_\_\_\_

City Clerk

CITY OF HEALDSBURG

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_

and \_\_\_\_\_

and NCPA has executed each counterpart of this agreement  
accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGENCY

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

and: \_\_\_\_\_

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

CITY OF HEALDSBURG

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

Michael W. McDonald, City Manager

and: \_\_\_\_\_

Katy Gladden, City Clerk

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

1-8-81

and NCPA has executed each counterpart of this agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGENCY

By

and

CITY OF BIGGS

CITY OF ALAMEDA

By

and

CITY OF GRIDLEY

By

and

CITY OF HEALDSBURG

By

and

CITY OF LODI

By

Walter J. Katrich  
Mayor

and

Alice M. Reimcne, City Clerk

CITY OF PALO ALTO

By

and

CITY OF LOMPOC

By

and

CITY OF REDDING

By

and

By

and



and NCPA has executed each counterpart of this agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGE

By *William H. ...*

and *Paul ...*  
CITY OF BIGGS

CITY OF ALAMEDA

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF REDDING

By *Alvin Henderson*  
Mayor

and *Mrs. J. L. ...*  
City Clerk

By \_\_\_\_\_

and \_\_\_\_\_

and NCPA has executed each counterpart of this agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGENCY

By 

and 

CITY OF BIGGS

CITY OF ALAMEDA

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF PALO ALTO

By 

E. C. Stevens, Mayor

and 

Mineva Blades, City Clerk

CITY OF REDDING

By \_\_\_\_\_

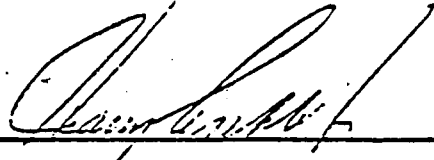
and \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF ROSEVILLE

By



and

Pauline Brockman  
City Clerk

CITY OF UKIAH

By

and

CITY OF SANTA CLARA

By

and

PLUMAS SIERRA RURAL ELECTRIC  
COOPERATIVE

By

and

CITY OF ROSEVILLE

CITY OF SANTA CLARA

By \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

and \_\_\_\_\_

CITY OF UKIAH

PLUMAS SIERRA RURAL ELECTRIC  
COOPERATIVE

By *John D. H. [Signature]*

By \_\_\_\_\_

and *Mayor [Signature]* and \_\_\_\_\_

*City Clerk*

CITY OF ROSEVILLE

CITY OF SANTA CLARA

By \_\_\_\_\_

By \_\_\_\_\_

and \_\_\_\_\_

and \_\_\_\_\_

CITY OF UKIAH

PLUMAS SIERRA RURAL ELECTRIC  
COOPERATIVE

By \_\_\_\_\_

By Harold A. Goy

and \_\_\_\_\_

and Frank J. Datto

*Reading*

NORTHERN CALIFORNIA POWER AGENCY  
MEMBER SERVICE AGREEMENT

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## NORTHERN CALIFORNIA POWER AGENCY

MEMBER SERVICE AGREEMENT

This Member service Agreement, hereinafter referred to as the "Agreement", is made and entered into effective 2/12/81, ~~1980~~, by and between the Northern California Power Agency, hereinafter referred to as "NCPA", and the signing Cities, not fewer than eight, of the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara and Ukiah, and Plumas-Sierra Rural Electric Cooperative, hereinafter individually or collectively referred to as "Members" unless the context requires otherwise.

WHEREAS, NCPA has heretofore been duly established as a public agency pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California and, among other things, is authorized to acquire, construct, finance, and operate buildings, works, facilities and improvements for the generation and transmission of electric power and energy for resale to public and private users; and

WHEREAS, each of the Members owns a system for the distribution of electric power and energy for public and



private use and is authorized to obtain electric power and energy for its present or future requirements, through contracts with NCPA or otherwise; and

WHEREAS, NCPA has established and may establish projects for the supply of electric power and energy and may provide other services relating thereto to some or all of the Members from time to time upon their request, and the Parties desire to formalize their relationships to provide the framework and certain terms of future agreements to be entered into between them, to avoid misunderstanding, and to facilitate the activities of NCPA;

NOW, THEREFORE, in consideration of the covenants of each of the Parties hereto, it is hereby agreed as follows:

#### ARTICLE I

##### DEFINITIONS

1.00. The following terms, when used in this Agreement with the first letter capitalized, whether in the singular or the plural, shall have the following meanings:

1.01. "Delivery Point" for purposes of Sections 9.01 and 9.02 is the point or points where electric power and energy enters the electric distribution system of each of the Members.

1.02. "Development Fund Projects" mean projects under the "NCPA Member Agreement for Participation in Electric Power Development Fund", dated as of May 1, 1978, as

amended, commonly referred to as the "Development Fund Agreement."

1.03. "First Phase" is defined in section 2.02(a) hercof.

1.04. "NCPA" means the Commission of NCPA.

1.05. "NCPA Percentage Participation" for any member for the most recent prior calendar year means the ratio of the maximum firm electric power demand of such Member for the year as reported to the Federal Energy Regulatory Commission, to the total of such demands for all NCPA Members.

1.06. "NCPA Project" is defined in section 2.01.

1.07. "Participating Member" means a Member who enters into an agreement with NCPA relating to the Second Phase or Third Phase of an NCPA Project.

1.08. "Project Participation Percentage" means the percentages of participation of a Participating Member in an NCPA Project as specifically set forth in an agreement between NCPA and all Participating Members. Such agreement shall be a Service Schedule

1.09. "Second Phase" is defined in section 2.02(b).

1.10. "Service Schedule" means an agreement referred to in section 2.04 inclusive of amendments thereto, or any other agreement between NCPA and Members made pursuant to this Agreement.

1.11. "Supplemental Power Supply" means any sources of power other than on NCPA Project.

1.12. "Third Phase" is defined in Section 2.02(c).

1.13. "Uncontrollable Forces" means act of God, a public enemy, sabotage, strikes, lockouts, riots, rebellions, injunctions, or interference through legal proceedings, municipal, State or Federal laws or regulations, or the requisitions of any governmental or acting authority, beyond the reasonable control of the Party.

## ARTICLE II

### PROJECT SERVICES

2.01. Scope. All projects undertaken by NCPA beyond the first phase shall be known as NCPA Projects, and the relationships between NCPA and its Members with respect to all phases of NCPA Projects shall be as provided for in this Agreement, except where the Service Schedule provides otherwise.

2.02. Phases. Any project undertaken by NCPA may have one or more of the following phases:

- (a) First Phase consists of all preliminary investigation work done by NCPA staff on a project supported solely out of its general funds and prior to the time that NCPA declares it as an NCPA Project. For the

purpose of ending the First Phase, NCPA may declare a termination of investigations regarding the project or declare the project to be an NCPA Project by entering into an agreement with one or more Members desiring to participate as indicated in subsection (b) or (c) below.

(b) Second Phase consists of all work done after one or more of the Members has signed an agreement with NCPA for project study, design, or development, but before any Member has signed an agreement with NCPA for the Third Phase of the Project.

(c) Third Phase consists of all work done after one or more of the Members has contracted with NCPA to participate in the financing, construction, and/or rights to the output, of the NCPA Project.

Nothing herein prevents the combination of the Second and Third Phases if NCPA and the Participating Members so desire.

2.03. Participation. The Second and Third Phases shall be participated in and financed by those Members who elect to participate therein, and enter into an appropriate agreement therefor. The Project Participation Percentage

shall not be greater than the NCPA Percentage Participation of the Member divided by the sum of NCPA Percentage Participation of all Participating Members, unless the NCPA Project is not fully subscribed because one or more of the Participating Members elects to have a Project Participation Percentage less than its maximum percentage. In such case any unsubscribed portion of the NCPA Project shall be divided among Participating Members electing to increase their share in proportion to their respective Project Percent Participation, unless otherwise unanimously agreed to by the Project Participating Members electing to increase their share.

Any agreement between NCPA and its Participating Members relating to the Third Phase of an NCPA Project shall provide for reimbursement of the expenditures of Members in the Second and Third Phases of such project, along with interest as provided for in the appropriate Service Schedule, out of final long term financing of the NCPA Project.

Those who are not Participating Members in the Second Phase may participate in the Third Phase provided no Second Phase Participating Member objects within 45 days after written notice of a desire to participate.

This section shall not apply to Development Fund Projects.

2.04. Service Schedules. All agreements between NCPA and Participating Members relating to the Second and Third phases of NCPA Projects including Development Fund Projects shall be attached to this Agreement as Service Schedules, and shall be numbered consecutively in the order of their approval.

2.05. Project Voting. All Service Schedules for NCPA Projects other than Development Fund Projects, Calaveras, and Feather River shall provide as follows:

(a) that a quorum of the Commission, for purposes of acting upon matters relating to an NCPA Project, shall consist of those Commissioners, or their designated alternates, representing a numerical majority of the Participating Members in such project, or, in the absence of such, those Commissioners representing Members having a combined Project Participation Percentage of at least 50%.

(b) that special meetings of the Commission to act only on matters relating to an NCPA Project may be called by a majority of the Commissioners of Participating Members upon notice as required by the Ralph M. Brown Act.

(c) that at regular or special meeting of the Commission, voting on matters relating to an NCPA Project shall be by Project Participation Percentage, and more than a 50% affirmative vote shall be required to take action.

(d) that upon demand of any Commissioners (including alternates) of Project Participants in the involved NCPA Project, at any meeting of the Commission other than the special meeting referred to in paragraph (b) above, the vote on any issue relating to such Project shall be by Project Participation Percentage and 65% or greater affirmative vote shall be required to take action.

(e) that any Project Participant may veto a discretionary action of the Project Participants relating to the project that was not taken by a 65% or more Project Participation Percentage vote within 10 days following mailing of notice of such Commissioners' action by giving written notice of veto to NCPA unless at a meeting of Commissioners or Alternates of Project Participants called for the purpose of considering the veto, held within 30 days after such veto notice, the holders of 65% or more of the Project Participation Percentage shall vote to override the veto.

(f) that 65% of percentage participation specified in this section shall be reduced by the amount that the percentage participation of any member shall exceed 35%, but such 65% shall not be reduced below 50%.

2.06. Other Projects. Members signing this Agreement shall not pursue the development of power projects outside of their city limits (or service area, in the case of Plumas-Sierra Rural Electric Cooperative) either alone or

with other parties without first offering such projects to NCPA. Such members shall allow NCPA 30 days to adopt a resolution declaring its intent to pursue the project. If NCPA decides to pursue such project within 30 days of members' notification of NCPA, then no member shall pursue such project individually or in combination with other members or others.

As used in this section "power project" includes all construction or ownership in whole or in part, of a power generation plant, and includes the purchase of power from sources other than Pacific Gas and Electric Company or Western Area Power Administration, but does not include any project as to which the member has taken significant action prior to the date of this agreement, nor does it include the acquisition or development of rights to water, or steam, or fuel for power generation.

Each member shall make a good faith effort to comply with the provision in this section 2.06, and will make every effort not to deviate from such policies except where in its judgment such compliance may threaten the member's ability to pursue and develop the project.

2.07. Use of NCPA Consultants. Each member agrees that it shall neither individually, nor in concert with any other member or any third party, employ or retain an NCPA consultant or NCPA legal counsel for purposes of pursuing a non-NCPA power project without first notifying NCPA.



2.02. No Unilateral Negotiations. Each member agrees that it shall neither individually, nor in concert with any other member or any third party, enter into a transmission, interconnection, integration, or any similar agreement with a private utility or public agency without first notifying NCPA. ~~If a member desires to enter into such an agreement with TCEC, said member agrees that the agreement shall be subject to provisions which provide that the agreement may be superseded by any subsequent NCPA/TCEC interconnection agreement that provides for, among other things, comparable services contained in the Member/TCEC agreement.~~

### ARTICLE III

#### POWER AND ENERGY SALES TO THE MEMBER

3.01. NCPA Projects. As specified in Service Schedules attached hereto, NCPA shall deliver, or cause to be delivered, to the point of delivery the Member's participation share of the capacity and energy from such specified NCPA Projects.

3.02. Supplemental Power Supply. NCPA shall deliver or cause to be delivered Supplemental Power Supply from the suppliers of such capacity and energy to Members to the extent, if any, provided for in an agreement to be entered into between NCPA and such Members and attached hereto as a Service Schedule. NCPA's obligation to provide Supplemental Power Supply to any Member under such a Service

Schedule shall be limited to the supplying party's obligation to provide such capacity and energy as set forth in the agreement or agreements to provide capacity and energy between NCPA and the supplying party which shall become Service Schedules hereto. The Member shall pay to NCPA an amount for providing such Supplemental Power Supply to the Member as per Service Schedule.

#### ARTICLE IV

##### SCHEDULING OF RESOURCES

###### 4.01. NCPA Projects and Supplemental Power Supply.

NCPA shall schedule all power from NCPA Projects, and shall schedule all power from PG&E or other suppliers which the Members have requested NCPA to obtain for them, all in accordance with Service Schedules comprising agreements between NCPA and such Participating Members which shall be attached hereto.

4.02. Other Member Projects. NCPA may also schedule power from other projects in which the Members are involved, pursuant to an agreement between NCPA and such Members, which agreement shall be attached hereto as a Service Schedule. Such scheduling shall not be undertaken in a fashion that will reduce the benefits to Members of scheduling under the next preceding section.

4.03. Method. Scheduling by NCPA may be provided directly by NCPA, or pursuant to a contract between NCPA

and another entity which will provide that function, with appropriate controls exercised by NCPA as may be provided in a Service Schedule between NCPA and its Members.

## ARTICLE V

### PLANNING

5.01. Forecasts by Members. Each Member shall submit to NCPA annually, within the time specified by NCPA, and at such other times as may be reasonably required, a forecast of the Member's peak demand and energy requirements for the ensuing 20 calendar year period, as well as a forecast of capacity and energy, if any, from sources other than NCPA Projects and Supplemental Power Supply.

5.02. Assistance to Members. A Member may upon request, and agreement to pay the costs thereof, obtain assistance from NCPA in preparing the forecast, pursuant to an agreement between such Member and NCPA which shall be attached hereto as a Service Schedule; but obtaining such assistance shall not relieve the Member of responsibility for the forecast.

5.03. Adoption of Plan. On the basis of the forecasts and other data supplied to NCPA by its Members, NCPA shall prepare in cooperation with such Members a plan for the supply of capacity and energy to all Members. Such plan shall be updated annually and shall include existing and potential sources of capacity and energy including NCPA

projects, Supplemental Power Supply, and all other sources of power available to the Members. NCPA shall formally adopt such a plan annually.

5.04. Forecast Errors. When actual usage by a Member exceeds the tolerances allowed for a forecast in a Service Schedule attached hereto, based on the agreement(s) between NCPA and the party or parties supplying capacity and energy to NCPA, and the total usage of all NCPA Members falls outside such tolerances, all Members whose usage exceeds the tolerance shall share the added cost resulting to NCPA on account of exceeding such tolerances in proportion to the amount of excess by each party.

## ARTICLE VI

### SALE OF SURPLUS POWER

6.01. Sale by NCPA. Except where the applicable Service Schedule provides otherwise, when a Member does not need its entire share of an NCPA Project in which it is participating for a specific time interval, NCPA shall, if requested by such Member to do so, sell the portion of a Member share of an NCPA Project which is in excess of the Member's needs. In selling such power, NCPA shall be guided by the following:

1. NCPA shall use its best efforts to sell such excess power at a price at least equal to the Member's cost for such power.

2. Other Members participating in the Project shall have a right of first refusal, and other NCPA members shall have the second right, pursuant to paragraphs 4 and 5 of this section 6.01.
3. NCPA shall not purchase power from other sources until it has disposed of all Members' excess power from NCPA Projects.
4. If NCPA can purchase equivalent power from other sources for less than the Member's cost for the excess power, the sale price of such power to another NCPA Member shall be equal to the cost of purchasing the power from another source.
5. If the alternative cost of purchasing power for other Members is more than a Member's cost for the excess power from an NCPA Project, then the sales price shall be the Member's cost plus one-half the difference between the Member's cost and the cost of power from an alternative source.

6.02. Development Fund Projects. This article shall not apply to Development Fund Projects.

## ARTICLE VII

### REPORTS, RECORDS, ACCOUNTS, AUDITS

7.01. Records and Accounts. NCPA shall keep accurate records and accounts for each NCPA Project, for supplemental power supply, for each identifiable service which it supplies to the Member or other Members through this Agreement or through any Service Schedule which may be entered into between NCPA and the Member or other Members, and for other transactions of NCPA. Such records and accounts shall be kept in general accordance with the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act, as adopted by the Federal Energy Regulatory Commission and amended from time to time, and shall be audited annually by a firm of independent certified public accountants experienced in electric utility accounting and of national reputation. Such records and accounts shall be made available to members by NCPA for inspection at any reasonable time, and a copy of such annual audit shall be submitted to the Member not later than four months after the end of NCPA's Fiscal Year.

7.02. Reports to Other Agencies. NCPA will submit such reports and records which are required or may be required by the California Energy Commission, the Federal Energy Regulatory Commission or other such local, state or

federal agencies, as such reports and records are required for NCPA to fulfill its obligations under this Agreement.

7.03. Reports to Members. NCPA will prepare and issue to the Member the following reports each month of the contract year:

- a. Financial Operating Statement.
- b. Status of Annual Budget.
- c. Such additional reports as are required under the Service Schedules to which Member is a signatory.

## ARTICLE VIII

### BUDGETS

8.01. Principles. It is the intention of the parties hereto that the responsibilities and level of effort of NCPA's staff is set forth in this Agreement and the Service Schedules attached hereto, and that funding and support for staff will be provided by the Members to allow it to perform the functions mandated to them herein.

8.02. Adoption. NCPA shall prepare and submit to the Members at least three calendar months prior to each July 1 a proposed Annual Budget for the ensuing Fiscal Year. The Annual Budget shall include costs identifiable for each Service Schedule, costs associated with NCPA fulfilling other obligations as identified herein (General Fund), as

required by any other agreements entered into by NCPA, and any contingency funds which NCPA deems necessary to maintain. After consideration of comments of the Members, NCPA shall adopt an Annual Budget for such Fiscal Year.

8.03. Amendments. During each Fiscal Year, NCPA shall from time to time review the Annual Budget for such Fiscal Year. In the event such review indicates that the Annual Budget does not, or will not, substantially correspond with actual receipts and expenditures, or if at any time during such Fiscal Year there are or are expected to be extraordinary receipts, credits or costs substantially affecting the Annual Budget, NCPA shall submit to the Members and subsequently adopt an amended Annual Budget which shall supersede the Annual Budget or amended Annual Budget.

8.04. Information. NCPA shall cause staff to develop a detailed progress reporting system. This system shall be based on presenting reports on a monthly basis with regard to status of work (actual status of work compared to planned status of work) and with regard to cost (actual costs to date compared to planned costs to date).

8.05. Payment. Each member shall pay amounts due in accordance with the budget adopted pursuant to Section 8.02 in four equal amounts payable on or before July 1, October 1, January 1 and April 1. If the budget is amended



during the year, the remaining payments for that year shall be adjusted to reflect the amended budget. Any payments not made within 30 days following the due date shall bear interest at the prime rate of the Bank of America NT & SA, then in effect computed on a daily basis plus two percent until paid.

Nothing in this agreement shall obligate any Member to pay more to NCPA than is provided in NCPA's joint powers agreement and in Service Schedules approved by it attached hereto.

#### ARTICLE IX

##### LIABILITY OF PARTIES

9.01. Division of Responsibility. Neither NCPA, nor its Members, nor a corporation acting on behalf of NCPA or the Members, shall be responsible for the transmission, control, use, or application of electric capacity and energy provided under the Service Schedules attached hereto on the other party's side of the Delivery Point therefor and shall not, in any event, be liable for damage or injury to any person or property whatsoever arising, accruing, or resulting from, in any manner, the receiving, transmission, control, use, application, or distribution by NCPA, or its Members, or a corporation acting on behalf of NCPA or the Members, of said electric power and energy on the other party's side of the delivery point.

9.02. Indemnity. WCPA and the Members individually shall indemnify, defend, hold, and save each other harmless from any and all loss or damage sustained, and from any and all liability to any person or property incurred by the other(s) by reason of any act or performance, or failure to act or perform, on the part of the indemnifying party or its officers, agents, or employees in constructing, maintaining or operating the indemnifying party's apparatus, appliances, or other property, or in the transmission, control or application, redistribution, delivery, or sale of said power and energy on the indemnifying party's side of said Delivery Point. Such indemnification shall hold harmless the one indemnified, its agents, servants, and employees, from and against any and all liability and any and all losses, damages, injuries, costs, and expenses, including expenses incurred by the one indemnified, its agents, servants, or employees, in connection with investigating any claim or defending any action and including reasonable attorney's fees incurred or suffered by the one indemnified, its agents, servants, or employees.

#### ARTICLE X

##### ASSIGNMENT OF AGREEMENT

10.01. Limitations. This Agreement, exclusive of the Service Schedules, shall inure to the benefit of and shall be binding upon the respective successors and

assignees of the parties to this Agreement; provided, however, that, except as provided in the event of a default, and, except for the assignment by NCPA authorized hereby, neither this Agreement nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other party hereto; provided, however, that such consent shall not be withheld unreasonably. No assignment or transfer of this Agreement shall relieve the parties of any obligation hereunder, except as otherwise so provided herein. This Agreement shall not be assigned by Plumas-Sierra Rural Electric Cooperative without the approval in writing of the Administrator of the Rural Electrification Administration.

10.02. Pledge. The Members acknowledge and agree that NCPA or a corporation acting on behalf of NCPA may assign and pledge to a corporation acting on behalf of NCPA or any Trustee designated in a Bond Resolution any of NCPA's rights under the provisions of this Agreement exclusive of any Service Schedule except as expressly provided therein. Upon the execution of such assignment and pledge, such assignee shall have the rights and remedies herein provided to NCPA, and any reference herein to NCPA shall be deemed, with the necessary changes in detail, to include such assignee which shall be a third-party beneficiary of the covenants and agreements of the Member herein contained.

## ARTICLE XI

### UNCONTROLLABLE FORCES

11.01. No default. None of the Parties shall be considered to be in default with respect to any obligation hereunder other than the payment of money if prevented from fulfilling such obligation by reason of Uncontrollable Forces but such Party shall, however, use reasonable diligence to put itself again in a position to carry out its obligations hereunder.

## ARTICLE XII

### TERM OF AGREEMENT

12.01. Original Term. Except as specifically otherwise provided herein, this Agreement shall become effective upon the date first above written and shall continue in full force and effect for a period of thirty (30) years from said effective date or until termination of all Service Schedules attached hereto, whichever occurs last. Thereafter this Agreement shall continue until terminated by any party by written notice to all Parties giving not less than three years' intention to terminate.

This Agreement, any amendments thereto, and any Service Schedule shall not be binding upon Plumas-Sierra Rural Electric Cooperative until approved in writing by the Administrator of the Rural Electrification Administration.

12.02. Termination by Members. Notwithstanding the above, the Member may terminate its participation in this

Agreement at any time upon three years' written notice to NCPA, provided, however, that such terminating Member shall be obligated for all expenses and liabilities incurred prior to the effective date of such termination on its behalf by NCPA pursuant to and in accordance with this Agreement, and shall maintain its rights and liabilities as contained in the Service Schedules attached hereto. Further, such terminating Members shall in any event be obligated and bound by the Member covenants as contained herein and as are a part of the security afforded by this Agreement for the payment of principal of and premium, if any, and interest on any outstanding Bonds.

12.03      Execution of Agreement.      Members of NCPA desiring to enter into this Agreement must execute this Agreement before February 12, 1981, provided, however, members of NCPA may enter into this Agreement after such date upon a showing of good cause and with the approval of the Participating Members in accordance with the voting procedures of Section 2.05 herein, but in no event after February 12, 1982. This section does not apply to public entities that become members of NCPA after the effective date of this Agreement.

IN WITNESS WHEREOF each NCPA Member has executed a counterpart of this agreement with the approval of its governing body, and caused its official seal to be affixed

and NCPA has executed each counterpart of this agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER AGENCY

By [Signature]

and [Signature]  
CITY OF BIGGS

CITY OF ALAMEDA

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF LONPOC

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_

and \_\_\_\_\_

By [Signature]  
ARCHER E. PUGH, Mayor  
ATTEST:  
and [Signature]  
ETHEL A. RICHTER, City Clerk

FORM APPROVED

[Signature]  
CITY LEGAL DEPT.

*Santa Clara*

NORTHERN CALIFORNIA POWER AGENCY  
MEMBER SERVICE AGREEMENT

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NORTHERN CALIFORNIA POWER AGENCY

MEMBER SERVICE AGREEMENT

This Member Service Agreement, hereinafter referred to as the "Agreement", is made and entered into effective Feb. 12, 1981, by and between the Northern California Power Agency, hereinafter referred to as "NCPA", and the members of NCPA signing this or other Member Service Agreement with NCPA containing the same provisions set forth in Sections 2.01 through 2.05 inclusive, hereinafter individually or collectively referred to as "Members" unless the context requires otherwise.

WHEREAS, NCPA has heretofore been duly established as a public agency pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California and, among other things, is authorized to acquire, construct, finance, and operate buildings, works, facilities and improvements for the generation and transmission of electric power and energy for resale to public and private users; and

WHEREAS, each of the Members owns a system for the distribution of electric power and energy for public and private use and is authorized to obtain electric power and energy for its present or future requirements, through contracts with NCPA or otherwise; and

WHEREAS, NCPA has established and may establish projects for the supply of electric power and energy and may provide other services relating thereto to some or all of the Members from time to

time upon their request, and the Parties desire to formalize their relationships to provide the framework and certain terms of future agreements to be entered into between them, to avoid misunderstanding, and to facilitate the activities of NCPA;

NOW, THEREFORE, in consideration of the covenants of each of the Parties hereto, it is hereby agreed as follows:

## ARTICLE I

### DEFINITIONS

1.00. The following terms, when used in this Agreement with the first letter capitalized, whether in the singular or the plural shall have the following meanings:

1.01. "Delivery Point" for purposes of Sections 9.01 and is the point or points where electric power and energy enters the electric distribution system of each of the Members.

1.02. "Development Fund Projects" means projects under the "NCPA Member Agreement for Participation in Electric Power Development Fund", dated as of May 1, 1978, as amended, commonly referred to as the "Development Fund Agreement."

1.03. "First Phase" is defined in Section 2.02(a) hereof.

1.04. "NCPA" means the Northern California Power Agency, party signatory hereto.

1.05. "NCPA Percentage Participation" means the ratio of the maximum firm electric power demand of such Member for the year as reported to the Federal Energy Regulatory Commission for any member for the most recent prior calendar year to the total of such demand for all NCPA Members.

1.06. "NCPA Project" is defined in Section 2.01.

1.07. "Participating Member" means a member who enters into an agreement with NCPA relating to the Second Phase or Third Phase of an NCPA Project.

1.08. "Project Participation Percentage" means the percentages of participation of a Participating Member in an NCPA Project as specifically set forth in an agreement between NCPA and all Participating Members. Such agreement shall be a Service Schedule.

1.09. "Second Phase" is defined in Section 2.02(b).

1.10. "Service Schedule" means an agreement referred to in Section 2.04 inclusive of amendments thereto, or any other agreement between NCPA and Members made pursuant to this Agreement.

1.11. "Supplemental Power Supply" means any sources of power other than an NCPA Project.

1.12. "Third Phase" is defined in Section 2.02(c).

1.13. "Uncontrollable Forces" means act of God, a public enemy, sabotage, strikes, lockouts, riots, rebellions, injunctions, or interference through legal proceedings, municipal, State or Federal laws or regulations, or the requisitions of any governmental or acting authority, beyond the reasonable control of the Party.

## ARTICLE II

### PROJECT SERVICES

2.01. Scope. All projects undertaken by NCPA beyond the first phase shall be known as NCPA Projects, and the relationships between NCPA and its Members with respect to all phases of NCPA Projects shall be as provided for in this Agreement, except where the Service Schedule provides otherwise.

2.02. Phases. Any project undertaken by NCPA may have one or more of the following phases:

(a) First Phase consists of all preliminary investigation work done by NCPA staff on a project supported solely out of its general funds and prior to the time that NCPA declares it an NCPA Project. For the purpose of ending the First Phase, NCPA may declare a termination of investigations regarding the project or declare the project to be an NCPA Project by entering into an agreement with one or more Members desiring to participate as indicated in subsection (b) or (c) below.

(b) Second Phase consists of all work done after one or more of the Members has signed an agreement with NCPA for project study, design, or development, but before any Member has signed an agreement with NCPA for the Third Phase of the Project.

(c) Third Phase consists of all work done after one or more of the Members has contracted with NCPA to participate in the financing, construction, and/or rights to the output, of the NCPA Project.

Nothing herein prevents the combination of the Second and Third Phases if NCPA and the Participating Members so desire.

2.03. Participation. The Second and Third Phases shall be participated in and financed by those Members who elect to participate therein, and enter into an appropriate agreement therefor. Project Participation Percentage shall not be greater than the NCPA Percentage Participation of the Member divided by the sum of NCPA Percentage Participation of all Participating Members, unless the NCPA Project is not fully subscribed because one or more of the

Participating Members elects to have a Project Participation Percentage less than its maximum percentage. In such case any unsubscribed portion of the NCPA Project shall be divided among Participating Members electing to increase their share in proportion to their respective Project Percent Participation, unless otherwise unanimously agreed to by the Project Participating Members electing to increase their share.

Any agreement between NCPA and its Participating Members relating to the Third Phase of an NCPA Project shall provide for reimbursement of the expenditures of Members in the Second and Third Phases of such project, along with interest as provided for in the appropriate Service Schedule, out of final long term financing of the NCPA Project.

Those who are not Participating Members in the Second Phase may participate in the Third Phase provided no Second Phase Participating Member objects within 45 days after written notice of a desire to participate.

This section shall not apply to Development Fund Projects.

2.04. Service Schedules. All agreements between NCPA and Participating Members relating to the Second and Third Phases of NCPA Projects including Development Fund Projects shall be attached to this Agreement as Service Schedules, and shall be numbered consecutively in the order of their approval.

2.05. Project Voting. All Service Schedules for NCPA Projects other than Development Fund Projects, Calaveras, and Feather River shall provide as follows:

(a) that a quorum of the Commission, for purposes of acting upon matters relating to an NCPA Project, shall consist of those Commissioners, or their designated alternates, representing a numerical majority of the Participating Members in such project, or, in the absence of such, those Commissioners representing Members having a combined Project Participation Percentage of at least 50%.

(b) that special meetings of the Commission to act only on matters relating to an NCPA Project may be called by a majority of the Commissioners of Participating Members upon notice as required by the Ralph M. Brown Act.

(c) that at regular or special meeting of the Commission, voting on matters relating to an NCPA Project shall be by Project Participation Percentage, and more than a 50% affirmative vote shall be required to take action.

(d) that upon demand of any Commissioners (including alternates) of Project Participants in the involved NCPA Project at any meeting of the Commission other than the special meeting referred to in paragraph (b) above, the vote on any issue relating to such Project shall be by Project Participation Percentage and 65% or greater affirmative vote shall be required to take action.

(e) that any Project Participant may veto a discretionary action of the Project Participants relating to the project that was not taken by a 65% or more Project Participation Percentage vote within 10 days following mailing of notice of such Commissioner's action by giving written notice of veto to NCPA unless at a meeting of Commissioners or Alternates of Project Participants called for the purpose of considering the veto, held within 30 days after such

veto notice, the holders of 65% or more of the Project Participation Percentage shall vote to override the veto.

(f) that 65% of percentage participation specified in this section shall be reduced by the amount that the percentage participation of any member shall exceed 35%, but such 65% shall not be reduced below 50%.

2.06. (Reserved)

2.07. (Reserved)

2.08. No Unilateral Negotiations. Each member agrees that it shall neither individually, nor in concert with any other member or any third party, enter into a transmission, interconnection, integration, or any similar agreement with a private utility or public agency without first notifying NCPA.

### ARTICLE III

#### POWER AND ENERGY SALES TO THE MEMBER

3.01. NCPA Projects. As specified in Service Schedules attached hereto, NCPA shall deliver, or cause to be delivered, to the point of delivery the Member's participation share of the capacity and energy from such specified NCPA Projects.

3.02. Supplemental Power Supply. NCPA shall deliver or cause to be delivered Supplemental Power Supply from the suppliers of such capacity and energy to Members to the extent, if any, provided for in an agreement to be entered into between NCPA and such Members and attached hereto as a Service Schedule. NCPA's obligation to provide Supplemental Power Supply to any Member under such a Service Schedule shall be limited to the supplying party's obligation to provide such capacity and energy as set forth in the agreement or agreements to provide capacity and energy between NCPA and the

supplying party which shall become Service Schedules hereto. The Member shall pay to NCPA an amount for providing such Supplemental Power Supply to the Member as per Service Schedule.

#### ARTICLE IV

##### SCHEDULING OF RESOURCES

4.01. NCPA Projects and Supplemental Power Supply. NCPA shall schedule all power from NCPA Projects, and shall schedule all power from PG&E or other suppliers which the Members have requested NCPA to obtain for them, all in accordance with Service Schedules comprising agreements between NCPA and such Participating Members which shall be attached hereto.

4.02. Other Member Projects. NCPA may also schedule power from other projects in which the Members are involved, pursuant to an agreement between NCPA and such Members, which agreement shall be attached hereto as a Service Schedule. Such scheduling shall not be undertaken in a fashion that will reduce the benefits to Members of scheduling under the next preceding section.

4.03. Method. Scheduling by NCPA may be provided directly by NCPA, or pursuant to a contract between NCPA and another entity which will provide that function, with appropriate controls exercised by NCPA as may be provided in a Service Schedule between NCPA and its Members.

#### ARTICLE V

##### PLANNING

5.01. Forecasts by Members. Each Member shall submit to NCPA annually, within the time specified by NCPA, and at such other times as may be reasonably required, a forecast of the Member's peak demand and energy requirements for the ensuing



20 calendar year period, as well as a forecast of capacity and energy, if any, from sources other than NCPA Projects and Supplemental Power Supply.

5.02. Assistance to Members. A Member may upon request, and agreement to pay the costs thereof, obtain assistance from NCPA in preparing the forecast, pursuant to an agreement between such Member and NCPA which shall be attached hereto as a Service Schedule; but obtaining such assistance shall not relieve the Member of responsibility for the forecast.

5.03. Adoption of Plan. On the basis of the forecasts and other data supplied to NCPA by its Members, NCPA shall prepare in cooperation with such Members a plan for the supply of capacity and energy to all Members. Such plan shall be updated annually and shall include existing and potential sources of capacity and energy including NCPA Projects, Supplemental Power Supply, and all other sources of power available to the Members. NCPA shall formally adopt such a plan annually.

5.04. Forecast Errors. When actual usage by a Member exceeds the tolerances allowed for a forecast in a Service Schedule attached hereto, based on the agreement(s) between NCPA and the party or parties supplying capacity and energy to NCPA, and the total usage of all NCPA Members falls outside such tolerances, all Members whose usage exceeds the tolerance shall share the added cost resulting to NCPA on account of exceeding such tolerances in proportion to the amount of excess by each party.

## ARTICLE VI

### SALE OF SURPLUS POWER

6.01. Sale by NCPA. Except where the applicable Service Schedule provides otherwise, when a Member does not need its entire

share of an NCPA Project in which it is participating for a specific time interval, NCPA shall, if requested by such Member to do so, sell the portion of a Member share of an NCPA Project which is in excess of the Member's needs. In selling such power, NCPA shall be guided by the following:

1. NCPA shall use its best efforts to sell such excess power at a price at least equal to the Member's cost for such power.

2. Other Members participating in the Project shall have a right of first refusal, and other NCPA members shall have a second right, pursuant to paragraphs 4 and 5 of this Section 6.01.

3. NCPA shall not purchase power from other sources until it has disposed of all Members' excess power from NCPA Projects.

4. If NCPA can purchase equivalent power from other sources for less than the Member's cost for the excess power, the sale price of such power to another NCPA Member shall be equal to the cost of purchasing the power from another source.

5. If the alternative cost of purchasing power for other Members is more than a member's cost for the excess power from an NCPA Project, then the sales price shall be the Member's cost plus one-half the difference between the Member's cost and the cost of power from an alternative source.

6.02. Development Fund Projects. This article shall not apply to Development Fund Projects.

## ARTICLE VII

### REPORTS, RECORDS, ACCOUNTS, AUDITS

7.01. Records and Accounts. NCPA shall keep accurate records and accounts for each NCPA Project, for supplemental power supply,

for each identifiable service which it supplies to the Member or other Members through this Agreement or through any Service Schedule which may be entered into between NCPA and the Member or other Members, and for other transactions of NCPA. Such records and accounts shall be kept in general accordance with the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act, as adopted by the Federal Energy Regulatory Commission and amended from time to time, and shall be audited annually by a firm of independent certified public accountants experienced in electric utility accounting and of national reputation. Such records and accounts shall be made available to members by NCPA for inspection at any reasonable time, and a copy of such annual audit shall be submitted to the Member not later than four months after the end of NCPA's Fiscal Year.

7.02. Reports to Other Agencies. NCPA will submit such reports and records which are required or may be required by the California Energy Commission, the Federal Energy Regulatory Commission or other such local, state or federal agencies, as such reports and records are required for NCPA to fulfill its obligations under this Agreement.

7.03. Reports to Members. NCPA will prepare and issue to the Member the following reports each month of the contract year:

- a. Financial Operating Statement.
- b. Status of Annual Budget.
- c. Such additional reports as are required under the Service Schedules to which Member is a signatory.

## ARTICLE VIII

### BUDGETS

8.01. Principles. It is the intention of the parties hereto that the responsibilities and level of effort of NCPA's staff is set forth in this Agreement and the Service Schedules attached hereto, and that funding and support for staff will be provided by the Members to allow it to perform the functions mandated to them herein.

8.02. Adoption. NCPA shall prepare and submit to the Members at least three calendar months prior to each July 1 a proposed Annual Budget for the ensuing Fiscal Year. The Annual Budget shall include costs identifiable for each Service Schedule, costs associated with NCPA fulfilling other obligations as identified herein (General Fund), as required by any other agreements entered into by NCPA, and any contingency funds which NCPA deems necessary to maintain. After consideration of comments of the Members, NCPA shall adopt an Annual Budget for such Fiscal Year.

8.03. Amendments. During each Fiscal Year, NCPA shall from time to time review the Annual Budget for such Fiscal Year. In the event such review indicates that the Annual Budget does not, or will not, substantially correspond with actual receipts and expenditures, or if at any time during such Fiscal Year there are or are expected to be extraordinary receipts, credits or costs substantially affecting the Annual Budget, NCPA shall submit to the Members and subsequently adopt an amended Annual Budget which shall supersede the Annual Budget or amended Annual Budget.

8.04. Information. NCPA shall cause staff to develop a detailed progress reporting system. This system shall be based on presenting reports on a monthly basis with regard to status of work (actual status of work compared to planned status of work) and with regard to cost (actual costs to date compared to planned costs to date).

8.05. Payment. Each member shall pay amounts due in accordance with the budget adopted pursuant to Section 8.02 in four equal amounts payable on or before July 1, October 1, January 1 and April 1. If the budget is amended during the year, the remaining payments for that year shall be adjusted to reflect the amended budget. Any payments not made within 30 days following the due date shall bear interest at the prime rate of the Bank of America NT & SA, then in effect computed on a daily basis plus two percent until paid.

Nothing in this agreement shall obligate any Member to pay more to NCPA than is provided in Section 3(a) of Article IV of NCPA's Joint Powers Agreement and in Service Schedules approved by it attached hereto.

## ARTICLE IX

### LIABILITY OF PARTIES

9.01. Division of Responsibility. Neither NCPA, nor its Members, nor a corporation acting on behalf of NCPA or the Members, shall be responsible for the transmission, control, use, or application of electric capacity and energy provided under the Service Schedules attached hereto on the other party's side of the Delivery Point therefor and shall not, in any event, be liable for damage

or injury to any person or property whatsoever arising, accruing, or resulting from, in any manner, the receiving, transmission, control, use, application, or distribution by NCPA, or its Members, or a corporation acting on behalf of NCPA or the Members, of said electric power and energy on the other party's side of the delivery point.

9.02. Indemnity. NCPA and the Members individually shall indemnify, defend, hold and save each other harmless from any and all loss or damage sustained, and from any and all liability to any person or property incurred by the other(s) by reason of any act or performance, or failure to act or perform, on the part of the indemnifying part or its officers, agents, or employees in constructing, maintaining or operating the indemnifying party's apparatus, appliances, or other property, or in the transmission, control or application, redistribution, delivery, or sale of said power and energy on the indemnifying party's side of said Delivery Point. Such indemnification shall hold harmless the one indemnified, its agents, servants, and employees, from and against any and all liability and any and all losses, damages, injuries, costs, and expenses, including expenses incurred by the one indemnified, its agents, servants, or employees, in connection with investigating any claim or defending any action and including reasonable attorney's fees incurred or suffered by the one indemnified, its agents, servants, or employees.

## ARTICLE X

### ASSIGNMENT OF AGREEMENT

10.01. Limitations. This Agreement, exclusive of the Service Schedules, shall inure to the benefit of and shall be binding upon the respective successors and assignees of the parties to this

Agreement; provided, however, that, except as provided in the event of a default, and, except for the assignment by NCPA authorized hereby, neither this Agreement nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other party hereto; provided, however, that such consent shall not be withheld unreasonably. No assignment or transfer of this Agreement shall relieve the parties of any obligation hereunder, except as otherwise so provided herein. This Agreement shall not be assigned by Plumas-Sierra Rural Electric Cooperative without the approval in writing of the Administrator of the Rural Electrification Administration.

10.02. Pledge. The Members acknowledge and agree that NCPA or a corporation acting on behalf of NCPA may assign and pledge to a corporation acting on behalf of NCPA or any Trustee designated in a Bond Resolution any of NCPA's rights under the provisions of this Agreement exclusive of any Service Schedule except as expressly provided therein. Upon the execution of such assignment and pledge, such assignee shall have the rights and remedies herein provided to NCPA, and any reference herein to NCPA shall be deemed, with the necessary changes in detail, to include such assignee which shall be a third-party beneficiary of the covenants and agreements of the Member herein contained.

## ARTICLE XI

### UNCONTROLLABLE FORCES

11.01. No default. None of the Parties shall be considered to be in default with respect to any obligation hereunder other than the payment of money if prevented from fulfilling such obligation by reason of Uncontrollable Forces but such Party shall, howeve

use reasonable diligence to put itself again in a position to carry out its obligations hereunder.

## ARTICLE XII

### TERM OF AGREEMENT

12.01. Original Term. Except as specifically otherwise provided herein, this Agreement shall become effective upon the date first above written and shall continue in full force and effect for a period of thirty (30) years from said effective date or until termination of all Service Schedules attached hereto, whichever occurs last. Thereafter this Agreement shall continue until terminated by any party by written notice to all Parties giving not less than three years' intention to terminate.

This Agreement, any amendments thereto, and any Service Schedule shall not be binding upon Plumas-Sierra Rural Electric Cooperative until approved in writing by the Administrator of the Rural Electrification Administration.

12.02. Termination by Members. Notwithstanding the above, the Member may terminate its participation in this Agreement at any time upon three years' written notice to NCPA, provided, however, that such terminating Member shall be obligated for all expenses and liabilities incurred prior to the effective date of such termination on its behalf of NCPA pursuant to and in accordance with this Agreement, and shall maintain its rights and liabilities as contained in the Service Schedules attached hereto. Further, such terminating Member shall in any event be obligated and bound by the Member covenants as contained herein, and as are a part of the security afforded by this Agreement for the payment of principal of and premium, if any, and interest on any outstanding Bonds.

12.03. (Reserved).



NORTHERN CALIFORNIA POWER AGENCY

By: [Signature]

and A. D. L. L. L.

CITY OF BIGGS

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

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

and \_\_\_\_\_

and

CITY OF HEALDSBURG

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

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

and \_\_\_\_\_

and

CITY OF LOMPOC

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

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

and

and

CITY OF REDDING

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

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

and

and

CITY OF SANTA CLARA

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

Bv: *[Signature]*

and

and *Hydrophilus* 1000000

PLUMAS SIERRA RÚRAL ELÉCTRIC  
COOPERATIVE

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

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

and

333

Agreement for Construction, Operation and  
Financing of the North Fork Stanislaus River  
Hydroelectric Development Project

[See attached.]

AGREEMENT FOR CONSTRUCTION, OPERATION AND FINANCING  
OF THE NORTH FORK STANISLAUS RIVER  
HYDROELECTRIC DEVELOPMENT PROJECT

Dated as of September 1, 1982

By and Among

NORTHERN CALIFORNIA POWER AGENCY

and

City of Alameda  
City of Biggs  
City of Gridley  
City of Healdsburg  
City of Lodi  
City of Lompoc  
City of Palo Alto  
City of Redding  
City of Roseville  
City of Santa Clara  
City of Ukiah  
Plumas-Sierra Rural Electric Cooperative

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AGREEMENT FOR CONSTRUCTION, OPERATION AND FINANCING  
OF THE NORTH FORK STANISLAUS RIVER  
HYDROELECTRIC DEVELOPMENT PROJECT

This Agreement, dated as of September 1, 1982, by and among Northern California Power Agency, a joint powers agency of the State of California (hereinafter called "NCPA") and the other entities executing this Agreement.

WITNESSETH:

WHEREAS, NCPA and Calaveras County Water District (hereinafter called "CCWD") entered into a Memorandum of Understanding, dated May 31, 1977 and June 2, 1977, amended on November 2, 1978, and further amended on November 19, 1979, under which CCWD agreed to construct and own a hydroelectric project on the North Fork Stanislaus River and to sell capacity and energy of such project to NCPA, which Memorandum of Understanding, as so amended, has terminated or will terminate upon the issuance of the Federal Energy Regulatory Commission license for the Project;

WHEREAS, NCPA and its members entered into a "Member Agreement for Financing of Planning and Development Activities of the Calaveras Hydroelectric Project" made as of June 26, 1980, providing for the financing of certain planning activities in connection with the Project (said Contract, as it may be amended and supplemented from time to time, being hereinafter called the "Second Phase Agreement"); and

WHEREAS, this Agreement is the "Final Power Contract" contemplated in the Second Phase Agreement; and

WHEREAS, NCPA and CCWD entered into the North Fork Stanislaus River Hydroelectric Development Project Power Purchase Contract, dated as of July 6, 1981, providing for the financing, construction, ownership and operation of the Project, the sale of capacity and energy of the Project to NCPA, and the security for Bonds to be issued to finance the Project (said Contract, as it may be amended and supplemented from time to time, being hereinafter called the "Power Purchase Contract"); and

WHEREAS, NCPA and its members have entered into one of three Member Service Agreements, effective February 12, 1981 (said Agreements, as they may be amended and supplemented from time to time, being hereinafter called the "Member Service Agreement"), which provide for services which NCPA shall perform for its members, among other things, and for the provisions to be contained in Second and Third Phase agreements, such as the Second Phase Agreement, and this Agreement; and

WHEREAS, pursuant to the Power Purchase Contract, NCPA and the Project Participants (as hereinafter defined) now wish to enter into this Agreement to provide further for the construction, operation and financing of the Project, the sale by NCPA of capacity and energy of the Project to the Project Participants, and the security for the Bonds to be issued to finance the Project;

NOW THEREFORE, the parties hereto do agree as follows:

1. Definitions. The terms "Project", "FERC", "CCWD Bonds", "Bond Resolution", "NCPA Bonds", "Bonds", "Trustee" and "Full Operation Date" shall have the respective meanings in this Agreement as ascribed thereto in the Power Purchase Contract and, in addition:

(a) "Electric System" means all properties and assets, real and personal, tangible and intangible, of the Project Participant now or hereafter existing, used or pertaining to the generation, transmission, transformation, distribution and sale of electric capacity and energy, including all additions, extensions, expansions, improvements and betterments thereto and equipments thereof; provided, however, that to the extent the Project Participant is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described electric purposes, only the Project Participant's ownership interest in such asset or property or only the part of the asset or property so used for electric purposes shall be considered to be part of its Electric System.

(b) "Project Entitlement Percentage" means, with respect to each Project Participant, the percentage set forth opposite the name of such Project Participant in Appendix A hereto, as such Appendix A shall be amended from time to time in accordance with Section 14 of this Agreement.

(c) "Project Participants" means those entities listed in Appendix A hereto and executing this Agreement, together in each case with their respective successors or assigns.

(d) "Revenues" means all income, rents, rates, fees, charges, and other moneys derived by the Project Participant from the ownership or operation of its Electric System, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of the electric capacity and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Electric System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to its Electric System and (iii) the proceeds derived by the Project Participant directly or indirectly from the sale, lease or other disposition of all or a part of the Electric System as permitted hereby, but the term "Revenues" shall not include (y) customers' deposits or any other deposits subject to refund until such deposits have become the

property of the Project Participant, or (z) contributions from customers for the payment of costs of construction of facilities to serve them pursuant to agreements executed or made prior to the date of this Agreement.

(e) "Significant Transaction" means any transaction pursuant to Section 9(c) of this Agreement which, when combined with any prior or contemporaneous transaction pursuant to said Section 9(c), would result in the Project Entitlement Percentage of any Project Participant being either (i) less than its original Project Entitlement Percentage minus a Project Entitlement Percentage of 4.000%, or (ii) greater than its original Project Entitlement Percentage multiplied by 2.0.

(f) "Temporary Bonds" means Bonds issued for the purpose of financing studies, the acquisition of options, permits and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project and for the purpose of providing temporary financing of costs of acquisition and construction of the Project and which are designated as Temporary Bonds in the Bond Resolution authorizing the issuance of such Temporary Bonds.

2. Purpose. The purpose of this Agreement is to sell capacity and energy of the Project to the Project Participants, to provide the terms and conditions of such sale and to provide for the financing of the Project.

3. Construction and Operation. NCPA will use its best efforts to cause or accomplish the construction, operation and financing of the Project, the obtaining of all necessary authority and rights, and the performance of all things necessary and convenient therefor, all in accordance with the Power Purchase Contract. Each Project Participant will cooperate with NCPA to that end, and will give any and all clarifying assurances by supplemental agreements that may be reasonably necessary in the opinion of CCWD's and NCPA's respective legal counsel to make the obligations herein more specific and to satisfy legal requirements and provide security for the Bonds.

NCPA may pledge and assign to any Trustee for NCPA Bonds, CCWD and any Trustee for CCWD Bonds, or any of them, all or any portion of the payments received hereunder from Project Participants, and upon notice from NCPA each Project Participant shall make payments due by it hereunder directly to any Trustee for NCPA Bonds, CCWD or any Trustee for CCWD Bonds, or any of them, as the case may be. Such pledge and assignment by NCPA shall be made effective for such time as NCPA shall determine and provide.

4. Sale and Delivery of Capacity and Energy from the Project. (a) Pursuant to the terms of this Agreement, NCPA shall provide to each Project Participant, and each Project Participant shall take, or cause to be taken, such Project Participant's Project

Entitlement Percentage of the capacity and energy of the Project to which NCPA is entitled under the Power Purchase Contract.

(b) NCPA will remain available to do all things necessary and possible to deliver or cause to be delivered to or for the Project Participants in accordance with their respective Project Entitlement Percentages of the capacity and energy of the Project to which NCPA is entitled under the Power Purchase Contract. Such delivery shall be at points mutually agreed upon by NCPA and the respective Project Participants. Such agreement shall not be unreasonably withheld by either NCPA or the respective Project Participants. NCPA will remain available to make or cause to be made all necessary and possible arrangements for transmission of such capacity and energy over the lines of NCPA or others, and for additional capacity and energy required from others as reserves against planned or emergency service interruptions with respect to the Project. Wheeling or delivery services by NCPA with related energy sales to the Project Participants shall be as provided in service schedules as provided in Article III of the Member Service Agreement.

5. Rates and Charges. (a) Commencing on the Full Operation Date, NCPA shall fix charges to the Project Participants under this Agreement to produce revenues to NCPA from the Project equal to the amounts anticipated to be needed by NCPA to meet the total costs of NCPA to provide capacity and energy from the Project, including but not limited to (i) debt service on the Bonds, reserves for the payment of debt service on the Bonds and other payments required under the Bond Resolution other than payments described in (iii) below, (ii) all other payments provided to be made by NCPA under the Power Purchase Contract, (iii) any other operation, maintenance and replacement costs of the Project, a reasonable reserve for contingencies, and all other Project costs other than costs and expenses pursuant to Section 4(b), and (iv) costs and expenses of NCPA for delivering Project capacity and energy pursuant to Section 4(b) of this Agreement. NCPA shall fix charges to the Project Participants to produce revenues to NCPA from the Project to meet the costs described in (i) and (ii) above based on Project Entitlement Percentages and to meet the costs described in (iii) above based on the anticipated energy sales of the Project. If NCPA delivers Project capacity and energy to or for any Project Participant pursuant to Section 4(b) of this Agreement, NCPA shall fix charges to each such Project Participant so as to pay the costs of such delivery without liability to any Project Participant for whom Project capacity and energy is not so delivered by NCPA.

(b) To the extent that the funds provided under Section 5(a) of this Agreement are not sufficient for such purposes, each Project Participant shall pay to NCPA an amount equal to such Project Participant's Project Entitlement Percentage of the total cost to pay all amounts of principal and interest on the Bonds, reserves for the payment of debt service and other payments required under the Bond Resolution and all other payments required to be made by NCPA under



the Power Purchase Contract. The obligation of this Section 5(b) is incurred by each Project Participant for the benefit of future holders of Bonds, and shall commence and continue to exist and be honored by Project Participants whether or not capacity or energy is furnished to them from the Project at all times or at all (which provision may be characterized as an obligation to pay all costs on a take-or-pay basis whether or not such Project capacity or energy is delivered or provided).

(c) Each Project Participant shall make payments under this Agreement solely from the Revenues of, and as an operating expense of, its Electric System; provided, however, that so long as no Bonds other than Temporary Bonds are outstanding, to the extent stated in the Bond Resolution authorizing Temporary Bonds then outstanding, Project Participants shall make payments under this Agreement from the Revenues of such Project Participants' Electric Systems but only after the payment of operating expenses thereof. Each Project Participant hereby pledges its Revenues to the payments required hereunder. Nothing herein shall be construed as prohibiting any Project Participant from using any other funds and revenues for purposes of satisfying any provisions of this Agreement. In the event that payments under this Agreement as an operating expense of a Project Participant's Electric System would violate the provisions of an agreement to which such Project Participant is a party, such Project Participant shall, if so requested by NCPA, with all diligence proceed to comply with the provisions of any such agreement so as to constitute the payments under this Agreement as an operating expense. So long as a Project Participant is in compliance with all its obligations hereunder, such pledge shall not prevent its application of Revenues to other operating expenses of its Electric System or, subject to the payment of such operating expenses, to other lawful purposes, nor impair the rights of any recipient of Revenues lawfully so applied.

(d) Each Project Participant shall make payments under this Agreement whether or not the Project is completed, operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of Project output or the capacity and energy contracted for in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether by offset or otherwise, and are not conditioned upon performance by CCWD, NCPA or any other Project Participant under this Agreement or any other agreement.

(e) No Project Participant shall be liable under this Agreement for the obligations of any other Project Participant. Each Project Participant shall be solely responsible and liable for performance of its obligations under this Agreement and for the maintenance and operation of its respective properties not included as part of the Project. The obligation of each Project Participant to make

payments under this Agreement is a several obligation and not a joint obligation with those of the other Project Participants.

(f) Each Project Participant covenants and agrees to establish and collect fees and charges for electric capacity and energy furnished through facilities of its Electric System sufficient to provide Revenues adequate to meet its obligations under this Agreement and to pay any and all other amounts payable from or constituting a charge and lien upon any or all such Revenues.

(g) Each Project Participant covenants and agrees that it shall, at all times, operate the properties of its Electric System and the business in connection therewith in an efficient manner and at reasonable cost and shall maintain its Electric System in good repair, working order and condition.

6. **Annual Budget and Billing Statement.** Prior to the beginning of each NCPA fiscal year, NCPA will adopt an annual budget for such fiscal year for costs and expenses relating to the Project and shall promptly give notice to each Project Participant of its projected share of such costs and expenses. A billing statement prepared by NCPA will be sent to each Project Participant not later than the fifteenth (15th) day after the end of each calendar month showing the amount payable by such Project Participant of costs payable under Section 5(a) of this Agreement for the next preceding calendar month, the amount payable by such Project Participant as its Project Entitlement Percentage of costs payable under Section 5(b) of this Agreement for the next succeeding calendar month, and the amount of any credits. Amounts shown on the billing statement are due and payable thirty (30) days after the date of the billing statement. Any amount due and not paid by the Project Participant within thirty (30) days after the date of the billing statement shall bear interest from the due date until paid at an annual rate to be established by NCPA at the time of adoption of the annual budget.

On or before the day five (5) calendar months after the end of each NCPA fiscal year, NCPA shall submit to each Project Participant a statement of the aggregate monthly costs for such fiscal year. If the actual aggregate monthly costs and the Project Participant's Project Entitlement Percentage thereof pursuant to this Agreement, and other amounts payable for any fiscal year, exceed the estimate thereof on the basis of which the Project Participant has been billed, the deficiency shall be added to the next succeeding billing statement. If the actual aggregate monthly costs and the Project Participant's Project Entitlement Percentage thereof and any adjustment of or credit to the Project Participant's Project Entitlement Percentage thereof or other amounts payable for any fiscal year are less than the estimate on the basis of which the Project Participant has been billed, NCPA shall credit such excess against the Project Participant's next billing statement.

If a Project Participant questions or disputes the correctness of any billing statement by NCPA, it shall pay NCPA the amount claimed when due and shall within thirty (30) days of its receipt request an explanation from NCPA. If the bill is determined to be incorrect, NCPA will issue a corrected bill and refund any amount which may be due the Project Participant which refund shall bear interest from the date NCPA received payment until the date of the refund at an annual rate to be established by NCPA at the time of adoption of the annual budget. If NCPA and the Project Participant fail to agree on the correctness of a bill within thirty (30) days after the Project Participant has requested an explanation, the parties shall promptly submit the dispute to arbitration under section 1280 et seq. of the Code of Civil Procedure.

7. Obligation in the Event of Default. (a) Upon failure of any Project Participant to make any payment in full when due under this Agreement or to perform any other obligation hereunder, NCPA shall make written demand upon such Project Participant, and if said failure is not remedied within thirty (30) days from the date of such demand, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each other Project Participant by NCPA.

(b) Upon the failure of any Project Participant to make any payment which failure constitutes a default under this Agreement, NCPA shall use its best efforts to sell and transfer for the defaulting Project Participant's account all or a portion of such Project Participant's Project Entitlement Percentage of Project capacity and energy for all or a portion of the remainder of the term of this Agreement. Notwithstanding that all or any portion of the Project Participant's Project Entitlement Percentage of Project capacity and energy is so sold or transferred, the Project Participant shall remain liable to NCPA to pay the full amount of its Project Entitlement Percentage of monthly costs as if such sale or transfer had not been made, except that such liability shall be discharged to the extent that NCPA shall receive payment from the purchaser or transferee thereof.

(c) Upon the failure of any Project Participant to make any payment which failure constitutes a default under this Agreement and causes NCPA to be in default under the Power Purchase Contract or any Bond Resolution, NCPA may (in addition to the remedy provided by subsection (b) of this Section 7) terminate the provisions of this Agreement insofar as the same entitle the defaulting Project Participant to its Project Entitlement Percentage of Project capacity and energy. Irrespective of such termination, the obligations of the Project Participant under this Agreement shall continue in full force and effect.

(d) Upon the failure of any Project Participant to make any payment which failure constitutes a default under this Agreement, and

except as sales or transfers are made pursuant to subsection (b) of this Section 7, (i) the Project Entitlement Percentage of each nondefaulting Project Participant shall be automatically increased for the remaining term of this Agreement pro rata with those of the other nondefaulting Project Participants and (ii) the defaulting Project Participant's Project Entitlement Percentage shall (but only for purposes of computing the respective Project Entitlement Percentages of the nondefaulting Project Participants) be reduced correspondingly; provided, however, that the sum of such increases for any nondefaulting Project Participant shall not exceed, without written consent of such nondefaulting Project Participant, an accumulated maximum of 25% of the nondefaulting Project Participant's original Project Entitlement Percentage.

(e) If a Project Participant shall fail or refuse to pay any amounts due to NCPA, the fact that other Project Participants have increased their obligation to make such payments shall not relieve the defaulting Project Participant of its liability for such payments, and any Project Participant increasing such obligation shall have a right of recovery from the defaulting Project Participant to the extent of such respective increase in obligation caused by the defaulting Project Participant.

(f) Any Trustee for NCPA Bonds or for CCWD Bonds shall have the right, as a third party beneficiary, to initiate and maintain suit to enforce this Agreement to the extent provided in any Bond Resolution and, in the case of a Trustee for CCWD Bonds, the Power Purchase Contract.

8. Covenant with Respect to Additional Obligations of Project Participant. No Project Participant shall issue bonds, notes or other evidences of indebtedness, or cause indebtedness to be issued on its behalf, or enter into an agreement which secures indebtedness of such Project Participant or another entity and which agreement requires such Project Participant to take or to take-or-pay for capacity and energy from a project, payable from the Revenues of its Electric System on a parity with or superior to the payment of operating expenses of its Electric System, unless payment of such indebtedness or agreement is on a parity with the payment of operating expenses of its Electric System and either: (i) an independent consulting engineer or engineering firm or corporation having a national and favorable reputation for special skill, knowledge and experience in analyzing the operations of electric utility systems shall render and file with NCPA a written opinion that the incurring of any such indebtedness or the entering into any such agreement will not materially adversely affect the capacity of such Project Participant to meet its obligations and covenants under this Agreement; or (ii) the annual payments under such indebtedness or agreement are fixed and the Revenues for the fiscal year next preceding the approval of such indebtedness or agreement are at least (a) 1.25 times the maximum annual amount of such payments pursuant to

Section 5(b) of this Agreement and under the proposed indebtedness or agreement and all other similar indebtedness and agreements, plus (b) the sum of all other amounts payable from or constituting a charge or lien upon any of the Revenues in such preceding fiscal year.

Notwithstanding the foregoing, none of the provisions contained in this Section 8 shall be construed as affecting the right of Plumas-Sierra Rural Electric Cooperative to issue additional notes under and pursuant to its existing security instruments, as the same may be from time to time amended or supplemented, securing loans made by the United States of America acting through the Administrator of the Rural Electrification Administration and by the National Rural Utilities Cooperative Finance Corporation.

9. Transfers, Sales and Assignments of Capacity. Each Project Participant has full and unfettered rights to make transfers, sales and/or assignments of capacity, energy, and rights thereto except as expressly provided otherwise in this Agreement. (a) No Project Participant shall transfer ownership of all or substantially all of its Electric System to another entity until it has first complied with the provisions of this subsection (a). A consolidation with another governmental entity or change in governmental form is not deemed a transfer of ownership.

(1) Such disposition or transfer shall be under terms and conditions that provide assurance that the obligations of the transferring Project Participant under this Agreement, and that NCPA's obligations under this Agreement, the Power Purchase Contract, and any Bond Resolution, and under other agreements made or to be made by NCPA to carry out the Project, will be promptly and adequately met. NCPA may require that sufficient moneys of the transferring Project Participant to discharge such obligations be irrevocably set aside and maintained in a trust account, as a condition to the transfer of the Electric System, if no other adequate assurance is available.

(2) The transferring Project Participant shall give written notice to NCPA of any proposed transfer pursuant to this subsection (a). Appendix A to this Agreement shall be amended as appropriate to reflect any transaction pursuant to this subsection (a).

(b) Notwithstanding any other provision of this Agreement, no Project Participant shall transfer, assign, sell or exchange any Project capacity and energy, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the NCPA Bonds or CCWD Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1954, as amended, by reason of

classification of such Bond as an "industrial development bond" within the meaning of Section 103(b) of said Code.

(c) Prior to the date of issuance of Bonds other than Temporary Bonds, any Project Participant may, subject to subsection (b) of this Section 9, transfer, assign, sell or exchange all or a portion of the Project capacity and energy to which such Project Participant is entitled in accordance with this subsection (c). Such capacity and energy may be offered to other Project Participants. Each such Project Participant shall be limited in its right to such capacity and energy as against any other such Project Participant in proportion to their Project Entitlement Percentages thereof. Any such transferee, assignee, exchangee or vendee shall be entitled to Project capacity and energy to the extent the same are so transferred, assigned, exchanged or sold. The Project Entitlement Percentage of the Project Participant so transferring, assigning, exchanging or selling shall be decreased and the obligations of such Project Participant under this Agreement shall be discharged to the extent Project capacity and energy is transferred, assigned, exchanged or sold; provided, however, that such Project Participant shall remain liable for all obligations of NCPA incurred prior to the date of such transfer, assignment, exchange or sale to the extent of its Project Entitlement Percentage unless such obligations are specifically assumed by the transferee, assignee, exchangee or vendee of such Project Participant. Any such transaction which would discharge or reduce any Project Participant's obligation pursuant to this subsection (c) shall be subject to the prior approval of NCPA and in addition, each Significant Transaction shall be subject to the approval of each Project Participant unless NCPA determines, after consultation with its consulting engineer, that such approval should not be required. Appendix A to this Agreement shall be amended as appropriate to reflect any such transaction pursuant to this subsection (c) changing any Project Entitlement Percentage. Where a transfer, assignment, sale, or exchange is made of Project energy or capacity without decreasing a Project Participant's obligations under this Agreement, no approval is required under this subsection (c).

10. Surplus Capacity and Energy. When a Project Participant has surplus capacity and/or energy from the Project, NCPA shall, if requested by such Project Participant to do so, sell such surplus capacity and/or energy in the following manner:

(a) NCPA shall use its best efforts to sell such surplus capacity and/or energy at a price at least equal to the Project Participant's cost therefor.

(b) Other Project Participants shall have a right of first refusal, and other NCPA members shall have the second right at the sales prices set forth in subsections (c) and (d) of this Section 10.

(c) If NCPA can purchase equivalent capacity and/or energy from other sources for less than the Project Participant's cost for surplus capacity and/or energy, as the case may be, the sales price of such capacity and/or energy to another Project Participant or NCPA member shall be equal to the cost of purchasing the capacity and/or energy from such other source.

(d) If the alternative cost of purchasing capacity and/or energy for other Project Participants or members of NCPA is more than the Project Participant's cost of surplus capacity and/or energy from the Project, then the sales price shall be the Project Participant's cost plus one-half the difference between the Project Participant's cost and the cost of capacity and/or energy from an alternative source.

11. Insurance and Indemnification. NCPA shall obtain or cause to be obtained insurance for the Project covering such risks, in such amounts and with such deductibles as shall be determined by NCPA. NCPA shall indemnify and hold harmless each Project Participant from any liability for bodily injury or property damage resulting from any accident or occurrence arising out of or in any way related to the construction or operation of the Project.

12. Member Direction and Review. NCPA shall comply with all lawful directions of the Project Participants with respect to this Agreement, while not stayed or nullified, to the fullest extent authorized by law. Actions of Project Participants, including giving above directions to NCPA, will be taken only at meetings of authorized representatives of Project Participants duly called and held pursuant to the Ralph M. Brown Act.

(a) A quorum of the NCPA Commission for purposes of acting upon matters related to the Project shall consist of those Commissioners, or their designated alternates, representing a numerical majority of the Project Participants, or, in the absence of such, those Commissioners representing Project Participants having a combined Project Entitlement Percentage of at least 50%.

(b) Special meetings of the Commission to act only on matters relating to the Project may be called by a majority of the Commissioners of Project Participants upon notice as required by the Ralph M. Brown Act.

(c) At regular or special meetings of the Commission, voting on matters relating to the Project shall be by Project Entitlement Percentage, and a 50% or greater affirmative vote shall be required to take action, unless the Project Participants agree at such meetings that voting will be on a one member one vote basis, with a majority vote of those present required for action.

(d) Upon demand of any Commissioners (including alternates) of Project Participants, at any meeting of the Commission other than a special meeting referred to in subsection (b) of this Section 12, the vote on any issue relating to the Project shall be by Project Entitlement Percentage and 65% or greater affirmative vote shall be required to take action.

(e) Any Project Participant may veto a discretionary action of the Project Participants relating to the Project that was not taken by a 65% or greater Project Entitlement Percentage vote within 10 days following mailing of notice of such Commissioners' action, by giving written notice of veto to NCPA, unless at a meeting of Commissioners or alternates of Project Participants called for the purpose of considering the veto and held within 30 days after such veto notice, the holders of 65% or greater of the Project Entitlement Percentage shall vote to override the veto.

(f) The sixty-five percent of the Project Entitlement Percentage specified in this Section 12 shall be reduced by the amount that the Project Entitlement Percentage of any Project Participant shall exceed 35%, but such 65% shall not be reduced below 50%.

13. Term. This Agreement shall not take effect until it and/or any supplement to it provided for in Section 2(c) of the Second Phase Agreement has been duly executed and delivered to NCPA by Project Participants the Project Entitlement Percentages of which, in the aggregate, equal 100%, all in accordance with Section 2(c) of the Second Phase Agreement and accompanied by an opinion for each Project Participant of an attorney or firm of attorneys in substantially the form attached hereto as Appendix B, and by evidence satisfactory to NCPA (a) of authority to enter into this Agreement, in compliance with Section 5C of "Amended and Restated Member Agreement for Construction, Operation and Financing of NCPA Geothermal Generating Unit #2 Project," made as of January 1, 1980 by NCPA and Purchasing Participating Members or (b) that such authority is not necessary.

Notwithstanding the delay in effective date of this Agreement until the Project Entitlement Percentages in the aggregate equal 100%, it is agreed by all signatories hereto that in consideration for NCPA's signature hereto, and for its commitment to use its best efforts to obtain the 100% commitment within 90 days following August 1, 1982, each Project Participant upon its execution and delivery of each agreement to NCPA along with required opinion and any required evidence of authority as called for shall be immediately bound not to withdraw its respective offer herein made to enter into this Agreement as executed and/or supplemented or to decrease its respective participation percentage during the 90 day period commencing August 1, 1982. The term of this Agreement shall continue until the later of (i) all Bonds issued have been retired, or full



provisions made for their retirement, including interest until their retirement date or (ii) expiration or termination of the Power Purchase Contract. This Agreement shall expire and terminate if the first series of Bonds shall not be issued on or before September 30, 1983 or one year from the date the FERC license relating to the Project is final and not subject to appeal, whichever is the later.

14. **Termination and Amendments.** This Agreement shall not be subject to termination by any party under any circumstances, whether based upon the default of any other party under this Agreement, or any other instrument, or otherwise, except as specifically provided herein.

Except as otherwise provided in this Agreement, so long as any Bonds are outstanding and unpaid and funds are not set aside for the payment or retirement thereof in accordance with the applicable Bond Resolution, this Agreement shall not be amended, modified or otherwise changed or rescinded by agreement of the parties without the consent of each Trustee for NCPA Bonds or COWD Bonds whose consent is required under the applicable Bond Resolution.

15. **Member Service Agreement.** This Agreement is a service schedule and a Third Phase agreement attached to and incorporated into the Member Service Agreement. This Agreement shall be construed as the more specific terms governing the general relationship between the parties set out in the Member Service Agreement in connection with the Project.

16. **Second Phase Agreement.** The Second Phase Agreement is superseded by this Agreement, except that section 4 thereof shall remain in effect as provided by section 5 of the Second Phase Agreement unless changed by formal action of all of the Project Participants. Said section 4 is as follows:

"Section 4. **Conditional Repayment to Members.** All payments and advances made pursuant to Section 1 excluding interest paid on delinquent payments shall be repaid to each of the entities making such payments and advances pursuant to this Agreement out of the proceeds of the first issuance of the Project bonds or as and when there are sufficient funds available from the partial sale of bonds. Such reimbursements shall be made within 60 days following the sale of any Project bonds and shall include interest computed monthly at a rate equivalent to the end of the month prime rate of the Bank of America NT&SA. Any interest due under the third paragraph of section 1 of this Agreement and unpaid shall be deducted from the repayments. If Calaveras is not successful in obtaining a Project license from FERC, there shall be no reimbursement except out of unused Project funds including those then in Calaveras Working Capital and Contingency Fund account and

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF ALAMEDA

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_

and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_

and \_\_\_\_\_

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By [Signature]  
And [Signature]

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By [Signature]  
And [Signature]

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By Michael W. McDonald  
And Jean McMillan

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

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IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By Fred M. Reed Mayor  
And [Signature] City Clerk

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

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IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By [Signature]  
and Minerva Blades

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF ALAMEDA

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

and \_\_\_\_\_

Mayor and City Manager  
CITY OF REDDING

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_

Final Draft of August 26, 1982 is hereby approved:

William L. Mitchell  
City Controller

Edward K. Aghaj  
Director of Utilities

James W. Moore  
Director of Budget and  
Resource Management

Donald R. Lusk  
Loss Control Manager



all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By [Signature]  
and [Signature]

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By [Signature]  
and [Signature]

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

[Signature]  
City Clerk of the City of Roseville, California  
8/31/82

The foregoing instrument is a correct copy of  
the original on file in this office.

-15-

ATTEST: \_\_\_\_\_  
City Clerk of the City of Roseville, California

[Signature]  
DEPUTY CLERK

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF ALAMEDA

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_

and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_

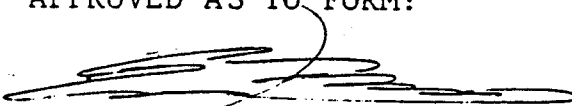
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_

and \_\_\_\_\_

APPROVED AS TO FORM:

  
City Attorney (City of Santa Clara)

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By Walter B. Riley Mayor  
and [Signature] City Clerk

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
and \_\_\_\_\_

all money Calaveras is obligated to pay or return to NCPA in connection with the Memorandum along with all other receipts to which NCPA is entitled in connection with the Project."

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
and \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
and \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By [Signature]  
and [Signature]

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	7.39%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
 Total	 100.000%

Confirmed:

Signature

Date:

11-23-82

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	0.10 %
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	100.000%

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	1.06
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	100.000%

Confirmed:

Signature

Date:

Nov. 24, 1982



SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	1.51%
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	100.000%

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	10.37%
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	<hr/> 100.000%

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	2.3%
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	<hr/> 100.000%

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	22.92%
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	100.000%

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	$\frac{1}{2}$
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	10.04
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
 Total	 100.000%

Confirmed:

Signature

Mayor

Date: December 6, 1982

FORM APPROVED

CITY LEGAL DEPT.

12-1-82-16-

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	6.86
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	100.000%

Confirmed:

*W. Hutchinson*  
Signature

Date:

11-30-82

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	33.72%
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	
Total	<hr/> 100.000%

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	2.04%
Plumas-Sierra Rural Electric Cooperative	
Total	100.000%



## APPENDIX A

SCHEDULE OF PROJECT PARTICIPANTS  
AND PROJECT ENTITLEMENT PERCENTAGES

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	%
City of Biggs	
City of Gridley	
City of Healdsburg	
City of Lodi	
City of Lompoc	
City of Palo Alto	
City of Redding	
City of Roseville	
City of Santa Clara	
City of Ukiah	
Plumas-Sierra Rural Electric Cooperative	1.69
	<hr/>
Total	100.000%

Confirmed: Donald Wemple  
Signature

Date: 11/27/82

AMENDMENT NUMBER ONE

Dated as of August 1, 1983

TO

AGREEMENT FOR CONSTRUCTION, OPERATION AND FINANCING  
OF THE NORTH FORK STANISLAUS RIVER  
HYDROELECTRIC DEVELOPMENT PROJECT

Dated as of September 1, 1982

By and Among

NORTHERN CALIFORNIA POWER AGENCY

and

City of Alameda  
City of Biggs  
City of Gridley  
City of Healdsburg  
City of Lodi  
City of Lompoc  
City of Palo Alto  
City of Redding  
City of Roseville  
City of Santa Clara  
City of Ukiah  
Plumas-Sierra Rural Electric Cooperative

AMENDMENT NUMBER ONE TO AGREEMENT FOR CONSTRUCTION,  
OPERATION AND FINANCING OF THE NORTH FORK STANISLAUS RIVER  
HYDROELECTRIC DEVELOPMENT PROJECT

This Amendment Number One, dated as of August 1, 1983, by and among Northern California Power Agency, a joint powers agency of the State of California (hereinafter called "NCPA") and other entities executing this Amendment Number One.

WITNESSETH:

WHEREAS, NCPA and the other entities executing this Agreement have heretofore entered into an "Agreement For Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project", dated as of September 1, 1982 (the "Original Agreement") to provide for the construction, operation and financing of the Project, the sale by NCPA of capacity and energy of the Project to the Project Participants and the security for the Bonds to be issued to finance the Project; and

WHEREAS, NCPA and the other entities executing this Agreement desire to amend the Original Agreement in various respects;

NOW THEREFORE, the parties hereto do agree as follows:

**SECTION 1. Definitions.** The capitalized terms used herein shall have the respective meanings in this Amendment Number One as ascribed thereto in the Original Agreement. All references in this Amendment Number One to the Original Agreement shall mean the Original Agreement as amended by this Amendment Number One.

**SECTION 2. Amendments.** (a) Section 1(b) of the Original Agreement is hereby amended to read as follows:

"(b) "Project Entitlement Percentage" means, with respect to each Project Participant, the percentage set forth opposite the name of such Project Participant in Appendix A hereto, as such Appendix A shall be amended from time to time in accordance with Sections 7(d) and 14 of this Agreement."

(b) Section 1(d) of the Original Agreement is hereby amended to read as follows:

"(d) "Revenues" means all income, rents, rates, fees, charges, and other moneys derived by the Project Participant from the ownership or operation of its Electric System, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and

supplying of the electric capacity and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Electric System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to its Electric System and (iii) the proceeds derived by the Project Participant directly or indirectly from the sale, lease or other disposition of all or a part of the Electric System as permitted hereby, but the term "Revenues" shall not include (y) customers' deposits or any other deposits subject to refund until such deposits have become the property of the Project Participant, or (z) contributions from customers for the payment of costs of construction of facilities to serve them."

(c) Section 1 of the Original Agreement is hereby supplemented to read as follows:

"(g) The Project shall have the meaning in this Agreement as ascribed thereto in the Power Purchase Contract, provided, however that the Project may be amended by the Project Participants in accordance with Section 12 of this Agreement, provided that any such amendment shall not have a material adverse effect on the security for the NCPA Bonds."

(d) Section 5(c) of the Original Agreement is hereby amended to read as follows:

"(c) Each Project Participant shall make payments under this Agreement solely from the Revenues of, and as an operating expense of, its Electric System; provided, however, that so long as no Bonds other than Temporary Bonds are outstanding, to the extent stated in the Bond Resolution authorizing Temporary Bonds then outstanding, Project Participants shall make payments under this Agreement from the Revenues of such Project Participants' Electric Systems but only after the payment of operating expenses thereof. Nothing herein shall be construed as prohibiting any Project Participant from using any other funds and revenues for purposes of satisfying any provisions of this Agreement."

(e) Section 5 of the Original Agreement is hereby supplemented as follows:

"(h) Any payments required to be made by, or costs incurred by, NCPA or the Project Participants pursuant to Section 9.5 of the Interconnection Agreement among Pacific Gas and Electric Company, NCPA and certain of the Project Participants shall not be made or incurred under this Agreement."

(f) Section 6 of the Original Agreement is hereby amended in its entirety to read as follows:

"6. Annual Budget and Billing Statement. Prior to the beginning of each NCPA fiscal year, the Commission of NCPA will adopt an annual budget for such fiscal year for costs and expenses relating to the Project and shall promptly give notice to each Project Participant of its projected share of such costs and expenses.

A billing statement prepared by NCPA based on estimates will be sent to each Project Participant not later than the fifteenth (15th) day of each calendar month showing the amount payable by such Project Participant of costs payable under Section 5(a) hereof for the second succeeding calendar month, any amount payable by such Project Participant as its Project Entitlement Percentage of costs payable under Section 5(b) hereof and the amount of any credits or debits as a result of any appropriate adjustments. Amounts shown on the billing statement are due and payable thirty (30) days after the date of the billing statement. Any amount due and not paid by the Project Participant within thirty (30) days after the date of the billing statement shall bear interest from the due date until paid at an annual rate to be established by the Commission of NCPA at the time of adoption of the then most recent annual budget.

On or before the day five (5) calendar months after the end of each NCPA fiscal year, NCPA shall submit to each Project Participant a statement of the aggregate monthly costs for such fiscal year. If the actual aggregate monthly costs and the Project Participant's Project Entitlement Percentage thereof pursuant to this Agreement, and other amounts payable for any fiscal year, exceed the billings to the Project Participant, the deficiency shall be added to the Project Participant's immediately succeeding billing statement. If the actual aggregate monthly costs and the Project Participant's Project Entitlement Percentage thereof pursuant to this Agreement, and other amounts payable for any fiscal year, are less than the billings to the Project Participant, such excess shall be credited to the Project Participant's billing statements

for such period (not to exceed the immediately succeeding six months) and in such amounts as shall be determined by NCPA.

If a Project Participant questions or disputes the correctness of any billing statement by NCPA, it shall pay NCPA the amount claimed when due and shall within thirty (30) days of the receipt of such billing statement request an explanation from NCPA. If the bill is determined to be incorrect, NCPA will issue a corrected bill and refund any amount which may be due the Project Participant which refund shall bear interest from the date NCPA received payment until the date of the refund at an annual rate to be established by the Commission of NCPA at the time of adoption of the then most recent annual budget. If NCPA and the Project Participant fail to agree on the correctness of a bill within thirty (30) days after the Project Participant has requested an explanation, the parties shall promptly submit the dispute to arbitration under section 1280 et seq. of the Code of Civil Procedure."

(g) Section 8 of the Original Agreement is hereby deleted in its entirety.

**SECTION 3. Original Agreement Remains in Full Force and Effect.** Except as amended by this Amendment Number One, the Original Agreement heretofore existing remains in full force and effect.

This Amendment Number One may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF ALAMEDA

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_

And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_

And \_\_\_\_\_

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By [Signature]  
And [Signature]  
City Clerk

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_



IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By *Richard A. [unclear]*  
And *John [unclear]*

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By *Richard W. [unclear]*  
And *Dean [unclear]*

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By [Signature]  
And [Signature]

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By [Signature]  
And [Signature]

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_

[Signature]

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By Mayor [Signature]  
And [Signature]  
Asst. City Manager

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_

THE FOREGOING DOCUMENT IS CERTIFIED  
TO BE A CORRECT COPY OF THE ORIGINAL  
ON FILE IN THIS OFFICE.

ANN J. TANNER  
CITY CLERK, CITY OF PALO ALTO

By [Signature]  
DATED: 10-25-83

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By [Signature] Mayor  
And [Signature] City Clerk

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By [Signature]  
And [Signature] 9/13/83

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF ALAMEDA

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_

And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_

And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_

And \_\_\_\_\_

IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By Evelyn O'Sullivan Mayor  
And Alvin M. Buncher City Clerk

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_



IN WITNESS WHEREOF, NCPA has executed this Agreement in accordance with the authorization of its Commission and each of the other undersigned entities has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed.

NORTHERN CALIFORNIA POWER  
AGENCY

By [Signature]  
And [Signature]

CITY OF ALAMEDA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF BIGGS

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF GRIDLEY

By [Signature]  
And [Signature]

CITY OF HEALDSBURG

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LODI

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF LOMPOC

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF PALO ALTO

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF REDDING

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF ROSEVILLE

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF SANTA CLARA

By \_\_\_\_\_  
And \_\_\_\_\_

CITY OF UKIAH

By \_\_\_\_\_  
And \_\_\_\_\_

PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE

By \_\_\_\_\_  
And \_\_\_\_\_

Revised Power Purchase Contract

[See attached.]

REVISED  
POWER PURCHASE CONTRACT

BETWEEN  
CALAVERAS COUNTY WATER DISTRICT  
and  
NORTHERN CALIFORNIA POWER AGENCY

FOR THE  
NORTH FORK STANISLAUS RIVER  
HYDROELECTRIC DEVELOPMENT PROJECT

Dated as of March 1, 1985

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REVISED

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REVISED  
POWER PURCHASE CONTRACT  
between  
CALAVERAS COUNTY WATER DISTRICT  
and  
NORTHERN CALIFORNIA POWER AGENCY  
FOR THE  
NORTH FORK STANISLAUS RIVER  
HYDROELECTRIC DEVELOPMENT PROJECT  
Dated as of March 1, 1985

THIS REVISED POWER PURCHASE CONTRACT, revised as of March 1, 1985, by and between NORTHERN CALIFORNIA POWER AGENCY (hereinafter referred to as NCPA), and the CALAVERAS COUNTY WATER DISTRICT (hereinafter referred to as CCWD).

RECITALS

1. WHEREAS, NCPA has heretofore been duly established as a public agency pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and, among other things, is authorized to acquire, construct, finance, and operate buildings, works, facilities and improvements for the generation and transmission of electric power and energy for resale to public and private users; and

2. WHEREAS, CCWD is a county water district, organized under Division 12 of the Water Code of the State of California; and

3. WHEREAS, the parties entered into a Memorandum of Understanding dated May 31, and June 2, 1977, amended on November 2, 1978, and further amended on November 19, 1979, which Memorandum, as amended, is herein referred to as the "MOU," under which CCWD agreed to construct and own a hydro-electric project on the North Fork Stanislaus River (the "Project") and to sell all of the electrical output to NCPA in accordance with certain terms and conditions set forth therein; and

4. WHEREAS, NCPA agreed to advance certain monies essential to meet initial expenses of licensing by the Federal Energy Regulatory Commission ("FERC") and Project development prior to the sale of revenue bonds by CCWD to finance the Project; and

5. WHEREAS, the parties agreed that, following the issuance of a FERC license and necessary amendments to the State of California water rights permits, with satisfactory terms and conditions, they would enter into a long-term contract setting forth fully the relationship between them, and they did execute such long term Power Purchase Contract prior to the issuance of such license, under dates of June 25, 1981, and July 6, 1981; and

6. WHEREAS, subsequent to the execution of the Power Purchase Contract, a FERC license has been obtained for the Project by CCWD, and the Parties have agreed to its design and construction by Sierra Constructors, a California joint

venture consisting of Guy F. Atkinson Company, a Nevada corporation, and Harrison Western Corporation, a Florida corporation under a contract herein called the Turnkey Contract, which has been recommended by NCPA and authorized by CCWD; and

7. WHEREAS, the parties have heretofore agreed to a memorandum entitled "North Fork Stanislaus Project Principles of Amendment to Power Purchase Contract," approved by NCPA Resolution No. 85-01, and approved by CCWD; and

8. WHEREAS, the Parties desire to revise the Power Purchase Contract by this Revised Power Purchase Contract to take account of developments since 1981, and to provide for construction of the Project, through administration of the Turnkey Contract and otherwise, and for clarification and to provide certain additional benefits to CCWD;

NOW, THEREFORE, the parties hereto agree as follows:

Article I. Definitions (as used herein)

A. "Project" means those facilities described in the license issued to CCWD by FERC for Project No. 2409, dated February 1, 1982, including changes hereafter required or approved by FERC. The principal facilities are:

North Fork Diversion Dam and Tunnel

New Spicer Meadow Dam, Reservoir and Power Plant

Spicer Meadow Transmission Facilities

Beaver Creek Diversion Dam and Tunnel



McKay's Point Diversion Dam  
Collierville Tunnel and Surge Shaft  
Collierville Penstock, or equivalent  
Collierville Power Plant  
Collierville Afterbay Dam  
Collierville Transmission Line

"Project" shall also include an enlargement of New Spicer Meadow Dam and Reservoir, if and when such is determined by NCPA to be feasible.

B. "FERC" means the Federal Energy Regulatory Commission, or its successor.

C. "Coordinating Committee" means that Committee consisting of four members, two from each Party, and four alternate members, two from each Party, to act in the absence of the member, having the duties set forth in Article VIII of this Revised Contract.

D. "Commercially Operable" A unit shall be considered Commercially Operable after the satisfactory completion of all startup and performance tests, excluding unit efficiency tests, all made in accordance with Prudent Utility Practice. One of the performance tests which shall follow the startup tests shall include the satisfactory operation of each unit for at least thirty (30) days and at full load for at least seven (7) consecutive days, water availability permitting. In the event that low water conditions preclude startup and performance testing of a unit,

such a unit may be designated Commercially Operable by NCPA. Such designation shall not void the requirement for all tests at such time water is available.

E. "Revised Contract" means this revised power purchase contract between NCPA and CCWD.

F. "Parties" means NCPA and CCWD.

G. "Project Costs" means all costs of constructing the Project which shall include but not be limited to the following, each of which is subject to any applicable legal limitation;

(1) Payments under the Turnkey Contract, including testing and startup costs;

(2) Payments for acquisition of equipment and supplies essential to Project operation;

(3) Acquisition of sites and easements;

(4) Design and construction engineering, inspection, legal, environmental, and financial services;

(5) Application, permit, and license fees and costs excluding annual fees and costs following the dates the plants become Commercially Operable;

(6) Planning, investigation, authorization and financing costs, incurred by the Parties (a) after May 31, 1977, which have been approved by the Planning Committee created by the MOU, and (b) those costs incurred by CCWD on or before May 31, 1977 in the

amount of \$1,677,262 and which with interest thereon to April 1, 1985, is \$4,305,664.58;

(7) Bond reserve initial deposit, if any;

(8) Operating reserve initial deposit, if any, and initial deposits to other funds or accounts, and other costs, which are established by the Bond Resolution;

(9) Bond interest during construction, including up to one year following the date the Collierville power plant will become Commercially Operable as estimated by NCPA on the date of issuance of the latest series of Bonds;

(10) Payment to Tuolumne Regional Water District pursuant to the agreement dated October 18, 1976, between that District and CCWD;

(11) Payments, if any, to Pacific Gas and Electric Company to cover interference with its existing facilities and operations;

(12) Payments made to satisfy the requirements of local, state, and federal agencies;

(13) All financing and legal costs relating to the sale of Bonds; and for a period of not to exceed twelve months after the Collierville Power Plant becomes Commercially Operable, the following Project-related expenditures:

(a) Costs of engineering and Project operations;

(b) Other costs of staffing, supplying, operating, and maintaining and providing necessary replacements related to the power plants;

(c) Insurance premiums and deductible amounts which must be carried by NCPA and CCWD during the term of construction including premiums on insurance carried pursuant to Article XIII:

(d) All NCPA and CCWD Project-related costs.

(14) All other costs directly related to the planning, authorizing, financing, designing, and construction of the Project;

(15) Working capital as may be established through the Bond Resolution or otherwise;

(16) Payments to CCWD pursuant to Section 9.1 of this Revised Contract.

H. "Trustee" The entity designated by NCPA pursuant to the Bond Resolution, to administer the Construction Fund, Operation Fund, and any other funds or accounts required by the Bond Resolution or otherwise.

I. "Prudent Utility Practice" means any of the practices, methods, and acts at a particular time which, in the exercise of reasonable judgment in the light of the facts, including but not limited to the practices, methods, and

acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. To apply the standard of Prudent Utility Practice to any matter under this Revised Contract, equitable consideration should be given to the circumstances, requirements and obligations of each of the parties, and there shall be taken into account the fact that the parties have prescribed statutory powers, duties and responsibilities. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

J. "Prime Rate" means Bank of America National Trust and Savings Association base rate of interest on ninety (90)-day loans made at San Francisco, California, to commercial customers as such rate may change from day to day and be announced by such Bank, such interest to be compounded annually on the basis of the weighted average rate during such period, but in no event in excess of the maximum interest rate which it is permitted to charge from time to time under applicable law.

K. "Bonds" means bonds, notes or other evidences of indebtedness to finance the Project issued by NCPA pursuant to its statutory authorization under section 6546 of the Government Code, and includes additional Bonds to complete the Project.

L. "Bond Resolution" means the resolution or resolutions providing for the issuance of NCPA Bonds and the terms thereof.

M. "Capacity Right" means NCPA's right to electric capacity and energy of the Project for the term of the Revised Contract as contained in Section 4.1 and under any option exercised by NCPA under Section 4.3.

N. "Request for Proposals" means the request for Proposals for Turnkey Construction, FERC Project No. 2409, North Fork Stanislaus Hydroelectric Development Project, issued in April, 1984, by CCWD and all addenda thereto.

#### Article II. Construction and Ownership

CCWD shall be the sole owner of the Project subject to the Capacity Right of NCPA, and except as otherwise provided herein, CCWD hereby designates NCPA as the Project Manager. On behalf of CCWD, and in order best to fulfill the terms of the FERC license and to optimize the power output of the Project, NCPA, as the Project Manager, shall exercise and perform the functions of the Owner as set forth in the Request for Proposals and the Turnkey Contract and have all rights of the Owner under such contract

including but not limited to the right to receive any liquidated damages.

The design and construction of the Project shall be in conformance with all local, state, and federal laws and regulations and any terms and conditions of any license, permits, and agreements concerning the Project.

As Project Manager NCPA shall have full and independent authority to negotiate with all contractors and equipment and service vendors, to issue change orders, and to grant extensions of time during the construction of the Project. All Project agreements with federal, state, and local agencies and Pacific Gas and Electric Company shall be subject to NCPA's approval. In turn, NCPA shall, and hereby does, assume all responsibility for the payment of all Project Costs, including, but not limited to, any and all costs resulting from any change orders, extensions of time, costs overruns, if any, for which the Owner is responsible, costs of mitigation under the FERC license, and any costs, that may become due and owing to third parties as a result of NCPA's actions relating to the design or construction of the Project.

NCPA shall nominate and CCWD shall retain a Board of three or more qualified independent engineering consultants, as provided for in Article 54 of the FERC license, and subject to the approvals therein specified.

NCPA may propose additions to the Project, as licensed, including a powerhouse on the Beaver Creek diversion, and

CCWD will petition for and support such changes under mutually agreeable terms and conditions, and neither Party shall construct or permit the construction of any works proposed by NCPA as an addition without the agreement of the other. NCPA will use its best efforts to finance and construct any addition to the Project resulting from such agreement between NCPA and CCWD, and authorized by FERC.

In order to insure that NCPA's Capacity Right in the Project will be protected in the event of a joint use of Project facilities, including water, to which NCPA has not agreed, CCWD agrees to be liable to NCPA for the damages caused to NCPA by such joint use paid by such joint user to CCWD, not to exceed the amount so paid to CCWD, as ordered by FERC or agreed to by NCPA.

CCWD shall file a copy of this Revised Contract with FERC and do any and all things necessary and consistent with this Revised Contract to obtain any FERC approval required by any of the revisions from the original Power Purchase Contract contained in this Revised Contract.

CCWD shall acquire and maintain ownership of all lands, easements, flowage rights, water rights, federal and state licenses and permits and all other rights and privileges necessary for the construction and for the operation and maintenance and replacement of the Project or parts thereof for the term of this Revised contract provided that NCPA shall pay all costs incurred for such acquisition and maintenance and replacements and shall advance sufficient funds



from time to time to CCWD to cover all of CCWD's internal administrative costs related to the Project, subject to budget in accordance with Article XI.

CCWD shall permit NCPA to use, without cost, for Project purposes, all roads, lands, easements, flowage rights, water rights, rights-of-way, and road structures owned and controlled by it for Project purposes.

At the request of NCPA, CCWD shall enter into a contract with it, subject to the approval of FERC, to transfer the construction, ownership and operation of the transmission lines used to transmit NCPA power to NCPA, without further consideration.

### Article III. Operation, Maintenance and Replacements

CCWD shall be responsible to FERC and to other federal, state and local regulatory authorities for the operation and maintenance of the entire Project and for necessary replacements during the period the power is sold to NCPA.

CCWD hereby designates NCPA to, and NCPA shall, operate and maintain, and provide replacements for, all facilities of the Project which are necessary to produce and transmit power in accordance with Prudent Utility Practice. CCWD shall operate, maintain and provide replacements for all other facilities pursuant to a budget approved by NCPA. All operation and maintenance shall be in accordance with

all applicable local, state, and federal laws and regulations and the terms and conditions of any license, permits, and agreements concerning the Project, and shall be accomplished so that at the end of the license period, the Project, wear and tear excepted, will be in a condition reasonably equal to that which existed when the Project became Commercially Operable.

If in the opinion of CCWD NCPA fails to operate, maintain or provide replacements for power facilities, CCWD may submit the matter to arbitration pursuant to Article XVI of this Revised Contract. Upon a decision favorable to CCWD, it may, unless NCPA complies with the arbitration award within a reasonable time as fixed in the award, take over these functions subject to NCPA's Capacity Right, and NCPA shall advance the monies necessary therefor.

If in the opinion of NCPA CCWD fails to operate, maintain or provide replacements for Project facilities other than power facilities, NCPA may submit the matter to arbitration pursuant to Article XVI of this Revised Contract. Upon a decision favorable to NCPA, it may, unless CCWD complies with the arbitration award within a reasonable time as fixed in the award, take over these functions.

NCPA may bring any and all actions and proceedings before courts and administrative agencies or other bodies deemed necessary to carry out the provisions of this

Revised Contract, in its own name, or in the name of CCWD, or both, and NCPA shall pay the costs of such actions or proceedings and shall indemnify and hold CCWD harmless for any costs or damages therefrom.

#### Article IV. Power to be Delivered

4.1 Delivery of Power. Subject to the provisions of the FERC license, either initial or renewal, and the State of California water rights permits, during the term of this Revised Contract NCPA shall be entitled to receive all the electric capacity and energy generated by the Collierville Power Plant and Spicer Meadow Power Plant from the date of initial operation of each plant, and except that the electric capacity and energy from the new Spicer Meadow Power Plant may be sold at CCWD's option by CCWD to an electric utility for that utility's avoided cost, in accordance with the Public Utility Regulatory Policies Act (PURPA), and the proceeds of such sale shall be used to satisfy, in whole or in part, the obligations or requirements of CCWD for which NCPA would otherwise be required to pay or reimburse CCWD; any remaining proceeds shall be paid to NCPA to apply as reimbursement for Project Costs. If CCWD is unable to sell such capacity and energy on the price basis specified, NCPA shall be entitled to receive all the capacity and energy generated by the Spicer Meadow Power Plant as provided in the first sentence of this paragraph. Delivery of said capacity and energy to NCPA shall be at the transmission

voltage bus bar of each power plant at locations agreed upon by the Parties.

4.2 Availability of Water. Except for mandatory releases and restrictions as required by the State Water Resources Control Board permits, the FERC license, and any settlement agreements related to the Project and approved by the Parties, and except for a maximum of 5,000 acre-feet annually which CCWD may divert for consumptive purposes, provided that said amount at CCWD's option may be increased to 8,000 acre-feet annually twenty (20) years following the date the Collierville Power Plant becomes Commercially Operable, it is mutually understood and agreed that all water developed by the Project will be available for production of power on schedules determined by NCPA.

4.3 Option. NCPA shall have an option to continue to purchase that amount of capacity and energy which CCWD may develop after the expiration of the original FERC license from the Project, either including the features as initially authorized or as modified, and which is surplus to CCWD's needs within the boundaries of Calaveras County for power to perform the powers and purposes of CCWD authorized as of May 31, 1977 and for water; provided that said needs shall not include the sale of power. The purchase price for such power shall be equivalent to fifty percent (50%) of the cost of power from similar hydroelectric generating facilities with a capacity factor approximately equivalent to

that of the Project, including the features as modified, being operated by California public agencies as of the date of the expiration of the original FERC license; provided, that in no event shall the purchase price for such power be less than the cost of operation, maintenance, and replacements plus fifteen percent (15%) of the price for such power from such public agency generating facilities. The Parties, on or before August 1, 2030, shall initiate discussions for the purpose of agreeing upon a price for such power in accordance with the formula set forth in this Article 4.3 and if such agreement is not reached within six (6) months after that date, the price will be determined in accordance with the formula set forth in this Article 4.3 through arbitration as provided in Article XVI (except that such arbitration shall be mandatory), such arbitration to be concluded within six (6) months. The option herein provided must be exercised by NCPA within six (6) months after the date that such price has been determined. If NCPA fails to exercise its option within the time stated, CCWD shall be free to dispose of the power to another entity. The exercise by NCPA of the option provided for in this paragraph shall be subject to the requirements of the Federal Power Act. The cost of power shall be recomputed at three (3)-year intervals following the expiration date of the original FERC license and the price adjusted accordingly. NCPA shall also have an option to purchase any

other power which CCWD proposes to develop in the future on the North Fork Stanislaus River, not covered by the foregoing provision, upon terms no less favorable than those offered to any other prospective purchaser.

#### Article V. Termination of Contract

5.1 Termination by NCPA or CCWD. Either party may terminate this Revised Contract if NCPA shall be unable to sell Bonds on or before April 1, 1985 in order to make the payments provided for in Section 9.1 and 10.2. CCWD may terminate this Revised Contract if NCPA does not make the payment required by Section 10.2 on or before April 1, 1985.

5.2 Consequences of Termination. If this Revised Contract is terminated, NCPA's Capacity Right, and any other right of NCPA, and any obligations undertaken hereunder by CCWD, shall also terminate and CCWD shall be free to contract for the sale of Project power to others. If CCWD thereafter is able to obtain funds for the construction of the Project, or any other project on the North Fork Stanislaus River which includes facilities for the generation of substantial amounts of electricity, funds advanced by NCPA prior to termination and which contribute to the furtherance of such other project shall be refunded with interest at the Prime Rate; provided, that such interest shall be paid for a period no longer than three (3) years. If the Project or any other project meeting the criteria set forth in the preceding sentence is financed in

some manner other than through the sale of Project Bonds, the funds advanced by NCPA shall be repaid thirty (30) days after funds from such financing are obtained. If CCWD neither finances nor constructs the Project or any other project meeting the criteria set forth herein, the funds advanced by NCPA shall not be refunded.

#### Article VI. Project Financing

6.1 Financing by NCPA. NCPA shall finance Project Costs through the issuance of Bonds provided that the only remedy for its failure to do so is provided in section 5.1.

6.2 Financing from Other Sources. Additional sources of funds for Project Cost may be provided by either CCWD or NCPA or both in the form of contributions, advances, letters of credit or similar means of financing.

6.3 Capacity Right. CCWD shall have title to the Project as provided in Article II, but NCPA shall have a Capacity Right to all of the electrical output of the Project as provided in Article IV.

6.4 Prerequisites to Issuance of Bonds. Bonds shall contain terms, conditions, provisions and maturity schedules, and shall be marketed, as determined by NCPA.

6.5 Prohibition Relating to Industrial Development Bonds. Neither CCWD nor NCPA shall use or permit the use of the Project or any proceeds of Bonds, directly or indirectly, in any manner, or take or permit to be taken any other action or actions, which would result in any of the

Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1954, as amended, by reason of classification of such Bond as an "industrial development bond" within the meaning of Section 103(b) of such Code, or as a "consumer loan bond" within the meaning of Section 103(o) of such Code.

#### Article VII. NCPA Payments for Debt Service

7.1 Debt Service Payments. If Bonds are issued to finance the Project, NCPA shall make payments to the Trustee in amounts and at times required by the Bond Resolution to meet its obligation to pay debt service thereon. Such payments shall commence on the date specified in the Bond Resolution and shall continue until all Bonds have been retired, or provisions for repayment and retirement of Bonds have been made, as set forth in the Bond Resolution. NCPA shall make such payments on or before the date specified to meet its obligations under the Bond Resolution. Debt service shall consist of (i) interest on the Bonds, (ii) the principal amount of serial Bonds becoming due, if any, (iii) fixed sinking fund installments, if any, for the retirement of term Bonds (iv) any amount required to be deposited in a reserve fund (Bond Reserve Fund) for debt service, all as defined in the Bond Resolution and (v) any amount required by any other provisions of the Bond Resolution.

Financing of the Project under Article VI contemplates the issuance of Bonds in stages or phases in order to



complete the financing of the Project, if deemed desirable by NCPA.

7.2 Payments of Debt Service Not Dependent on Delivery of Energy. NCPA's obligation under Section 7.1 shall be unconditional and shall not be dependent upon the ability of NCPA to take energy from the Project. NCPA shall be obligated to make the payments required by this Article whether or not the Project is completed or ever becomes Commercially Operable, deteriorates, becomes obsolete, is damaged or destroyed by any cause whatsoever, or becomes unusable. Payment by NCPA under Section 7.1 may not be reduced or delayed by virtue of any right of setoff or other similar remedy, whether arising under this Revised Contract or otherwise, or by virtue of any right to suspend performance under Article XVIII. This Article shall not relieve CCWD of its obligations under this Revised Contract.

7.3 Refunding of Bonds. NCPA may reserve the right to refund any Bonds in any Bond Resolution.

7.4 Failure to Make Timely Payments. If NCPA fails to make any payment to CCWD when due under this Revised Contract, CCWD may to make a written demand upon the Trustee and NCPA, and if such failure is not cured within 60 days from the date of such demand by payment, or by payment under protest with a requirement for arbitration pursuant to Article XVI of this Revised Contract, such failure shall constitute a default under this Revised Contract at the

expiration of such period. CCWD shall accept payment from any source. Upon any such default under this section, CCWD may sell all or a portion of NCPA's Capacity Right for all or a portion of the remainder of the term of this Revised Contract; provided that the proceeds of any such sales shall be transferred to the Trustee to the extent necessary to meet all obligations created under the Bond Resolution, including all payments of principal, interest, and redemption premiums. If all or any portion of NCPA's Capacity Right is sold pursuant to this section, NCPA shall, nevertheless, remain liable to CCWD to pay the full amount of all payments due or to become due under this Revised Contract as if such sale had not been made, except that such liability shall be discharged to the extent that CCWD shall receive payment from the purchaser of such Capacity Right.

Article VIII. Appointment and Function of Coordinating Committee

The Parties shall appoint a Coordinating Committee as provided in Article I. C which will function during the entire Project design, construction, and operation phases. Each member and alternate member of the Coordinating Committee shall serve at the pleasure of the Party appointing that member.

During the design, construction and operation phases, the Coordinating Committee shall meet at least quarterly

and consult periodically on an as-needed basis to exchange information.

The CCWD members and alternate members of the Coordinating Committee may receive reasonable compensation and reimbursement for actual and necessary expenses out of a budget approved by NCPA as provided in Article XI and such compensation and reimbursement, if any, shall be considered Project Costs or operating costs as appropriate.

Article IX. Payments to CCWD

9.1 Lump-Sum Payment from Bond Proceeds. From the proceeds of the first sale of the Bonds, Fourteen Million Five Hundred Thousand Dollars (\$14,500,000) shall be paid to CCWD on or before April 1, 1985; provided that if NCPA shall determine in good faith that it is prudent to issue no more than \$100 Million of Bonds prior to April 1, 1985, NCPA may defer the payment promised for in this section, and if the payment provided for in Section 10.2 is made by NCPA to CCWD on or before April 1, 1985, the payment provided for in this Section, and the right of CCWD to terminate under Section 5.1, shall be deferred by NCPA until April 1, 1986, or until NCPA sells additional Bonds, whichever first occurs. If payment is deferred, and if this Revised Contract is not sooner terminated, such payment, with interest earned thereon from April 1, 1985, shall be made by NCPA to CCWD when NCPA sells additional Bonds. If this Revised Contract is terminated prior to

payment of the \$14,500,000, CCWD shall have no claim to such payment.

9.2 Monthly Payments. NCPA shall make monthly payments to CCWD for the period following the date Collierville Power Plant becomes Commercially Operable, or commencing November 1, 1989, whichever is earlier, until the expiration of the FERC license, provided that the November 1, 1989, date shall be extended to the extent, if any, that commercial operation of the Collierville Power Plant is delayed by uncontrollable forces as defined in Article XVIII.

For the first five (5) years, these monthly payments shall be made in the amount of Nineteen Thousand Dollars (\$19,000.00). Thereafter, they shall be increased or decreased each quarter (three months) based upon the quarterly increase or decrease of the composite irrigation and hydro cost index for the west as compiled and published by the U.S. Bureau of Reclamation or its successor. The increase or decrease in the amount to be paid will be computed by the ratio of the index for the quarter in which payments are to be made to the index of the previous quarter. The amount to be paid for the first quarter of the sixth year shall be increased or decreased based upon the ratio of the index for that quarter to the index for January 1 of the fourth year after the year in which the Collierville Power Plant becomes Commercially Operable. If no change in the index for the quarter occurs, the payments

shall remain the same as those of the previous quarter. If such indexes are not available at the time payment is to be made, payment shall be made at the price established for the previous period, and such payment shall be adjusted retroactively when the necessary indexes are available. In no event shall the payments provided for herein be less than the amount of Nineteen Thousand Dollars (\$19,000.00) per month.

9.3 Interest Penalty Payments. NCPA shall pay interest upon every amount of money required to be paid by NCPA to CCWD which remains unpaid for more than sixty (60) days after it becomes due and payable except that payments under Section 9.2 shall bear interest after thirty (30) days. The interest rate shall be equal to the Prime Rate. interest on the unpaid portion shall accrue from the date such payment was overdue until it is paid.

9.4 Funds Spent at Discretion of CCWD. All funds provided for in this Article shall be spent at the sole discretion of CCWD.

Article X. Repayment of Planning and Feasibility Costs

10.1 Reimbursement to NCPA. NCPA shall be reimbursed from Bond proceeds within thirty (30) days following the first sale of Bonds or as and when there are sufficient funds available from partial sale of Bonds for all its Project Costs referred to in Article I, G(6), of this Revised Contract. In addition, NCPA shall receive interest

on each such advance from the date thereof or June 1, 1977, whichever is later, at a rate equivalent to the Prime Rate.

10.2 Reimbursement to CCWD. CCWD shall be reimbursed from Bond proceeds for its Project Costs, with interest, in the amount specified in Article I, G(6) of this Revised Contract, on April 1, 1985, if this Revised Contract is not then terminated. After payment of such amount, NCPA shall have no claim to the return of such amount.

Article XI. Operation, Maintenance and Replacement Payments

NCPA shall pay all costs of operation, maintenance, replacements and capital improvements of Project facilities necessary for the production and transmission of power, including those for personnel, materials, equipment, contract work, insurance premiums, all payments to the United States pursuant to the FERC license, Trustee's fees, Bond paying agent fees and required amounts for operating reserves and overheads. Also, NCPA shall pay to or for CCWD, in accordance with procedures to be developed by the Parties, monies that are budgeted to CCWD which CCWD requires for its compliance with Article II of this Revised Contract, and for operation, maintenance and replacements on all other facilities of the Project pursuant to Article III of this Revised Contract, and for any capital improvements agreed to by the Parties or ordered by FERC, provided that in cases where a contract or expenditure is in excess of \$10 million, CCWD shall give NCPA 180 days notice thereof.

## Article XII. Design and Construction

Design and construction of the Project shall conform to the following requirements and procedures:

12.1 Facility Design and Construction. Facility design and construction shall be accomplished in accordance with all applicable codes and standards governing design and construction of power facilities and shall meet the specifications and requirements of the Turnkey Contract and NCPA. The quality control and design of equipment and facilities shall be at least equal to that already in existence for similar hydroelectric power plants in California. It is essential to the economic feasibility of the Project and of this Revised Contract that there be a minimum of lost generation caused by equipment breakdown and unnecessary delays in accomplishing repairs and/or replacements.

12.2 Design and Construction Schedules. NCPA shall provide the Coordinating Committee with the latest schedule for design and construction of the Project prior to the anticipated date of the first issuance of Bonds. Such schedule shall include an estimate of the date on which each unit will become Commercially Operable.

12.3 Information to be Provided CCWD. NCPA shall make available to CCWD all records relating to the Project and shall provide in an expeditious manner to CCWD all information and data needed to comply with any license, agreements, and permits obtained for the Project. NCPA shall

also provide a copy of all final drawings, designs, plans, specifications, and terms of contracts relating to the construction and operation of the Project.

12.4 Review and Inspection. CCWD shall have the right to review and inspect the design and construction at any time independently of any other review and inspection and the cost of any such inspection shall be deemed a part of Project Costs, subject to budgeting as provided for in Article XI, upon reasonable notice to NCPA.

12.5 Record Copy Drawings. NCPA shall provide CCWD with record copy drawings within sixty (60) days after each power plant becomes Commercially Operable.

#### Article XIII. Insurance

NCPA and CCWD shall provide through the Turnkey Contract Project insurance to assure completion of the Project, and, for the term of this Revised Contract, NCPA shall carry insurance in sufficient amounts and in accordance with Prudent Utility Practice to cover repair of physical damage to the Project, bodily injury and property damage liability, and other items agreed to by the Parties. CCWD shall be named as an additional insured on and be provided certificates of insurance for each policy providing this insurance.

#### Article XIV. Liability

To the extent a liability, damage or injury claim is not covered by insurance obtained in accordance with this



Revised Contract, each Party agrees to accept to the extent provided or required by law, legal liability and financial responsibility. Each Party shall have the duty to indemnify the other Party for the indemnifying party's own activities and conduct under this Revised Contract, including the acts and omissions of its employees, which cause damage or injury to the other Party or to any person or property.

In addition to the above, NCPA shall hold harmless, protect, defend, and indemnify CCWD, its employees, agents, and representatives, from any actions of NCPA under this Revised Contract, including but not limited to its actions as the Project Manager. NCPA shall take no action under this Revised Contract, either as the Project Manager, or in its own right which shall in any way jeopardize CCWD's FERC license, water right permits or any other agreements or commitments of CCWD. NCPA shall comply with all permits, licenses, agreements, laws, rules, and regulations governing the Project and assume full responsibility and liability for any violations and losses or damages that may be suffered by CCWD, its employees, agents, or representatives, as a result of NCPA's failure to so comply.

In the event a final money judgment is obtained against CCWD which NCPA is required to pay under this Article, and NCPA does not pay the amount of such judgment to the judgment creditor within sixty days after written notice by CCWD to NCPA and the Trustee that the judgment has become

final, such failure to pay shall constitute a default under this Revised Contract, and CCWD shall have the same remedy provided for defaults under Section 7.4 of this Revised Contract; provided that if NCPA shall determine that it is necessary to issue Bonds to pay the indebtedness it shall have a reasonable time, and not less than six months, to pay said judgment.

#### Article XV. Assignment

Neither this Revised Contract nor any part thereof shall be assigned by either Party without the prior written consent of the other Party. The consent by either Party shall not be unreasonably withheld. Notwithstanding the foregoing, NCPA may assign its interest in this Revised Contract in order to secure the Bonds.

#### Article XVI. Remedies

If the Parties disagree on any matter involved in this Revised Contract, and if they cannot settle the problem between them, and neither Party desires to seek an injunction from a court of competent jurisdiction, the matter shall be submitted to arbitration pursuant to Title 9, Part 3 of the Code of Civil Procedure, commencing with section 1280, and the Parties shall be bound by the decision.

#### Article XVII. Waivers

Any waiver at any time by either Party hereto of its rights with respect to a default or any other matter

arising in connection with this Revised Contract shall not be deemed to be a waiver with respect to any other default or matter.

Article XVIII. Uncontrollable Force and Inability to

Operate

No Party shall be considered to be in default in the performance of any of its obligations under this Revised Contract when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall be any cause beyond the control of the Party or Parties affected, including, but not restricted to, threat of structural failure of facilities, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor disputes, labor or material shortage, sabotage, restraint by court order or public authority, and action or non-action by or inability to obtain the necessary authorizations or approvals from any governmental agency or authority, which, by exercise of due diligence, such Party could not reasonably have been expected to avoid and which, by exercise of due diligence, it has not been able to overcome. Any Party rendered unable to fulfill any of its obligations under this Revised Contract by reason of an uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability.

#### Article XIX. Notices

All bills, notices, payments, and other correspondence required under this Revised Contract shall be sent postage paid first-class mail addressed as follows:

To NCPA: General Manager  
Northern California Power Agency  
180 Cirby Way  
Roseville, CA 95678

To CCWD: General Manager  
Calaveras County Water District  
P. O. Box 846  
427 East St. Charles Street  
San Andreas, California 95249

Such notices shall be effective when received.

The names and addresses of the above recipients can be changed by appropriate notice from one Party to the other.

CCWD shall give NCPA telephone notice, on the day of receipt, of all notices from FERC received by CCWD as licensee of Project 2409.

#### Article XX. Interpretation of Revised Contract

When the terms of this Revised Contract provide for action to be based upon the opinion, judgment, approval, review or determination of either Party, such opinion, judgment, approval, review or determination shall not be arbitrary, capricious or unreasonable.

Article XXI. Effective Date, Term, and Basic Conditions

Precedent

This Revised Contract shall become effective when executed by both Parties; and the Power Purchase Contract executed June 25, 1981, and July 6, 1981, shall thereafter no longer be in effect, except that the definitions of "NCPA Bonds", "CCWD Bonds", and "Full Operation Date" shall remain in effect for purposes of the "Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project" dated as of September 1, 1982, between NCPA and its members, which incorporates such definitions by reference. This Revised Contract shall remain in effect until the expiration of the original FERC license and for any additional time during which NCPA purchases power under Section 4.3, entitled "Option."

The obligations of NCPA shall be subject to the existence and maintenance by CCWD of all licenses, permits, and approvals necessary for CCWD to continue ownership and operation of the Project.

All modifications of this Revised Contract must be in writing, subscribed to by the Parties.

Article XXII. Signature Clause

The signatories hereto represent that they have been appropriately authorized to enter into this Revised Contract on behalf of the party for whom they sign.

Executed as of this \_\_\_\_\_ day of \_\_\_\_\_, 1985.

NORTHERN CALIFORNIA POWER AGENCY

By \_\_\_\_\_

Title General Manager

Attest:

\_\_\_\_\_

Secretary

Dated: March 27, 1985

CALAVERAS COUNTY WATER DISTRICT

By \_\_\_\_\_

Title President of the Board  
of Directors

Attest:

\_\_\_\_\_

Secretary

Dated: \_\_\_\_\_

RESOLUTION NO. 85-26  
NORTHERN CALIFORNIA POWER AGENCY

BE IT RESOLVED BY THE COMMISSION OF THE NORTHERN CALIFORNIA POWER AGENCY, as follows:

Section 1. The forms of the following agreements are hereby approved:

"Revised Power Purchase Contract Between Calaveras County Water District and Northern California Power Agency for the North Fork Stanislaus River Hydroelectric Development Project," draft of 3/15/85.

"Agreement for Turnkey Construction of North Fork Stanislaus River Hydroelectric Project," draft of 3/15/85.

"Agreement of Attornment" draft of 3/14/85.

The General Manager is authorized to execute the same when required by the financing of the Project, subject to such non-substantive changes as may be approved by the General Manager and General Counsel.

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
City of - Alameda	<u>X</u>	<u>          </u>	<u>          </u>
Biggs	<u>          </u>	<u>          </u>	<u>X</u>
Gridley	<u>X</u>	<u>          </u>	<u>          </u>
Healdsburg	<u>X</u>	<u>          </u>	<u>          </u>
Lodi	<u>X</u>	<u>          </u>	<u>          </u>
Lompoc	<u>X</u>	<u>          </u>	<u>          </u>
Palo Alto	<u>X</u>	<u>          </u>	<u>          </u>

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
Redding	_____	_____	_____X
Roseville	_____	_____	_____X
Santa Clara	_____X	_____	_____
Ukiah	_____X	_____	_____
Plumas-Sierra	_____	_____	_____X

ADOPTED AND APPROVED this 15th day of March, 1985.

The undersigned duly appointed and acting Assistant Secretary of Northern California Power Agency hereby certifies that the foregoing is a true and complete copy of Resolution No. 85-26, adopted by the Commission of said Agency at a duly called meeting of said Commission held March 15, 1985.

Dated: March 21, 1985

Walter Mc Donnell



RESOLUTION NO. 85-18

BE IT RESOLVED by the Board of Directors of CALAVERAS COUNTY WATER DISTRICT that the President is hereby authorized to execute the Revised Power Purchase Contract between CALAVERAS COUNTY WATER DISTRICT and the NORTHERN CALIFORNIA POWER AGENCY relative to the NORTH FORK STANISLAUS RIVER HYDROELECTRIC DEVELOPMENT PROEJCT.

PASSED AND ADOPTED this 12th day of March, 1985, by the following vote:

AYES: Directors Clark, Johnson, Queirolo, Silveira and Neilsen

NOES: None

ABSENT: None

CALAVERAS COUNTY WATER DISTRICT

By Raymond E. Neilsen  
President

ATTEST:

Steve Feltz  
Secretary

Resolution No. 85-34

[See attached.]

RESOLUTION NO. 85-34

RESOLUTION OF THE NORTHERN CALIFORNIA POWER AGENCY AMENDING THE  
DEFINITION OF PROJECT IN THE AGREEMENT FOR CONSTRUCTION,  
OPERATION AND FINANCING OF THE NORTH FORK STANISLAUS RIVER  
HYDROELECTRIC DEVELOPMENT PROJECT, AS AMENDED

WHEREAS, the Northern California Power Agency (the "Agency") and the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara, Ukiah and the Plumas-Sierra Rural Electric Cooperative (the "Project Participants") have entered into an Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Third Phase Agreement") to provide for the construction, operation, and financing of the Project (as defined in the Third Phase Agreement), the sale by the Agency of capacity and energy of the Project to the Project Participants, and the security for the bonds, notes and other evidences of indebtedness to be issued to finance the Project; and

WHEREAS, Section 1(g) of the Third Phase Agreement permits the amendment of the definition of the term "Project" by the Project Participants in accordance with Section 12 of the Third Phase Agreement, provided that any such amendment shall not have a material adverse effect on the security for the NCPA Bonds; and

WHEREAS, the Agency and the Project Participants desire to amend the definition of the term "Project."

NOW, THEREFORE, BE IT RESOLVED by the Commission of the Northern California Power Agency, as follows:

SECTION 1. Except as otherwise provided herein, the capitalized terms used herein shall have the respective meanings in this resolution as ascribed thereto in the Third Phase Agreement.

SECTION 2. Section 1(g) of the Original Agreement is hereby amended to read as follows:

- (g) The Project shall have the meaning in this Agreement as ascribed thereto in the Power Purchase Contract as such Power Purchase Contract shall be amended from time to time, and shall also mean all associated facilities, rights, land and interests in land, properties, studies, reports, equipment, transmission facilities and improvements appurtenant thereto and necessary or convenient therewith, including, without limitation, any payments to other parties such as contributions in aid of construction in connection with the transmission of the output of the facilities included in the

definition of the term "Project" under the Power Purchase Contract; provided, however that the definition of the term "Project" may be amended by the Project Participants in accordance with Section 12 of this Agreement, provided that any such amendment shall not have a material adverse effect on the security for the NCPA Bonds.

SECTION 3. Resolution 85-29 adopted by the Commission on March 22, 1985 is hereby rescinded.

SECTION 4. Except as amended by this Resolution, the Third Phase Agreement as heretofore existing remains in full force and effect.

ADOPTED AND APPROVED this 29th day of March, 1985.

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
City of Alameda	<u>Aye</u>	<u>          </u>	<u>          </u>
City of Biggs	<u>Aye</u>	<u>          </u>	<u>          </u>
City of Gridley	<u>Aye</u>	<u>          </u>	<u>          </u>
City of Healdsburg	<u>Aye</u>	<u>          </u>	<u>          </u>
City of Lodi	<u>Aye</u>	<u>          </u>	<u>          </u>
City of Lompoc	<u>          </u>	<u>          </u>	<u>          </u>
City of Palo Alto	<u>Aye</u>	<u>          </u>	<u>          X</u>
City of Redding	<u>          </u>	<u>          X</u>	<u>          </u>
City of Roseville	<u>Aye</u>	<u>          </u>	<u>          </u>
City of Santa Clara	<u>Aye</u>	<u>          </u>	<u>          </u>
City of Ukiah	<u>Aye</u>	<u>          </u>	<u>          </u>
Plumas-Sierra Rural	<u>          </u>	<u>          </u>	<u>          </u>
Electric Cooperative	<u>Aye</u>	<u>          </u>	<u>          </u>

RESOLUTION NO. 85-34A

PROJECT PARTICIPANT RESOLUTION AMENDING THE DEFINITION OF PROJECT  
IN THE AGREEMENT FOR CONSTRUCTION, OPERATION AND FINANCING OF THE  
NORTH FORK STANISLAUS RIVER HYDROELECTRIC DEVELOPMENT PROJECT, AS  
AMENDED

**WHEREAS**, the Northern California Power Agency (the "Agency") and the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara, Ukiah and the Plumas-Sierra Rural Electric Cooperative (the "Project Participants") have entered into an Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Third Phase Agreement") to provide for the construction, operation, and financing of the Project (as defined in the Third Phase Agreement), the sale by the Agency of capacity and energy of the Project to the Project Participants, and the security for the bonds, notes and other evidences of indebtedness to be issued to finance the Project; and

**WHEREAS**, Section 1(g) of the Third Phase Agreement permits the amendment of the definition of the term "Project" by the Project Participants in accordance with Section 12 of the Third Phase Agreement, provided that any such amendment shall not have a material adverse effect on the security for the NCPA Bonds; and

**WHEREAS**, the Agency and the Project Participants desire to amend the definition of the term "Project."

**NOW, THEREFORE, BE IT RESOLVED BY THE PROJECT PARTICIPANTS ACTING THROUGH THEIR AUTHORIZED REPRESENTATIVES, THAT:**

**SECTION 1.** Except as otherwise provided herein, the capitalized terms used herein shall have the respective meanings in this resolution as ascribed thereto in the Third Phase Agreement.

**SECTION 2.** Section 1(g) of the Original Agreement is hereby amended to read as follows:

- (g) The Project shall have the meaning in this Agreement as ascribed thereto in the ~~Power~~ Purchase Contract as such Power Purchase Contract shall be amended from time to time, and shall also mean all associated facilities, rights, land and interests in land, properties, studies, reports, equipment, transmission facilities and improvements appurtenant thereto and necessary or convenient therewith, including, without limitation, any payments to other parties such as contributions in aid of construction in connection with the transmission of the output of the facilities included in the

definition of the term "Project" under the Power Purchase Contract; provided, however that the definition of the term "Project" may be amended by the Project Participants in accordance with Section 12 of this Agreement, provided that any **such** amendment shall not have a material adverse effect on the security for the NCPA Bonds.

**SECTION 3.** Resolution 85-29A adopted by the Project Participants on March 22, 1985 is hereby rescinded.

**SECTION 4.** Except as amended by this Resolution, the Third Phase Agreement as heretofore existing remains in full force and effect.

ADOPTED AND APPROVED this 29th day of March, 1985.

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
City of Alameda	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Biggs	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Gridley	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Healdsburg	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Lodi	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Lompoc	<u>                    </u>	<u>                    </u>	<u>X</u>
City of Palo Alto	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Roseville	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Santa Clara	<u>Aye</u>	<u>                    </u>	<u>                    </u>
City of Ukiah	<u>Aye</u>	<u>                    </u>	<u>                    </u>
Plumas-Sierra Rural Electric Cooperative	<u>Aye</u>	<u>                    </u>	<u>                    </u>

Resolution No. 08-48

[See attached.]

## **RESOLUTION 08-48**

**RESOLUTION OF THE NORTHERN CALIFORNIA POWER AGENCY AUTHORIZING AND APPROVING THE ISSUANCE OF HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS, 2008 REFUNDING SERIES C AND 2008 TAXABLE SERIES D; APPROVING THE SUPPLEMENTAL INDENTURES OF TRUST PURSUANT TO WHICH SUCH BONDS ARE TO BE ISSUED; AUTHORIZING AND APPROVING CERTAIN DOCUMENTS IN CONNECTION WITH THE ISSUANCE, SECURING AND SALE OF SUCH BONDS; RESCINDING RESOLUTION NO. 08-44; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO**

WHEREAS, the Northern California Power Agency ("NCPA") is a public entity duly organized and existing pursuant to the Amended and Restated Northern California Power Agency Joint Powers Agreement, dated as of January 1, 2008 (the "Agreement") and the provisions relating to the Joint Exercise of Powers Act constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California; and

WHEREAS, NCPA is authorized pursuant to the provisions of the Agreement and the Act (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture mentioned below) to acquire and construct, or cause to be acquired and constructed, and to operate or cause to be operated, a project within the State of California for the generation or transmission of electric energy (including a capacity right in such a project) and to sell the capacity and energy of such project; to enter into agreements with respect to any matters relating to the acquisition, construction and operation of such project and the sale of capacity and energy of such project; and to finance the acquisition, construction and operation of such project through the issuance of bonds, notes and other evidences of indebtedness under the Act; and to issue bonds to refund such bonds, notes or other evidences of indebtedness; and

WHEREAS, NCPA and Calaveras County Water District have entered into the Power Purchase Contract whereby CCWD has granted NCPA the right to the capacity of the Project in exchange for, among other things, NCPA's providing the funds necessary to construct the Project and NCPA's construction and operation of the Project, all on the terms and conditions specified in the Power Purchase Contract; and

WHEREAS, NCPA and the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara, and Ukiah and the Plumas-Sierra Rural Electric Cooperative (the "Project Participants") have entered into the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended, to provide for the construction, operation, and financing of the Project, the sale by NCPA of capacity and energy of the Project to the Project Participants, and the security for the bonds, notes and other evidences of indebtedness to be issued to finance the Project; and

WHEREAS, pursuant to an Indenture of Trust (as the same may be amended and supplemented from time to time, the "Original Indenture"), dated as of March 1, 1985, between NCPA and U.S. Bank Trust National Association, as successor trustee (the "Trustee"), NCPA has authorized the issuance of its Hydroelectric Project Number One Revenue Bonds to finance the Cost of Acquisition and Construction of the Project or to refund any Outstanding Bond or Bonds; and



WHEREAS, pursuant to the Original Indenture, as amended and supplemented (the Original Indenture, as amended and supplemented, the "Indenture") NCPA has issued its Hydroelectric Project Number One Revenue Bonds, 2002 Refunding Series A (the "2002 Series A Bonds"), its Hydroelectric Project Number One Revenue Bonds, 2002 Refunding Series B (the "2002 Series B Bonds"), its Hydroelectric Project Number One Revenue Bonds, 2003 Refunding Series A (the "2003 Series A Bonds"), and its Hydroelectric Project Number One Revenue Bonds, 2003 Refunding Series B (the "2003 Series B Bonds"); and

WHEREAS, NCPA has determined to provide for the refunding of the outstanding 2002 Series A Bonds, the outstanding 2002 Series B Bonds, the outstanding 2003 Series A Bonds, and the outstanding 2003 Series B Bonds (collectively, the "Refunded Bonds"); and

WHEREAS, NCPA has determined to issue its Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C (the "2008 Series C Bonds"), for the purpose, among others, of providing a portion of the funds necessary to refund the Refunded Bonds,

WHEREAS, the 2008 Series C Bonds are to be issued under and pursuant to the Indenture as supplemented by the Eighteenth Supplemental Indenture of Trust by and between NCPA and the Trustee (such Eighteenth Supplemental Indenture of Trust, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Eighteenth Supplemental Indenture"); and

WHEREAS, NCPA has determined to issue its Hydroelectric Project Number One Revenue Bonds, 2008 Taxable Refunding Series D (the "2008 Series D Bonds" and, together with the 2008 Series C Bonds, the "2008 Series C and D Bonds"), for the purpose, among others, of providing a portion of the funds necessary to refund the Refunded Bonds; and

WHEREAS, the 2008 Series D Bonds are to be issued under and pursuant to the Indenture as supplemented by the Nineteenth Supplemental Indenture of Trust by and between NCPA and the Trustee (such Nineteenth Supplemental Indenture of Trust, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Nineteenth Supplemental Indenture"); and

WHEREAS, the 2008 Series C Bonds and the 2008 Series D Bonds are to be payable from and secured by a pledge and assignment of the Trust Estate on a parity with all other Bonds issued and Outstanding under the Indenture; and

WHEREAS, Citigroup Global Markets Inc. ("CGMI") has submitted a proposal, on behalf of itself and the other underwriter named therein, to purchase the 2008 Series C Bonds and the 2008 Series D Bonds in the form of a Contract of Purchase (such Contract of Purchase, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "2008 Series C and D Purchase Contract"); and

WHEREAS, the offer of the 2008 Series C Bonds and the 2008 Series D Bonds to the public is to be made pursuant to a Preliminary Official Statement (such Preliminary Official Statement in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement"); and

WHEREAS, notices of conversion of the Refunded Bonds to a term interest rate period on July 29, 2008 (the "Conversion Date") have been given as provided in the Indenture and the Refunded Bonds are subject to mandatory tender for purchase on the Conversion Date; and

WHEREAS, certain of the Refunded Bonds are held by the respective liquidity bank for such Refunded Bonds and it is expected that all Refunded Bonds will be held by the respective liquidity bank for such Refunded Bonds; and

WHEREAS, NCPA has entered into two interest rate swap transactions with Citigroup Financial Products Inc. in connection with the 2002 Series A Bonds ( the "2002 Series A Swap Transactions"); and

WHEREAS, NCPA has entered into two interest rate swap transactions with Union Bank of Switzerland in connection with the 2002 Series B Bonds ( the "2002 Series B Swap Transactions"); and

WHEREAS, NCPA has entered into an interest rate swap transaction with Bank One, N.A. in connection with the 2003 Series A Bonds ( the "2003 Series A Swap Transaction"); and

WHEREAS, NCPA has entered into an interest rate swap transaction with Bank One, N.A. in connection with the 2003 Series B Bonds ( the "2003 Series B Swap Transaction" and, together with the 2002 Series A Swap Transactions, the 2002 Series B Swap Transactions the 2003 Series A Swap Transaction, the "Swap Transactions"); and

WHEREAS, NCPA has determined to terminate each of the Swap Transactions and to make any payments due from NCPA in connection with such terminations from the proceeds of the 2008 Series D Bonds; and

WHEREAS, NCPA may provide for the termination of one or more of the Swap Transactions by entering into a Termination Agreement with the applicable counterparty (such Termination Agreement, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Termination Agreement"); and

WHEREAS, NCPA will provide for the refunding of the Refunded Bonds which are held by the liquidity banks for such Refunded Bonds by having the Trustee pay all amounts due to such liquidity banks in connection with such Refunded Bonds and canceling such Refunded Bonds and may provide for the refunding of the Refunded Bonds which are not held by such liquidity banks by depositing funds in an escrow fund established by an Escrow Deposit Agreement with the Trustee (such Escrow Deposit Agreement, in the form presented to this meeting with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Escrow Agreement"); and

WHEREAS, there have been prepared and submitted to this meeting drafts of the following:

(1) the Eighteenth Supplemental Indenture;

(2) the Nineteenth Supplemental Indenture;

- (3) the Preliminary Official Statement;
- (4) the Termination Agreement;
- (5) the Escrow Agreement; and
- (6) the Series 2008 C and D Purchase Contract.

WHEREAS, after having reviewed and considered the proposal of CGMI to purchase the 2008 Series C and D Bonds on the terms and conditions contained in the 2008 Series C and D Purchase Contract, this Commission now desires to authorize the issuance and sale of the 2008 Series C and D Bonds, including the execution of such documents and the performance of such acts as may be necessary or desirable to effect such issuance and sale and the other actions contemplated by this Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Commission of the Northern California Power Agency, as follows:

Section 1. The issuance of the 2008 Series C Bonds on the terms and conditions set forth in, and subject to the limitations specified in, the Eighteenth Supplemental Indenture is hereby authorized and approved. The aggregate principal amount of the 2008 Series C and D Bonds shall not exceed One Hundred Fifty Million Dollars (\$150,000,000.00). The 2008 Series C Bonds will be dated, will bear interest at the rates, will mature on the date or dates, will be issued in the form, will have the Sinking Fund Installments, will be subject to redemption, and will have such other terms, as shall be provided in the Eighteenth Supplemental Indenture as the same is completed as provided in this Resolution.

Section 2. The Eighteenth Supplemental Indenture, in substantially the form submitted to this meeting and made a part thereof as though set forth in full herein, be and the same is hereby approved. Each of the Chairman of this Commission (the "Chairman"), the General Manager of NCPA (the "General Manager"), the Assistant General Manager, Finance and Administrative Services, and the Treasurer-Controller of NCPA (each an "Authorized Officer"), acting singly, is hereby authorized to execute and deliver the Eighteenth Supplemental Indenture, in the name of and on behalf of NCPA, in the form presented to this meeting with such changes, insertions and deletions as may be consistent with this Resolution and the determinations made pursuant hereto and as may be approved by the Authorized Officer executing the Eighteenth Supplemental Indenture, said execution being conclusive evidence of such approval.

Section 3. The Authorized Officer executing the Eighteenth Supplemental Indenture is hereby authorized to determine the following: (i) the aggregate principal amount of the 2008 Series C Bonds; (ii) the maturity date or dates of the 2008 Series C Bonds (but not later than July 1, 2032); (iii) the principal amount of the 2008 Series C Bonds maturing on each maturity date; (iv) the 2008 Series C Bonds which are to be term Bonds and the Sinking Fund Installments, if any, for such 2008 Series C Bonds; and (v) the redemption provisions for the 2008 Series C Bonds.

Section 4. The issuance of the 2008 Series D Bonds on the terms and conditions set forth in, and subject to the limitations specified in, the Nineteenth Supplemental Indenture is hereby authorized and approved. The aggregate principal amount of the 2008 Series C and D Bonds shall not exceed One Hundred Fifty Million Dollars (\$150,000,000.00). The 2008 Series

D Bonds will be dated, will bear interest at the rates, will mature on the date or dates, will be issued in the form, will have the Sinking Fund Installments, will be subject to redemption, and will have such other terms, as shall be provided in the Nineteenth Supplemental Indenture as the same is completed as provided in this Resolution. This Commission hereby finds and determines, based on advice of Bond Counsel, that interest in the 2008 Series D Bonds will be subject to federal income tax.

Section 5. The Nineteenth Supplemental Indenture, in substantially the form submitted to this meeting and made a part thereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver the Nineteenth Supplemental Indenture, in the name of and on behalf of NCPA, in the form presented to this meeting with such changes, insertions and deletions as may be consistent with this Resolution and the determinations made pursuant hereto and as may be approved by the Authorized Officer executing the Nineteenth Supplemental Indenture, said execution being conclusive evidence of such approval.

Section 6. The Authorized Officer executing the Nineteenth Supplemental Indenture is hereby authorized to determine the following: (i) the aggregate principal amount of the 2008 Series D Bonds; (ii) the maturity date or dates of the 2008 Series D Bonds (but not later than July 1, 2032); (iii) the principal amount of the 2008 Series D Bonds maturing on each maturity date; (iv) the 2008 Series D Bonds which are to be term Bonds and the Sinking Fund Installments, if any, for such 2008 Series D Bonds; and (v) the redemption provisions for the 2008 Series D Bonds.

Section 7. The proceeds of the sale of the 2008 Series D Bonds shall be applied to the refunding of the Refunded Bonds, the payment of the costs of issuance of the 2008 Series C and D Bonds, the termination of the Swap Transactions, and other costs related to the refunding of the Refunded Bonds on the terms set forth in the Nineteenth Supplemental Indenture and the Termination Agreement.

Section 8. The 2008 Series C and D Purchase Contract, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver the 2008 Series C and D Purchase Contract, in the name of and on behalf of NCPA, in the form presented to this meeting, with such changes, insertions and deletions as may be approved by the Authorized Officer executing said 2008 Series C and D Purchase Contract and as are consistent with the determinations of the terms of the 2008 Series C Bonds made pursuant to this Resolution, said execution being conclusive evidence of such approval.

Each of the Authorized Officers, acting singly, is hereby authorized to determine the purchase price to be paid for the 2008 Series C and D Bonds under the 2008 Series C and D Purchase Contract; provided, however, that the aggregate underwriter's discount (not including original issue discount) on the 2008 Series C and D Bonds shall be not more than 1.00% of the principal amount of the 2008 Series C and D Bonds. The sale of the 2008 Series C and D Bonds to CGMI on the terms and conditions contained in the 2008 Series C and D Purchase Contract, as the same may be completed in accordance with the provisions of this Resolution, with such changes, insertions and deletions as are authorized hereby, is hereby approved and authorized.

Section 9. The termination of each of the Swap Transactions is hereby authorized and approved. The Termination Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver, in the name of and on behalf of NCPA, a Termination Agreement to the applicable counterparty for each of the Swap Transactions in the form presented to the meeting with such changes, insertions and deletions as may be approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

Section 10. The Escrow Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver, in the name of and on behalf of NCPA, Escrow Agreement to the Trustee in the form presented to the meeting with such changes, insertions and deletions as may be approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

Section 11. The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved and the use of the Preliminary Official Statement in connection with the offering and sale of the 2008 Series C and D Bonds by CGMI is hereby authorized and approved.

Each of the Authorized Officers is hereby authorized and directed to prepare and deliver to CGMI a final official statement in connection with the 2008 Series C and D Bonds (the "Official Statement"). The Official Statement shall be in the form of the Preliminary Official Statement with the addition of the final terms of the 2008 Series C and D Bonds to be contained in the Eighteenth Supplemental Indenture and the Nineteenth Supplemental Indenture and with such other changes, insertions and deletions as may be approved by the officer of NCPA executing the same, said execution being conclusive evidence of such approval. Each of the Chairman and the General Manager of NCPA, acting singly, is hereby authorized to execute the Official Statement and any amendment or supplement thereto contemplated by the 2008 Series C and D Purchase Contract, in the name and on behalf of NCPA, and thereupon to cause the Official Statement and any such amendment or supplement to be delivered to the CGMI with such execution being conclusive evidence of the approval thereof. The use of the Official Statement in connection with the offering and sale of the 2008 Series C and D Bonds by CGMI is hereby authorized and approved.

Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement and the Official Statement is deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12").

Section 12. Each of the Authorized Officers, acting singly, is hereby authorized to acquire credit enhancement for the 2008 Series C Bonds and/or the 2008 Series D Bonds in the form of municipal bond insurance provided that the cost of such municipal bond insurance is estimated to be less than the savings achieved on the sale of the related Series of 2008 Series C and D Bonds compared to selling such Bonds without such credit enhancement. In connection with such municipal bond insurance, each of the Authorized Officers, acting singly, is hereby authorized to enter into agreements with respect to the repayment of amounts paid under such municipal bond insurance and interest thereon and expenses in connection

therewith substantially in the form of the insurance agreements previously entered by NCPA in connection with municipal bond insurance for Bonds.

Each of the Authorized Officers, acting singly, is hereby authorized to provide for a Financial Guaranty for the Debt Service Reserve Account for the 2008 Series C Bonds and/or the 2008 Series D Bonds in the form of surety bond from a municipal bond insurer provided that the cost of such surety bond does not exceed five percent of the face amount of such surety bond. In connection with such surety bond, each of the Authorized Officers, acting singly, is hereby authorized to enter into agreements with respect to the repayment of amounts paid under such surety bond and interest thereon and expenses in connection therewith substantially in the form of the agreements previously entered by NCPA in connection with Financial Guaranties for a Debt Service Reserve Account under the Indenture.

Section 13. Each of the Authorized Officers, acting singly, is hereby authorized to send any statement required by Section 53583(c)(2)(B) of the Government Code of the State of California to the California Debt and Investment Advisory Commission.

Section 14. The refunding of the Refunded Bonds on the terms and conditions specified in the Eighteenth Supplemental Indenture and the Nineteenth Supplemental Indenture, including the application of moneys for such purposes as therein provided, is hereby approved and authorized.

Section 15. Pursuant to Section 12 of the Hydroelectric Project Member Agreement, NCPA is hereby directed by the Project Participants (as conclusively evidenced by the affirmative votes for this Resolution of the representatives of the Project Participants to the Commission) to refund the Refunded Bonds as provided in the Eighteenth Supplemental Indenture and the Nineteenth Supplemental Indenture, to issue the 2008 Series C Bonds and the 2008 Series D Bonds, to enter into, and perform its obligations under, the documents and instruments approved or authorized by this Resolution and to take such further actions as herein authorized in connection with the refunding of the Refunded Bonds and the issuance, security and sale of the 2008 Series C Bonds and the 2008 Series D Bonds, and NCPA shall comply with such direction, while not stayed or nullified, to the fullest extent authorized by law. The Project Participants recognize and agree (as conclusively evidenced by the affirmative votes for this Resolution of the representatives of the Project Participants to the Commission) that amounts payable under Section 5(a) of the Hydroelectric Project Member Agreement based on anticipated monthly electric sales include all such amounts accrued during any period during which there were no such anticipated sales and are payable under Section 5(a) of the Hydroelectric Project Member Agreement with respect to the first month in which there are anticipated electric sales regardless of the amount of such anticipated sales.

Section 16. The Treasurer-Controller of NCPA and each Assistant General Manager are each hereby appointed as an Assistant Secretary for the purpose of executing any documents, making any certification on behalf of NCPA or taking any other action necessary or convenient in carrying out the transactions contemplated by this Resolution.

Section 17. The Chairman and the Vice Chairman of the Commission, the General Manager, each Assistant General Manager, the Treasurer-Controller, the Secretary, each Assistant Secretary, the Authorized NCPA Representatives, and any other proper officer of NCPA, acting singly, be and each of them hereby is authorized to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or convenient in carrying out the transactions contemplated by the documents and

instruments approved or authorized by this Resolution, including without limitation, entering into any continuing disclosure required by Rule 15c2-12 and making any determinations or submission of any documents or reports which are required by any rule or regulation of any governmental entity in connection with the issuance and sale of the 2008 Series C Bonds and/or the 2008 Series D Bonds, the refunding of the Refunded Bonds and the authorization, execution, delivery and performance by NCPA of its obligations under the documents and instruments approved or authorized by this Resolution. The Secretary or an Assistant Secretary of NCPA is hereby authorized to affix and attest the seal of NCPA to any of the documents approved or authorized pursuant to this Resolution.

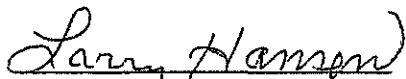
Section 18. All actions heretofore taken by any committee of the Commission, or any officer, representative or agent of NCPA, in connection with the conversion of the Refunded Bonds, the issuance and sale of the 2008 Series C Bonds, the Series 2008 D Bonds, the refunding of the Refunded Bonds, or the authorization, execution, delivery or performance of NCPA's obligations under the documents and instruments approved or authorized by this Resolution and the other actions contemplated by this Resolution are hereby ratified, approved and confirmed.

Section 19. Resolution No.08-44 of this Commission is hereby rescinded.


This Resolution shall take effect immediately upon its adoption.

PASSED, ADOPTED and APPROVED this 30th day of June 2008, by the following vote on roll call:

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
Alameda	<u>Y</u>		
BART			<u>X</u>
Biggs	<u>Y</u>		
Gridley	<u>Y</u>		
Healdsburg	<u>Y</u>		
Lodi	<u>Y</u>		
Lompoc	<u>Y</u>		
Palo Alto	<u>Y</u>		
Port of Oakland			<u>X</u>
Redding		<u>X</u>	
Roseville	<u>Y</u>		
Santa Clara	<u>Y</u>		
Truckee Donner			<u>X</u>
Turlock			<u>X</u>
Ukiah	<u>Y</u>		
Plumas-Sierra			<u>X</u>

  
LARRY HANSEN  
VICE CHAIRMAN

ATTEST:

  
DENISE DOW  
ASSISTANT SECRETARY

Facilities Agreement

[See attached.]



EXECUTED COPY

NORTHERN CALIFORNIA POWER AGENCY

FACILITIES AGREEMENT

September 22, 1993

NCPA FACILITIES AGREEMENT  
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NORTHERN CALIFORNIA POWER AGENCY

FACILITIES AGREEMENT DISCLAIMER

September 22, 1993

Some of the defined and undefined terms used in this Agreement are the same or similar to terms used in the Interconnection Agreement Between Pacific Gas Electric Company and Northern California Power Agency, City of Alameda, City of Biggs, City of Gridley, City of Healdsburg, City of Lodi, City of Lompoc, City of Palo Alto, City of Roseville, City of Ukiah, and Plumas Sierra Rural Electric Cooperative (Dated September 14, 1983 and amended November 26, 1991), the Interconnection Agreement Between Pacific Gas and Electric Company and City of Santa Clara (Dated September 30 1983), and the Interconnection Agreement Between Pacific Gas and Electric Company and Turlock Irrigation District (July 1, 1988), herein ("IAs"). Certain rate schedules, formulas, methodologies and other provisions similarly may be designed to address issues which also arise in one or more of the IAs and which are addressed by different rate schedules, formulas, methodologies and other provisions.

This Agreement shall not supplement, interpret, or modify the above-listed IAs in any way. Nor are the terms, methodologies, rate schedules, formulas or other provisions contained in this Agreement intended to be read with reference to their meaning in the above-listed IAs, unless specifically noted otherwise. The rate schedules, formulas, methodologies, terms and other provisions used in this Agreement were developed to address specific intra-NCPA relationships, and are not intended to affect or reflect NCPA's or any signatory's rights under the IAs, or vice versa. This Agreement serves different purposes, and the terms, rate schedules, formulas, methodologies or other provisions bear no relationship to terms, rate schedules, formulas, methodologies or other provisions in the IAs.

NORTHERN CALIFORNIA POWER AGENCY

FACILITIES AGREEMENT

This Facilities Agreement, hereinafter referred to as the "Agreement", dated as of\_\_\_\_, is made and entered into by and among the Participants signatory hereto, and the Northern California Power Agency.

WITNESSETH:

WHEREAS, each of the initial signatory Participants (Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Plumas Sierra, Roseville, Santa Clara, Turlock Irrigation District and Ukiah) to this Agreement is a party to the Northern California Power Agency Joint Powers Agreement, as amended, (herein "NCPA Joint Powers Agreement"); and

WHEREAS, the Northern California Power Agency, has heretofore been duly established as a public agency pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California and, among other things, is authorized to acquire, construct, finance, and operate buildings, works, facilities and improvements for the generation and transmission of electric capacity and energy for resale; and

WHEREAS, each of the Participants owns a system for the distribution of electric capacity and energy and is authorized to obtain electric capacity and energy for its present or future requirements, through contracts with the Northern California Power Agency or otherwise; and

WHEREAS, the Northern California Power Agency and the Participants have established and may again establish projects for the supply of electric capacity and energy and the Participants desire to formalize their relationships to provide the framework and certain terms of future agreements between them, to clearly define and to facilitate the activities of the Northern California Power Agency in connection with such projects; and

WHEREAS, the Northern California Power Agency and the Participants intend to observe the provisions of this Agreement in good faith and shall cooperate with all other Participants and

members of the Commission in order to achieve the full benefits of joint design, construction, and operation of facilities; and

WHEREAS, the Northern California Power Agency and the Participants intend that this Agreement shall supersede and replace the Member Service Agreements between the Northern California Power Agency and the Participants.

NOW, THEREFORE, in consideration of the covenants of the Northern California Power Agency and each of the Participants hereto, it is agreed hereby as follows:

ARTICLE 1  
Definitions

Whenever used in this Agreement, in either the singular or plural number, the following terms shall have the following respective meanings:

- 1.1 Capability of an electric generating unit or combination of units is the maximum load carrying ability in kilowatts of such unit or units (exclusive of capacity required for station use). Capability shall be determined in accordance with Facilities Schedules appended to this Agreement.
- 1.2 Commission is the governing body of NCPA established pursuant to the NCPA Joint Powers Agreement.
- 1.3 Facilities Committee (or Committee) is the committee established pursuant to Article 4 of this Agreement.
- 1.4 Facilities Operating Procedures are procedures which are approved by the Facilities Committee and adopted by the Commission to provide guidance with respect to operation and maintenance of NCPA Projects. Adopted procedures will be appended to this Agreement as Facilities Schedules.
- 1.5 Facilities Schedules (or Schedules) are principles and/or procedures adopted by the Commission, appended to and part of this Agreement, which are subject to change or amendment from time to time, pursuant to Article 21 of this Agreement.
- 1.6 Firm Contract is any wholesale contract for the purchase of electricity for resale, other than a Unit Contract, pursuant to which the purchaser is currently entitled to a specifically determined or determinable rate of delivery of electricity, subject only to the supplier's inability to make deliveries thereunder as set forth in that contract.

- 1.7      First Phase of a project is the initial planning stage conducted pursuant to provisions of Article 5 of this Agreement.
- 1.8      General Manager is the person appointed to the position of General Manager of NCPA by the Commission.
- 1.9      Good Utility Practice consists of those practices, methods and equipment, that are at least as good as those commonly used in the region to operate, reliably and safely, electric power facilities to serve electric utility customers.
- 1.10     NCPA is the Northern California Power Agency.
- 1.11     NCPA Budget is that budget document approved by the Commission pursuant to the NCPA Joint Powers Agreement supporting all activities of NCPA for at least the succeeding fiscal year, as it may be amended from time to time.
- 1.12     NCPA Member is any signatory to the NCPA Joint Powers Agreement.
- 1.13     NCPA Percentage Participation for any Participant for the most recent prior calendar year means the ratio of the maximum electrical demand of such Participant for the year as reported to the Federal Energy Regulatory Commission, to the total of such demands for all NCPA Members.
- 1.14     NCPA Project (or Project) is any project which has progressed beyond the First Phase pursuant to Article 5 of this Agreement.
- 1.15     Non-Participant is any NCPA Member which is not a signatory to this Agreement.
- 1.16     Operating Agreement is any agreement governing the operation and maintenance of an NCPA Project, which may be appended hereto as a Facilities Schedule.
- 1.17     Participant is a member of NCPA which is signatory to this Agreement.



- 1.18      Pool is the organization formed under the NCPA Pooling Agreement to provide coordinated planning and central dispatch services to the signatories to that agreement.
- 1.19      Project Agreement. Any Second Phase, Third Phase or Operating Agreement relating to a specific NCPA Project.
- 1.20      Project Costs are costs associated with NCPA Projects authorized pursuant to this Agreement and/or Project Agreements.
- 1.21      Project Participant is a Participant which enters into an agreement with NCPA relating to the Second Phase, Third Phase or Operation of an NCPA Project.
- 1.22      Project Participation Percentage is the percentage of participation of a Project Participant(s) in an NCPA Project as specifically set forth in a Project Agreement.
- 1.23      Second Phase is the second stage of project planning and design pursuant to an agreement between one or more of the Participants and NCPA to proceed beyond the First Phase with project study, design, or development.
- 1.24      Third Phase is the third stage of a project pursuant to an agreement between one or more of the Participants and NCPA to participate in the financing, construction, operation, and/or rights to the capacity and/or energy of a NCPA Project.
- 1.25      Unit Contract is a wholesale contract for the purchase of electricity for resale pursuant to which the purchaser is entitled to either (i) a specifically determined or determinable portion of the Capability of a specific electric generating unit or units, or (ii) a specifically determined or determinable amount of electricity if, or to the extent that, a specific electric generating unit or units is, or can be, operated.

ARTICLE 2  
Commission

- 2.1 Commission. The Commission, established by the NCPA Joint Powers Agreement, is responsible for administration of this Agreement. Each Participant shall be represented by its designated member of the Commission or duly authorized representative or alternate pursuant to the NCPA Joint Powers Agreement. Each member of the Commission shall have authority to act for the Participant represented with respect to matters pertaining to this Agreement.
- 2.2 NCPA Projects. The Commission shall take all action required of it in connection with NCPA Projects in a timely manner consistent with obligations pursuant to agreements between NCPA and Project Participants, and as provided in this Agreement.
- 2.3 Quorum. A quorum of the Commission, for purposes of acting upon matters relating to an NCPA Project, shall consist of those Commissioners, or their designated alternates, representing a numerical majority of the Project Participants, or, in the absence of such, those Commissioners representing Project Participants having a combined Project Participation Percentage greater than 50%.
- 2.4 Voting. Each Participant shall have the right to cast one vote, with respect to an NCPA Project. Actions of the Commission shall be effective only upon a majority vote subject to the following exceptions:
- (a) Upon demand of any Project Participant in the involved NCPA Project, at any meeting of the Commission, the vote on any issue relating to such Project shall be by Project Participation Percentage and sixty five percent (65%) or greater affirmative vote shall be required to take action.
  - (b) Any Project Participant may veto a discretionary action of the Project Participants relating to the project that was not taken by a sixty five percent

(65%) or more Project Participation Percentage vote within ten (10) days following mailing of notice of such Commissioners' action by giving written notice of veto to NCPA, unless at a meeting of Commissioners or Alternates of Project Participants called for the purpose of considering the veto, held within thirty (30) days after such veto notice, the holders of sixty five percent (65%) or more of the Project Participation Percentage shall vote to override the veto.

- (c) Unless otherwise specified in a Project Agreement, the sixty five percent (65%) of percentage participation specified in this Article shall be reduced by the amount that the percentage participation of any member shall exceed thirty-five percent (35%), but such sixty five percent (65%) shall not be reduced below a majority in interest.

2.5 Designated Alternates. Designated Alternates for Commissioners representing the Participants shall be appointed and act pursuant to the Joint Powers Agreement. A special alternate may be appointed for a single meeting.

2.6 Adoption and Amendment of Budget. Annually, the Commission shall adopt a budget for at least the next succeeding fiscal year in accordance with the NCPA Joint Powers Agreement and this Agreement.

2.7 Duties and Authorities. The duties and authorities of the Commission are as specified in the NCPA Joint Powers Agreement, the Rules of Procedure for the Commission of NCPA, and all Project Agreements between NCPA and Project Participants, and shall also include the administration of this Agreement.

ARTICLE 3  
General Manager and NCPA Staff

- 3.1 Reporting Authority. The General Manager reports to the Commission pursuant to the Joint Powers Agreement.
- 3.2 NCPA Staff. The General Manager shall hire such staff as necessary to carry out, within the budget established by the Commission, NCPA's obligations pursuant to this Agreement.
- 3.3 Duties and Authority. The General Manager shall be responsible for and have commensurate authority to take any and all actions and perform all functions necessary to:
- (a) Carry out directions of the Commission with respect to matters related to this Agreement;
  - (b) Direct, conduct, and administer First Phase project studies;
  - (c) Direct and carry out all responsibilities of NCPA acting as project manager or operating agent pursuant to this Agreement, Project Agreements, Facilities Schedules, or any other agreement between NCPA and Project Participants. Examples of said responsibilities include but are not limited to:
    - (1) Acquisition of property, easements, and water rights as necessary to construct and operate projects;
    - (2) Obtaining Federal, State, and local permits, licenses, opinions and rulings as necessary to construct and operate projects;
    - (3) Directing the design and construction of projects;
    - (4) Recommending methods for project financing;

- (5) Providing for the operation and maintenance, with contract support if necessary, of NCPA Projects;
- (6) Calculation of fixed and variable costs for each generating unit in accordance with the applicable Facilities Schedule(s);
- (7) Billing Participants for NCPA project-related costs;
- (8) Developing capability ratings in accordance with Schedules to this Agreement for NCPA Projects;
- (9) Preparation and submittal of proposed budgets for NCPA Projects for the ensuing fiscal year to the Commission and appropriate Committees on such schedule as established by the Commission;
- (10) Proposing to the Facilities Committee amendments to this Agreement and its Schedules.

3.4

Goals and Objectives. Each year, the General Manager shall propose to the Commission, specific goals and objectives for the NCPA staff. NCPA shall provide periodic reports to the Commission regarding progress toward meeting goals and objectives. Those goals and objectives pertaining to NCPA Projects shall be reviewed by the Facilities Committee.

ARTICLE 4  
Facilities Committee

- 4.1        Representation. The Facilities Committee is hereby established, and each Participant to this Agreement shall be entitled to designate one member. An alternate or alternates may be designated for each member by written notice to the Secretary of the Facilities Committee. In the absence of the member, the alternate shall have all the powers of the member. Members and alternates shall serve until replaced by the Participant and written notice is provided. The General Manager, or a designated member of the NCPA staff, shall be a nonvoting member of the Committee.
- 4.2        Officers. Annually, the Facilities Committee shall elect a Chairman and a Vice-Chairman to serve for the ensuing year. It shall also elect a Secretary who need not be a Committee member.
- 4.3        Recommendations. Recommendations of the Facilities Committee shall be made to the Commission, Project Participants, and others, as appropriate, in coordination with the General Manager.
- 4.4        Meetings. Meetings shall be held at least quarterly and conducted in accordance with appropriate statutes and regulations.
- 4.5        Quorum. A quorum of the Facilities Committee, with respect to an NCPA Project, shall consist of those members representing a numerical majority of the Project Participants, but not less than those members representing the Project Participants having a combined Project Participation Percentage representing a majority in interest.
- 4.6        Voting. Each member shall have the right to cast one vote, with respect to an NCPA Project. Actions of the Facilities Committee shall be effective and final only upon a unanimous vote of Project Participants present, subject to the following exception: Upon demand of any member of the Committee representing a Project

Participant in the involved NCPA Project, at any meeting of the Committee, the vote on any issue relating to such Project shall be by Project Participation Percentage and sixty five percent (65%) or greater affirmative vote shall be required to take action.

4.7 Responsibilities. The Facilities Committee shall provide representation of Participants to this Agreement in connection with, and as set forth in, this Agreement, Project Agreements, and any other agreements between NCPA and Project Participants. The Facilities Committee shall also review, make recommendations, or take other actions pursuant to this Agreement concerning project studies and other activities or actions conducted by, or proposed by, NCPA in connection with NCPA, NCPA Projects, or Phase I activities. Examples of such responsibilities include but are not limited to:

- (a) Review and make recommendations concerning project studies conducted by NCPA staff or consultants;
- (b) Review and make recommendations concerning the proposed acquisition of property, easements, and water rights by the NCPA staff;
- (c) Review and make recommendations concerning proposed NCPA actions relative to obtaining Federal, State, and local permits, licenses, opinions and rulings;
- (d) Review and make recommendations concerning project designs;
- (e) Monitor the progress of each project and where appropriate, recommend actions;
- (f) Review and make recommendations concerning all plans, procedures and contracts for the procurement of fuel, equipment, materials and services;
- (g) Review, and make recommendations regarding the operation and maintenance of NCPA Projects, including maintenance schedules and operation plans;

- (h) Review and make recommendations regarding the capability of NCPA Projects, as calculated by NCPA pursuant to the appropriate Schedules;
- (i) Review and make recommendations regarding NCPA Project billing procedures;
- (j) Review and recommend fixed and variable costs determined by NCPA pursuant to the appropriate Schedules, for each NCPA Project. The timing of this shall coincide with or precede the Commission's approval of the NCPA Budget;
- (k) Review and make recommendations concerning annual budgets, and modifications thereto, proposed by the General Manager;
- (l) Initiate, or review and make recommendations concerning proposed amendments to this Agreement and to its Schedules;
- (m) Review and make recommendations concerning remedial actions, settlements of disputes, granting of relief, and act as mediator pursuant to Articles 12 and 20 of this Agreement.

4.8 Goals and Objectives. The Facilities Committee may suggest specific goals and objectives for NCPA concerning NCPA Projects, and shall review and make recommendations concerning specific goals and objectives proposed by the General Manager for NCPA Projects.



ARTICLE 5  
Project Services

5.1 Scope. All projects undertaken by NCPA beyond the First Phase shall be known as NCPA Projects, and the relationships between NCPA , acting as project manager or operating agent, and Participants to this Agreement, with respect to all phases of NCPA Projects, including operations, shall be as provided for in this Agreement, except where a specific Project Agreement or Operating Agreement provides otherwise.

5.2 Phases. Any Project undertaken by NCPA may have one or more Phases as provided in this Article and the appropriate Facilities Schedule:

- (a) First Phase consists of all surveys and preliminary investigation work performed by NCPA regarding a project supported solely out of its general funds and prior to the time that the Commission declares it as an NCPA Project. For the purpose of ending the First Phase, the Commission may declare a termination of investigations regarding the project, or may declare the project to be an NCPA Project by entering into an agreement with one or more Participants desiring to participate as indicated in subsection (b) or (c).
- (b) Second Phase consists of all work performed after one or more of the Participants has signed an agreement with NCPA for project study, design, or development, but before a Third Phase Agreement for the Project becomes effective.
- (c) Third Phase consists of all work performed after one or more of the Participants has contracted with NCPA to participate in the financing, construction, operation, and maintenance, and/or rights to the output, of the NCPA Project.

Nothing herein prevents the combination of the Second and Third Phases, if NCPA and the Participants so agree.

- 5.3 Participation. Participants in this Agreement may elect to finance and participate in the Second Phase, Third Phase, or operation of an NCPA Project through execution of a Project Agreement.

The Project Participation Percentage shall be based on participation in the previous phase of the NCPA Project, unless the NCPA Project is not fully subscribed, or as otherwise agreed. If the NCPA Project is not fully subscribed, any unsubscribed portion of the NCPA Project shall be divided among Project Participants electing to increase their share, in proportion to their original Project Participation Percentages, unless otherwise unanimously agreed to by such Project Participants.

Unless otherwise agreed, any agreement between NCPA and the Participants relating to the Third Phase of an NCPA Project shall provide for retirement of any preliminary financing and reimbursement of any expenditures of Project Participants in the Second and Third Phases of such project, along with interest as provided for in the appropriate Project Agreement, out of final long-term financing of the NCPA Project.

Unless otherwise agreed, those Participants which are not parties to the Second Phase may participate in the Third Phase provided such Participant(s) agree to assume, pro rata, all Second Phase obligations and that no Second Phase Project Participant objects within 45 days after written notice of a desire to participate.

- 5.4 Agreements. Agreements covering the several phases of NCPA Projects are generally designated as follows:

- (a) Second Phase or Licensing and Development Agreements shall govern Phase Two NCPA Projects; and
- (b) Third Phase or Construction, Operation and Financing or Participation Agreements shall govern Phase Three NCPA Projects; and
- (c) Operating Agreements or Facilities Schedules established pursuant to this Agreement, Project Agreements, and other agreements between NCPA and

any Project Participant(s), shall further govern operation and maintenance of NCPA Projects, after completion.

- 5.5 Incidental Project Costs. It is generally understood that the costs to a Participant which result from an NCPA Project or associated transmission or other facilities located within or directly connected to the system of that Participant, will be borne by the NCPA Project. Specific arrangements regarding such costs and facilities will be by separate agreement.
- 5.6 Dispatching and Scheduling. Except as otherwise specifically provided by a separate agreement, NCPA shall monitor NCPA Projects and dispatch capacity and energy for delivery from or by each NCPA Project to each Project Participant. Each Project Participant, or group of Project Participants, will schedule, or direct the scheduling of, its share of the available capacity and energy from each NCPA Project subject to all applicable operating constraints. A portion of NCPA system control and load dispatch cost will be associated with the monitoring and dispatching of NCPA Projects and allocated to the Project Participants in accordance with the applicable Facilities Schedule.
- 5.7 Procedures. Procedures, criteria, rules, and standards relating to construction, operation and maintenance of NCPA Projects shall be established by the Commission, the Facilities Committee, or the General Manager, as provided in this Agreement and Project Agreements.

ARTICLE 6  
Project Share Transfers

- 6.1     Sale by NCPA. Except where the applicable Project Agreement provides otherwise, if a Project Participant desires to sell a portion or its entire share of an NCPA Project for a specific time interval, or permanently, NCPA will, if requested by such Participant, use its best efforts to sell that portion of the Participant's share of such NCPA Project.
- 6.2     Priority of Sales. Before NCPA may sell a project share pursuant to Article 6.1 to any person or entity other than a Project Participant in the same Project, it shall give all Project Participants the right to purchase the share. Before NCPA may sell a project share pursuant to Article 6.1 to any NCPA Member that is not a Participant in this Agreement, it shall give all Participants the right to purchase the share. Before NCPA may sell a project share pursuant to Article 6.1 to any person or entity other than an NCPA Member, it shall give all NCPA Members the right to purchase the share. NCPA shall make all such sales on terms and conditions consistent with the requirements of the Project Agreement and shall offer the project share to NCPA Members and other persons or entities on terms and conditions no more favorable than those on which as it offered the share to the Participants in the project.

ARTICLE 7  
Metering

- 7.1     Installation, Maintenance, and Meter Reading.  
Determination of the amounts of energy and capacity produced by NCPA Projects shall be ascertained by means of meters installed, maintained and read either at the expense of all of the Participants in an NCPA Project at the project site, or as otherwise provided for by agreement between NCPA and the Participants.
- 7.2     Procedures. Procedures for scheduling and metering of power from NCPA Projects shall be established in the appropriate Facilities Schedule for each Project or as otherwise agreed by NCPA and the Project Participants. Procedures with respect to maintenance, testing, calibrating, correction and registration records, and precision tolerance of all metering equipment shall be in accordance with Good Utility Practices.
- 7.3     Units of Measurement. All metering of energy required herein shall be the integration of kilowatt-hours in the clock half hour, and the quantities thus obtained shall constitute the kilowatt load for such clock half hour, provided, however, that adjustment shall be made for other contractual obligations of any Participant hereto as may be required to determine the quantity to be accounted for hereunder, and for transmission losses, or as otherwise provided by agreement between NCPA and the Participants.

ARTICLE 8  
Billing

8.1      Applicability. Bills from NCPA to Participants shall be rendered and collected pursuant to requirements and procedures provided in Facilities Schedules, Project Agreements, and all other applicable agreements.

8.2      Procedures. Specific details regarding NCPA billing procedures are provided in the applicable Facilities Schedule.

8.3      Appeals. In the event of extenuating circumstances, a Participant making a late payment including interest, may make written appeal to the Commission for relief from such interest for reasonable cause.

The NCPA Commission retains final authority in all late payment situations.

8.4      Disputes. If a Participant questions or disputes the correctness of any billing statement by NCPA, it shall pay the amount claimed when due.

If any Participant does not question or dispute the correctness of any billing statement in writing, within the time provided, the billing statement shall be deemed to be correct.

If the bill is determined to be incorrect, NCPA will issue a corrected bill and refund any amount which may be due the Participant along with interest thereon from the date NCPA received payment until the date of the refund.

If NCPA and the Participant fail to agree on the correctness of a bill within thirty days after the Participant has formally requested a written explanation, the dispute shall then be resolved under the procedures set forth in Article 20 of this Agreement.

ARTICLE 9  
Facilities Schedules

- 9.1 Facilities Schedules. Facilities Schedules shall be established for NCPA Projects and for related purposes for the implementation of this Agreement. For NCPA Projects for which an Operating Agreement has been executed by NCPA and the Participants in that NCPA Project, the Facilities Schedules will supplement the Operating Agreement. Except as expressly provided in a Facilities Schedule and Operating Agreement, the Operating Agreement shall govern.
- 9.2 Scope of Facilities Schedules. Facilities Schedules provide detailed descriptions, principles and procedures (including operating and cost recovery procedures) for the operation of NCPA Projects pursuant to all applicable agreements.

ARTICLE 10  
Other Agreements

- 10.1     NCPA Joint Powers Agreement. This Agreement supplements the NCPA Joint Powers Agreement and is established pursuant to that Agreement. Together they establish responsibilities and authorities of the Commission and the General Manager pursuant to Project Agreements.
- 10.2     Precedence of Agreements. With the exception of Project Agreements and the NCPA Joint Powers Agreement, this Agreement shall, upon its effective date, take precedence with respect to issues addressed in this Agreement and also addressed in any other agreement among the Participants. With respect to issues common to Project Agreements, the Joint Powers Agreement, and this Agreement, Project Agreements and the NCPA Joint Powers Agreement shall take precedence over this Agreement, except as expressly provided in this Agreement.
- 10.3     Member Services Agreement. This Agreement and the NCPA Pooling Agreement, as appropriate, collectively supersede the following Member Services Agreements: the Member Service Agreement between NCPA and the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, and Ukiah, the Plumas-Sierra Rural Electric Cooperative dated February 2, 1981; the Member Service Agreement between NCPA and the Turlock Irrigation District, dated September 25, 1990; and the Member Service Agreement between NCPA and the City of Santa Clara dated February 12, 1981. The Member Service Agreements listed above shall be deemed terminated upon the date that all of the signatories to those Member Service Agreements have signed this Agreement and the NCPA Pooling Agreement, if the Participant is a signatory to that agreement. However, agreements that are appended to those Member Service Agreements as Schedules are not superseded by the execution of this Agreement or the NCPA Pooling Agreement. Such agreements may be appended to this Agreement as Facilities Schedules pursuant to Article 9 of this Agreement.



- 10.4      Project Agreements. This Agreement establishes the framework under which Project Agreements are created for the development, design, financing, construction, and operation of specific projects.
- 10.5      Special Agreements. To the extent not provided or available pursuant to this Agreement, any Participant may request special assistance or services from NCPA. The provision of such services may be made by NCPA, subject to availability of staff, the review of the Facilities Committee, and Commission approval. All details and arrangements for such services, including reimbursement of NCPA's costs, shall be set forth in a Letter of Agreement for Services (LOA).

ARTICLE 11  
Western Systems Coordinating Council

- 11.1     Consistency with Western Systems Coordinating Council Standards, Criteria and Rules. The standards, criteria and procedures relating to NCPA Projects under this Agreement shall be consistent with those adopted by the Western Systems Coordinating Council (WSCC) and Good Utility Practice.

ARTICLE 12  
Potential Adverse Impact

- 12.1 Notification. A Participant shall promptly notify NCPA and the Facilities Committee of any new or materially changed plan(s) for additions to, retirements of, or changes in transmission or other facilities, which are subject to the control of such Participant, and which the Participant believes could affect the capability of an NCPA Project located within the Participant's system. The Facilities Committee shall review such plan(s) and may propose remedial actions.

ARTICLE 13  
Term of Agreement

13.1 Effective Date. This Agreement shall become effective on the date on which it has been duly executed by all initial signatory Participants (Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Plumas Sierra, Roseville, Santa Clara, Turlock Irrigation District and Ukiah), and delivered to and executed by NCPA. Subsequent to the initial execution of this Agreement, any signatory to the NCPA Joint Powers Agreement may also become a Participant by executing this Agreement. Such Participant will become a Participant effective on the date of its execution of this Agreement.

13.2 Termination. This Agreement shall continue in effect from year to year until terminated by consent of all signatory Participants. Any Participant may withdraw from the Agreement by submitting notice, in writing, to NCPA and all Participants at least six (6) months in advance of the effective date of such withdrawal; provided that such withdrawal by any Participant shall neither terminate this Agreement as to the remaining signatories, nor relieve the terminating Participant of any obligations under any Project Agreement.

No such withdrawal shall relieve any Participant of any legally binding obligation arising prior to the effective date of such withdrawal. A withdrawing Participant shall not be obligated to compensate the remaining Participants for loss of any benefits that would have accrued to the remaining Participants if the withdrawing Participant had continued its participation. Nor shall the remaining Participants be obligated to compensate the withdrawing Participant for any benefits that accrue to the remaining Participants because of the withdrawal. Reallocation of the costs and benefits of continuing under this Agreement after a Participant has withdrawn shall not give rise to any claim against a Participant by the remaining Participants. Nor shall any of the remaining Participants be obligated to compensate the withdrawing Participant for any benefits that accrue to the remaining

Participants because of such reallocation of costs and benefits.

ARTICLE 14

Notices

- 14.1 Notice. Any notice, demand or request required or authorized by this Agreement to be given to any Participant or NCPA shall be in writing, and shall either be personally delivered to a representative of the Participant on the Commission or transmitted to NCPA or the Participant at the address shown on the signature pages hereof. The designation of such address may be changed at any time by written notice given to the Secretary of the Commission who shall thereupon give written notice of such change to each Participant.

Any notice, demand or request required or authorized by this Agreement to be given to any NCPA Committee shall be in writing and shall either be delivered or transmitted to the Secretary of the Committee. Any such notice, demand or request shall be deemed to be given when so delivered. A copy of any such notice, demand or request shall also be transmitted to the General Manager.

ARTICLE 15  
Waiver of Defaults

- 15.1 Waiver. No waiver of the performance by a Participant of any obligation under this Agreement with respect to any default or any other matter arising in connection with this Agreement shall be effective unless given by the Commission. Any such waiver by the Commission in any particular instance shall not be deemed a waiver with respect to any subsequent performance, default or matter.

ARTICLE 16  
Uncontrollable Forces

16.1 Uncontrollable Forces. Except for any obligation to make payments pursuant to this Agreement or other agreements relating to NCPA Projects, a Participant or NCPA shall not be considered to be in default in respect of any obligation hereunder if prevented from fulfilling such obligation by reason of uncontrollable forces. The term "uncontrollable forces" shall be deemed for the purposes hereof to mean storm, flood, tsunami, lightning, earthquake, fire, explosion, failure of facilities not due to lack of proper care or maintenance, civil disturbance, labor dispute, sabotage, war, national emergency, restraint by court or public authority, or other causes beyond the control of the affected Participant or NCPA which such Participant or NCPA could not reasonably have been expected to avoid by exercise of due diligence and foresight. Any Participant of NCPA affected by an uncontrollable force shall use due diligence to place itself in a position to fulfill its obligations hereunder and if unable to fulfill any obligation by reason of an uncontrollable force such Participant or NCPA shall exercise due diligence to remove such disability with reasonable dispatch. Nothing in this Agreement shall require a Participant or the NCPA settle or compromise a labor dispute.



ARTICLE 17  
Liability

- 17.1     Liability. All of the privileges and immunities from liabilities, exemptions from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activity of officers, agents or employees of any public agency which is a Participant, while engaged in the performance of any of their functions or duties, shall apply to them in the same degree and extent when performing their respective public duties in connection with this Agreement.
- 17.2     Division of Responsibility. Neither NCPA, the Participants to this Agreement, nor an entity acting on behalf of the Participants, shall be responsible for the transmission, control, use, or application of capacity and energy provided under the Facilities Schedules attached hereto on the receiving Participant's side of such Participant's point of interconnection and shall not, in any event, be liable for damage or injury to any person or property whatsoever, arising, accruing, or resulting from, in any manner, the receiving, transmission, control, use application, or distribution by NCPA, or the Participants, or a corporation acting on behalf of NCPA or the Participants, of said capacity and energy on the receiving Participant's side of such Participant's point of interconnection.
- 17.3     Indemnity. NCPA and the Participants individually shall indemnify, defend, hold, and save each other harmless from any and all loss or damage sustained to any person or property and from any and all liability incurred by the other(s) by reason of any act or performance, or failure to act or perform, on the part of the indemnifying party of its officers, agents, or employees in constructing, maintaining or operating the indemnifying party's apparatus, appliances, or other property, or in the transmission, control or application, redistribution, delivery, or sale of said capacity and energy on the indemnifying party's side of its point of interconnection. Such indemnification shall hold harmless the one indemnified, the members of its

governing body, its officers, agents and employees, from and against any and all liability of whatever nature, including strict liability, and any and all losses and damages, including consequential damages, and injuries, costs and expenses, including expenses incurred in connection with investigating any claim or defending any action, and reasonable attorney's fees. The provisions of this paragraph shall not apply to the extent that any loss, damage or liability is the result of willful misconduct or gross negligence on the part of an officer, agent or employee of the party that would be otherwise indemnified.

- 17.4 Counsel Representation. Pursuant to the provisions of California Civil Code Section 1717 (a), each of the Participants and NCPA were represented by counsel in the negotiation and execution of this Agreement as indicated below. In light of this representation, those terms of this Agreement which dictate the responsibility for bearing any attorney's fees incurred in the litigation or settlement in a manner inconsistent with the provisions of Article 17.3 were intentionally so drafted by the Participants and NCPA.

## ARTICLE 18

### Reports, Records, Accounts, and Audits

- 18.1 Records and Accounts. NCPA shall keep accurate records and accounts for each NCPA Project, and for each identifiable service which it supplies to any Participant through this Agreement or through any agreement which may be entered into between NCPA and any Participant, and for other transactions of NCPA. Such records and accounts shall be kept in general accordance with the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act (see 18 CFR 101), as prescribed by the Federal Energy Regulatory Commission and amended from time to time. NCPA shall cause those records and accounts to be audited annually by a firm of independent certified public accountants of national reputation experienced in electric utility accounting. All public records and accounts shall be made available to Participants for inspection at any reasonable time. A copy of the annual auditor's report shall be submitted to Participants not later than four months after the end of NCPA Fiscal Year. All records are subject to audit at the request of any Participant provided that such audits shall be conducted at the expense of the Participant(s) requesting them.
- 18.2 Reports to Other Agencies. NCPA shall submit such reports and records which are required by the California Energy Commission, the Federal Energy Regulatory Commission or any other local, state or federal agencies having jurisdiction.
- 18.3 Reports to Participants. NCPA shall prepare and issue to the Participants the following reports monthly:
- a. Project Operating Reports.
  - b. Financial Operating Statement.
  - c. Status of NCPA Budget.

- d. Such additional reports as are required under any applicable Project Agreement, Facilities Schedule, or as requested by the Facilities Committee.

ARTICLE 19  
Assignment of Agreement

- 19.1 Limitations. This Agreement, including the Facilities Schedules, shall inure to the benefit of and shall be binding upon the respective successors and assignees of the Participants to this Agreement; provided, however, that except as provided in the event of a default, and, except for the assignment by NCPA authorized hereby, neither this Agreement nor any interest herein shall be transferred or assigned by any Participant hereto except with the consent in writing of the other Participants hereto; provided, however, that such consent shall not be withheld unreasonably. No assignment or transfer of this Agreement shall relieve the Participants of any obligation hereunder, except as otherwise so provided herein. This Agreement shall not be assigned by Plumas-Sierra Rural Electric Cooperative without the approval in writing of the Administrator of the Rural Electrification Administration.

ARTICLE 20  
Settlements of Disputes and Arbitration

- 20.1 Settlement of Disputes. The Participants and NCPA agree to make best efforts to settle all disputes among themselves connected with this Agreement as a matter of normal business under this Agreement. The procedures set forth in the remainder of this Article shall apply to all disputes that cannot be settled by the Participants themselves; provided, that the provisions of Article 8.4 shall first apply to all disputes involving billing statements prepared by NCPA.
- 20.2 Role of the Facilities Committee and the Commission. All disputes connected with this Agreement that cannot be resolved by the parties themselves, will be submitted to the Facilities Committee. If the Facilities Committee cannot resolve a dispute within 30 days, the dispute shall be submitted to the Commission. If the Commission cannot resolve a dispute within 30 days after the dispute is submitted to it, any party to the dispute may, commence binding arbitration pursuant to Article 20.3. Both the Facilities Committee and the Commission shall make best efforts to resolve all disputes submitted to them through discussion and negotiations with the parties. Either the Committee or the Commission may suggest that a mediator with experience in the utility industry be asked to assist in such negotiations. The arbitration procedure provided for in Article 20.3 shall be used only as a last resort in the event that the dispute cannot be resolved through discussion, negotiations and mediation.
- 20.3 Arbitration. The dispute shall be settled by binding arbitration in accordance with the procedures set forth in the applicable Facilities Schedule. Immediately after the conclusion of arbitration, all affected Participants and NCPA shall take whatever action is required to comply with the arbitrator's decision. Judgement upon the award may be entered in any court having jurisdiction.
- 20.4 Expedited Dispute Resolution Procedure. At any time NCPA or any Participant believes that NCPA or any other

Participant has breached or may breach this Agreement or any Project Agreement by some disputed action or by the continuation of a dispute between the complaining party and NCPA or a Participant, which dispute can not be timely resolved under procedures set forth in Article 20.2, written notice shall be promptly provided to the General Manager, the Chairman of the Facilities Committee and each signatory of the applicable agreement(s). Such notice shall provide a detailed explanation of the dispute and the position(s) of the parties to the dispute. The notice shall also provide an explanation of why the dispute cannot be timely resolved under the procedures set forth in Article 20.2.

Upon receipt of such notice, the General Manager and the Chairman of the Facilities Committee shall consult to determine what actions are appropriate to effect a resolution of the dispute. In the event that the General Manager and the Chairman of the Facilities Committee cannot effect a resolution of the dispute satisfactory to all parties within five (5) working days of receipt of such notice, the General Manager shall immediately notify the Chairman of the Commission and provide copies of the notice, together with any comments of the General Manager and the Chairman of the Facilities Committee, concerning the dispute.

Upon receipt of such notice, the Chairman of the Commission shall either place the dispute on the agenda of the next regular meeting of the Commission for the purpose of having the Commission mediate the dispute or if deemed necessary by the Chairman, due to the need for timely resolution, call a special meeting of the Commission for the purpose of having the Commission mediate the dispute. If the Commission cannot effect a resolution of the dispute at such meetings, the parties shall immediately invoke the provisions of Article 20.3.

ARTICLE 21  
Amendments

- 21.1 Amendments. Unless otherwise set forth in this Article, this Agreement may be amended only by written instrument executed by the Participants with the same formality as this Agreement.
- 21.2 Approval and Amendment of Facilities Schedules. The addition, amendment or termination of Facilities Schedules shall be reviewed by the Facilities Committee and shall only be approved by the Commission after such review and recommendation. Any such action may be taken without effect on the Facilities Agreement or other Facilities Schedules.



ARTICLE 22  
Severability

- 22.1 Severability. In the event that any of the terms, covenants or conditions of this Agreement or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction, all other terms, covenants or conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect unless the court holds that such provisions are not severable from all other provisions of this Agreement.

Article 23  
Governing Law

- 23.1     Governing Law. This Agreement shall be interpreted, governed by, and construed under the laws of the State of California.

ARTICLE 24  
Counterparts

24.1 Counterparts. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if all the Participants to all of the counterparts had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form thereto but having attached to it one or more signature pages.

IN WITNESS WHEREOF, each Participant has executed a counterpart of this Agreement with the approval of its governing body, and represents and warrants that the Participant has all requisite authority, and has duly agreed to be bound by all of the terms and conditions of this Agreement, and NCPA has executed each counterpart of this Agreement in accordance with the authorization of its Commission.

**NORTHERN CALIFORNIA POWER AGENCY**

Approved as to form:

By: *M. M. [Signature]*

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

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

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

**CITY OF ALAMEDA**

Approved as to form:

By: *Deborah C. McLaughlin*

Title: *Assistant City Attorney*

By: *W. Lewis*

Title: *G.M.*

**CITY OF BIGGS**

Approved as to form:

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

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

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

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

**CITY OF GRIDLEY**

Approved as to form:

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

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

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**CITY OF HEALDSBURG**

Approved as to form:

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NORTHERN CALIFORNIA POWER AGENCY

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CITY OF ALAMEDA

Approved as to form:

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

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

CITY OF BIGGS

Approved as to form:

By: Robert Mulligan

By: [Signature]

Title: Attorney

Title: Mayor

CITY OF GRIDLEY

Approved as to form:

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

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

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

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

CITY OF HEALDSBURG

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**NORTHERN CALIFORNIA POWER AGENCY**

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**CITY OF ALAMEDA**

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**CITY OF BIGGS**

Approved as to form:

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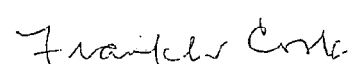
**CITY OF GRIDLEY**

Approved as to form:

By: 

Brant J. Borden

Title: City Attorney

By: 

Frank W. Cook

Title: Mayor

**CITY OF HEALDSBURG**

Approved as to form:

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

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

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**NORTHERN CALIFORNIA POWER AGENCY**

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**CITY OF ALAMEDA**

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**CITY OF GRIDLEY**

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**CITY OF HEALDSBURG**

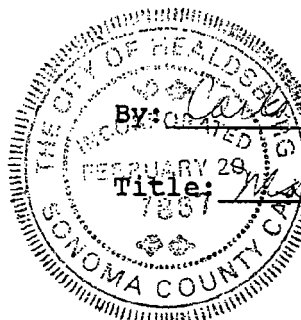
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Title: \_\_\_\_\_

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Attest: Jennifer M. Perrin  
Jennifer M. Perrin  
City Clerk

**CITY OF LODI**

Approved as to form:

By: BW Ullatt

Title: CITY ATTORNEY

By: Thomas A. Peterson

Title: City Manager

**CITY OF LOMPOC**

Approved as to form:

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

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

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

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

**CITY OF PALO ALTO**

Approved as to form:

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

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

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

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

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

Approved as to form:

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

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

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

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**CITY OF ROSEVILLE**

Approved as to form:

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**CITY OF LODI**

Approved as to form:

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

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

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

**CITY OF LOMPOC**

Approved as to form:

By: David Hirsch

Title: City Attorney

By: Joyce Howerton

Title: Mayor

**CITY OF PALO ALTO**

Approved as to form:

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

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

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

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

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

Approved as to form:

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

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

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**CITY OF ROSEVILLE**

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**CITY OF LODI**

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**CITY OF LOMPOC**

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

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

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

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

**CITY OF PALO ALTO**

Approved as to form:

By: *Frank H. C.*

Title: *City Attorney*

By: *Jan McConn*

Title: *Mayor*

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

Approved as to form:

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

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

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

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**CITY OF ROSEVILLE**

Approved as to form:

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CITY OF LODI

Approved as to form:

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CITY OF LOMPOC

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CITY OF PALO ALTO

Approved as to form:

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

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

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

PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE

Approved as to form:

By: Mr. A. Nelson

By: Elizabeth M. Johnson

Title: President

Title: General Counsel

CITY OF ROSEVILLE

Approved as to form:

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

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

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

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**CITY OF LODI**

Approved as to form:

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**CITY OF LOMPOC**

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**CITY OF PALO ALTO**

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**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

Approved as to form:

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

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

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

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

**CITY OF ROSEVILLE**

Approved as to form:

By: Michael J. Brown

Title: City Attorney

By: [Signature]

Title: City Manager

**CITY OF SANTA CLARA**

Approved as to form:

By: 

Title: ASST. CITY ATTORNEY

By: 

Title: City Manager

**TURLOCK IRRIGATION DISTRICT**

Approved as to form:

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

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

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

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

**CITY OF UKIAH**

Approved as to form:

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

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

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

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**CITY OF SANTA CLARA**  
Approved as to form:

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

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

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

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

**TURLOCK IRRIGATION DISTRICT**  
Approved as to form:

By: Chris Kiriakou

Title: Energy Resources Administrator

By: Chris Kiriakou

Title: Energy Resources Administrator

**CITY OF UKIAH**  
Approved as to form:

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

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

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

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

**CITY OF SANTA CLARA**  
Approved as to form:

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

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

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

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

**TURLOCK IRRIGATION DISTRICT**  
Approved as to form:

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

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

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

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

**CITY OF UKIAH**  
Approved as to form:

By: *W. J. Lopez*

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

Acting City Attorney

By: *Fred Schneider*

Title: *Mayor*

Mayor Fred Schneider

11 11

CITY OF ALAMEDA  
BUREAU OF ELECTRICITY

RESOLUTION NO. 4200

APPROVING EXECUTION OF THE  
NORTHERN CALIFORNIA POWER AGENCY  
FACILITIES AND POOLING AGREEMENTS

WHEREAS, the Northern California Power Agency has developed the Facilities Agreement to, among other things, facilitate the cooperation among members in achieving the full benefits of joint design, construction and operation of facilities, to formalize their relationships and provide the framework and certain terms of future agreements between them, and to clearly define the activities of the Northern California Power Agency in connection with projects; and

WHEREAS, the Northern California Power Agency has developed the Pooling Agreement so that members who are parties to the Pool can avail themselves of the full benefits of power pooling by establishing and operating a pool to be known as the NCPA POWER POOL, with benefits that should be greater than, or at least equal to, the benefit which would have been derived from the use of the party's own resources if the resources had been scheduled for the party's maximum benefit for use on its own electric load, to provide for cooperation in, among other things, planning, entering into power transactions and acquiring transmission service, and dispatching of available resources; and

WHEREAS, the NCPA Commission has approved the agreements with the advice of General Counsel, authorized their signature by the NCPA General Manager and recommended their approval by the governing boards of the participating members; and

WHEREAS, the Bureau staff has been engaged in the development of the agreements, reviewed them, and experienced their operation on an interim basis, and it is believed that the continued participation of the Bureau in the NCPA POWER POOL is in the best interest of the Bureau and its customers; and

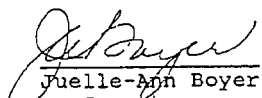
WHEREAS, the City Attorney has approved the agreements as to form.

NOW, THEREFORE, BE IT RESOLVED that the Public Utilities Board approves the Bureau's participation in the NCPA POWER POOL, approves the Facilities and Pooling Agreements and authorizes and directs the General Manager to execute and deliver them.

I, the undersigned, hereby certify that the following resolution was regularly introduced and adopted by the Public Utilities Board of the City of Alameda in regular meeting assembled on the 25th day of October, 1993, by the following vote to-wit:

AYES: Commissioners Hansen, Hanna, McCall, Norton and  
President Shomon  
NOES: None  
ABSENT: None

IN WITNESS WHEREOF, I have set my hand this 26th day of October, 1993.

  
Juelle-Ann Boyer  
Secretary



RESOLUTION NO. 93-20

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
BIGGS APPROVING EXECUTION OF THE NORTHERN  
CALIFORNIA POWER AGENCY FACILITIES AGREEMENT

BE IT RESOLVED, that the Northern California Power Agency Facilities Agreement, approved by that Agency by its Resolution No. 93-19 on September 22, 1993, in the form presented to this meeting, is approved, and the Mayor is authorized and directed on behalf of the City of Biggs, to execute and deliver such agreement, with such non-substantive changes and modifications as he or she may determine, with the advise of City Attorney, are in the best interests of the City of Biggs.

I HEREBY CERTIFY that the foregoing RESOLUTION was duly introduced, passed and adopted at a regular meeting of the City Council of the City of Biggs, held on the 13th day of December, 1993, by the following vote, to-wit:

AYES: COUNCILMEMBER Tamagni, Emswiler, Knipe, Mossman & McGinnis

NOES: COUNCILMEMBER None

ABSENT: COUNCILMEMBER None

ABSTAIN: COUNCILMEMBER None

APPROVED:

[Signature]  
MAYOR

ATTEST:

[Signature]  
CITY CLERK

THIS FOREGOING IS A TRUE AND CORRECT COPY OF THE RESOLUTION  
ON FILE AT

WITNESS MY

20<sup>th</sup> Dec 1993  
[Signature]  
City Clerk  
City of Biggs, State of California

# INDEX OF FACILITIES SCHEDULES

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NCPA Facilities Agreement  
Facilities Schedule FA 0.00

Introduction to Facilities Schedules

Separate Facilities Schedules will be established for NCPA Projects and for related purposes, as appropriate, pursuant to Article 9 of the Facilities Agreement. Facilities Schedules will provide detailed descriptions, principles and procedures (including operating and cost recovery procedures) for NCPA Projects pursuant to this Agreement and all applicable Project Agreements.

For NCPA Projects for which an Operating Agreement is executed by NCPA and Project Participants, the Facilities Schedule will supplement the Operating Agreement. Except as expressly provided in a Facilities Schedule, if there is any conflict between the Facilities Schedule and an Operating Agreement, the Operating Agreement shall govern.

Facilities Schedules will provide for:

- o Project Participants' payments to NCPA for project costs.
- o Cost accounting and reporting.
- o Determination of fixed and variable costs.
- o Determination of Project capabilities.
- o Project operating procedures.
- o Project specific accounting requirements.
- o Allocation of System Control and Load Dispatch costs.
- o The establishment and maintenance of reserve funds.
- o The establishment of a Coordinated Operations Group.
- o The definition of project phases.
- o Arbitration procedures.
- o Other topics as needed in the future.

The Facilities Schedules will be organized using the following numeric system:

FA X . OY where:

"X" refers to the following:

- 1 = determination and recovery of costs
- 2 = project capability

- 3 = project operating procedures
- 4 = system control and dispatch
- 5 = reserve funds
- 6 = coordinated operations group
- 7 = project phases
- 8 = arbitration procedures
- 9&10 etc = reserved for future needs

and where "Y" refers to

- 0 = information and/or principles/procedures not specific to an individual NCPA Project
- 1 = information and/or principles/procedures specific to the NCPA Combustion Turbine Project
- 2 = information and/or principles/procedures specific to the NCPA Geothermal Project
- 3 = information and/or principles/procedures specific to the NCPA Hydroelectric Project No. 1.
- 4 = information and/or principles/procedures specific to NCPA power purchase project
- 5&6 etc = reserved for future needs.

Various reports and accounts are required to be prepared and maintained pursuant to procedures set forth in Facilities Schedules and Project Agreements. To the extent that a report or account prepared or maintained pursuant to a Facilities Schedule, Project Agreement, or for some other purpose, reasonably fulfills the requirements of another Facilities Schedule or Project Agreement, and upon approval of the Facilities Committee, a second report or account need not be separately prepared or maintained. The names and titles of reports and accounts are provided for the purpose of convenience and are not intended to be inclusive, definitive, or affecting the meaning of the contents of Facilities Schedules and Project Agreements or the scope thereof. The names and titles of reports or accounts may be changed or modified without the need of amendment of Facilities Schedules and Project Agreements upon the approval of the Facilities Committee. To the extent possible, the author of such reports and accounts shall provide a cross-reference to those Facilities Schedule and Project Agreement requirements satisfied by each report or account.

A. Determination and Recovery of Costs

Facilities Schedules FA 1.00 through FA 1.0Y provide for the payment of NCPA Project Costs by Project Participants based on their Project Entitlement Obligations (Project Participation Percentage of fixed costs) and utilization of Project output (variable cost).

Facilities Schedule FA 1.00 provides the basic methods and philosophies of properly allocating NCPA Project Costs between fixed (\$/kW or Project Participation Percentage) and variable (\$/MWh) components. This schedule also introduces the billing process by which Project Participants make payment for these costs, and addresses the periodic review and "true-up" of these costs to better reflect actual expenses and project operations.

Facilities Schedules FA 1.01 through FA 1.0Y provide the specific allocations between fixed and variable costs for each line item in the NCPA Budget for each Project.

Certain costs, including those for PG&E support and transmission services which apply only to NCPA Pooling Agreement Parties or others, will be identified and accounted for as such.

B. Project Capability

Facilities Schedules FA 2.01 through FA 2.0Y provide for determination of Project Capability for each NCPA Project. Project Capability as determined in these schedules will be used as a determinant in the fixed and variable cost allocation process, and for the computation of system capabilities under the NCPA Pooling Agreement.

C. Project Operating Procedures

Facilities Schedules FA 3.01 through FA 3.0Y provide procedures under which the NCPA Projects will be operated. These procedures set forth operating criteria including, but not limited to, scheduling and pre-scheduling requirements, outage and curtailment planning, emergency operation, replacement energy, and project obligations. These Facilities

Schedules will also provide for project accounting including generation accounting to track the quantity of generation from each unit attributable to each Operating Entity and Project Participant, and generation limits accounting to track the use of available generation governed by limitations such as air quality permits, spill prevention rule curves, and minimum release rule curves.

D. System Control and Load Dispatch Costs

Facilities Schedule FA 4.00 provides for the allocation of those portions of the System Control and Load Dispatch Costs determined in the NCPA Budget to be NCPA Project Costs. This allocation is made in proportion to Project Participation Percentage and the capability of NCPA Projects. This schedule also provides for the review of this allocation upon the completion of new NCPA Projects or other events significantly affecting these costs.

E. Reserve Funds

Facilities Schedule FA 5.00 provides for the establishment of Reserve Funds for NCPA Projects. The purpose of these funds will be to allow for the systematic accumulation and maintenance of funds to cover expenditures such as: extraordinary maintenance, major overhauls, extraordinary purchases of plant supplies, plant betterments and improvements, or other special purposes. Specific goals and objectives, funding levels, and funding mechanisms for Reserve Funds will be established in the NCPA Budget each year.

F. Coordinated Operations Group

Facilities Schedule FA 6.00 provides for the establishment of a Coordinated Operations Group (COG). COG, with representation from the staff of each Operating Entity and from the staff of each NCPA Project, as required, will provide for coordination between Operating Entities and NCPA Project staff regarding all aspects of the operation of NCPA Projects, the coordination of data transmission and exchange requirements and procedures, and will provide technical guidance to the Facilities Committee and NCPA Project Managers as requested. COG is intended to provide that level of

coordination and interface that would be unduly burdensome to the Facilities Committee and the Commission.

G. Project Phases

Facilities Schedule FA 7.00 provides for the definition of phases for the development of NCPA Projects. Each phase requires agreements that formalize the responsibilities of NCPA and each Participant.

H. Arbitration Procedures

Facilities Schedule FA 8.00 provides procedures under which a dispute may be settled by binding arbitration. Time-lines, arbitrator selection, arbitrator authorities and other procedures are established to provide for the efficient application of the arbitration process.

I. Other Facilities Schedules

Additional Facilities Schedules may be established to provide guidance regarding NCPA Project operations and maintenance, or for other aspects of the implementation of this Agreement.

NCPA Facilities Agreement  
Facilities Schedule FA 1.00

Billing and Cost Determination Principles and Procedures

A. Introduction

A determination of a power supply resource's fixed and variable costs is needed so that the proper decisions can be made by NCPA to minimize operating costs and also to assure that costs of jointly owned power plants are allocated properly between Project Participants. In addition, the NCPA Power Pooling Agreement incorporates related incremental and decremental variable costs in its "Pool Accounting Method" which determines payment for energy transactions between Parties to that Agreement. Therefore, a method to determine fixed and variable costs of all NCPA resources is required.

The classification of NCPA's operating costs will be the responsibility of the Facilities Committee. The Facilities Committee will make the determination of fixed and variable operating costs once each year coincidental with the approval of NCPA's annual budget. NCPA's annual budget will include, in addition to the annual budgeted amounts, the classification of "fixed" and "variable" operating costs for NCPA's operating projects. If revisions are required to the "fixed" and "variable" charges during the Fiscal Year, the Facilities Committee may recommend and the NCPA Commission may approve necessary revisions. Such revisions shall be consistent with the original determination of the Facilities Committee and the methodology set forth in the appropriate Facilities Schedule. "True-Ups" of charges shall be made from time to time, as hereinafter provided, to reflect actual costs and Project operations.

B. Methodology

The pricing of electrical power for sale or transfer to others has for many years been the subject of much debate among the sellers, the purchasers and those who regulate the utility industry. Over the years a methodology for classifying accounting costs between those that are "fixed" (demand related) and those that are "variable" (energy related) has



evolved. The following is a general discussion of the basic principles utilized by the utility industry for determining "fixed" and "variable" costs.

The determination of the "fixed" and "variable" prices for a third party purchase is a relatively simple procedure. Usually a third party purchase is made according to the terms and conditions of a rate schedule or contract which establishes costs for capacity and energy and has been already established by the selling utility with the approval of a regulating authority.

In order for a utility to determine the "fixed" and "variable" cost for its own operating resources, a detailed analysis of all costs associated with the generation of power from each particular resource must be undertaken.

The Facilities Committee could consider a number of factors for the determination of "fixed" and "variable" costs, including the future value of geothermal steam, the seasonal value of water for hydroelectric projects, and actual operating expenses for each resource. However, for purposes of pricing and billing under the NCPA Facilities Agreement and the NCPA Pooling Agreement it is important that the cost rates utilized for the resources under NCPA's control incorporate as true a representation as possible of the near-term variable cost of those resources. This will help guarantee appropriate and proper allocation of all costs to the participating parties.

#### 1. Variable Costs - General

Variable costs are those costs which are dependent upon the electrical output of a generating unit or plant such as the cost of consumed fuel. The "variable" price of a thermal-electric unit is dependent on the heat rate of the unit (which varies with the output level), the per unit fuel cost, and some component of operations and maintenance costs which is considered to be dependent upon use. Heat rate or input-output curves are generally used to describe the fuel component while variable O&M is generally relatively small and can be established as a percent of total O&M costs. Therefore, the variable cost

of a thermal-electric unit may need to be defined by equation(s) consisting of a number of components.

2. Fixed Costs - General

Generally, fixed costs have been defined as those costs incurred by an electric utility which do not change as the electrical output of the plant varies. Examples of a fixed cost could be either debt service or operating labor expense. There are other costs which could also be considered fixed and do not vary with plant output. An example of these other fixed costs are for rents paid to others for services, property taxes and administrative and general expenses.

3. Uniform System of Accounts

Pursuant to Article 18 of the Facilities Agreement, NCPA maintains its accounts on the basis of the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Classifications between fixed and variable costs provided in Facilities Schedules FA 1.01 through FA 1.0Y reference an applicable FERC account.

C. Geothermal Project

The analysis of costs associated with the operation of a power plant so far have centered on payments to outside vendors, i.e., debt service, property taxes, and rent expenses. A power plant must be operated and maintained to obtain generation (kilowatt-hours). The operator's direct expenses are classified by the FERC Chart of Accounts between operation and maintenance expenses. The source of energy used to turn the generator is usually classified as a variable expense (100%) because it varies directly with plant output.

As a result of a litigated resale rate case Pacific Gas & Electric Company (PG&E) filed in 1982 before the FERC, the classification of operating expenses between fixed and variable has served as a basis for allocating costs for many years. In 1989, PG&E revised its methodology to classify all production operation expenses as 100% fixed and all production maintenance expenses as 100% variable.

NCPA does incur a small amount of truly variable costs during the course of operation of the geothermal project. These costs are directly related to the disposal of sulphur wastes contained in the steam. The sulphur by-product must be removed prior to the discharge of condensate. Special chemicals, a specially designed removal system and the efforts of two chemists are required in order to comply with state pollution standards. These costs are considered variable because they vary directly with the output of the plant.

Maintenance expenses, except those associated with land and structures, could be classified as a variable expense because as the plant output varies, the amount of maintenance required also tends to vary over time. It should be noted, however, that changes in plant output levels may not actually affect maintenance budgets within the current fiscal year.

The utility's administrative and general costs are usually allocated based on the distribution of operating and maintenance labor expenses previously assigned to the fixed and variable categories. Other operating expenses are allocated based on similar procedures used for administrative and general expenses.

Initially, the projected potential volume of available steam from NCPA's KGRA leases was expected to be sufficient to operate several geothermal units. NCPA built Plant No. One (110 MW) which operated at its full capacity after 20 wells were drilled and connected through a gathering system to the plant. These initial wells provided sufficient steam to provide 110 MW of capacity and sufficient energy for a Capacity Factor of 85%. However, once the plant became operational and steam began flowing, the field static pressure began to decline. An example of this is when one blows up a balloon and then lets the air out. At first, the air rushes out at a high velocity through the fixed opening of the balloon. Then, the velocity of the air slows down because the pressure within the balloon has decreased. Finally, all the air in the balloon is gone and the pressure inside the balloon equals the pressure on the outside. The same example holds true for the steam field except that instead of only one opening, as in the balloon, additional wells (openings) can be drilled in the steam field in order to increase the effective opening (orifice size). This is the only means available to

maintain the required steam flow (level of generation) unless an equal amount (weight) of water is returned to the underground formation.

Based on the foregoing concepts, steam field costs are classified as fixed or variable as follows:

1. Debt Service. NCPA purchased the steam field for approximately \$170 million. Debt service must be paid each year and does not vary with development of the field; therefore, it is a "fixed" cost.
2. Royalty to BLM. This cost varies directly with the use of steam by the geothermal project; therefore, it is a "variable" cost.
3. Property Taxes. Once an initial level of generation was established, i.e., 95% capacity factor, the valuation for the steam field was set over the life of the project; therefore, property taxes are a "fixed" cost.
4. Operation and Maintenance Expenses. Operation and maintenance expenses including administrative and general expenses may be allocated to both fixed and variable cost categories. System capacity must be maintained (fixed), and the system repaired because steam flow (variable) does cause wear and tear on the gathering system.
5. Steam Well Drilling and Field Development. After the initial set of wells are placed into operation to provide capacity to each plant, the total system flow must be maintained as the pressure in the steam field declines. In order to maintain a specified plant capacity factor, e.g., 90% to 95%, additional wells must be drilled in order to increase the total orifice size of the steam field. Therefore, drilling costs incurred subsequent to the initial start up date of each plant should be considered as a "variable" expense.

In keeping with the Geothermal Operating Agreement, all costs except plant debt service will be billed at the same rate for the two plants.

D. Combustion Turbine Project

The same classification principles previously discussed for the geothermal resources may also be applied to the combustion turbine project.

Due to the changing nature of the natural gas marketplace and rate making policies, the Facilities Committee will use the current gas rate schedules or contract terms to determine the various "fixed" (if any) and "variable" components for natural gas.

Heat rate curves are utilized to calculate the variable fuel cost per unit of energy output.

The classification of the other CT operating costs could be the same as for the geothermal project. That is, 100% of operations costs could be considered fixed. Because the annual generation of this project is subject to wide fluctuations, and maintenance costs are not generally affected within a Fiscal Year, all maintenance costs could be billed as "fixed." Although not currently implemented, maintenance could be further split between "basic" maintenance required to keep units in condition to start on demand, and "operational" maintenance required for, or because of, ongoing operation of units. After the costs are classified between fixed and variable the next step is to project the amount of CT generation for the year. Each year the conditions under which the CTs are operated change depending on weather conditions and forecasted capacity reserve percentages. A computer production model is used to project annual generation as well as fuel consumption. Once the variable cost for natural gas is calculated, it is then added to the variable operating cost in order to determine total variable cost for the CTs.

E. Hydroelectric Project No. One

The classification of hydroelectric expenses between "fixed" and "variable" has been discussed by many regulatory authorities. Generally, the classification of costs follows the same procedures as discussed above for the geothermal and combustion turbine projects. However, because no "fuel" is associated with hydroelectric projects, essentially all costs

are classified as "fixed". The exception to this is the maintenance of Electric Plant and Miscellaneous Hydraulic Plant. These costs are classified as "variable" on the basis that the level of maintenance required is a function of the level and hours of operation.

The "variable" cost per kWh is determined by dividing the total variable cost by the projected annual energy output. To the extent that actual hydrological conditions are not known, average conditions will be assumed in determining the amount of energy generated for a year and used in this initial calculation of the "variable" cost per kWh. A true-up, based upon actual variable costs and energy production, will be made as provided in Section I.3 of this Facilities Schedule.

F. Billing

All bills to Project Participants, rendered by NCPA pursuant to this Agreement, shall be made, for each NCPA Project, on the basis of Project Costs and associated dispatch costs. Project costs and dispatch costs will be allocated as "fixed" (\$ per kW or Project Participation Percentage) and "variable" (\$ per MWh) as provided in the appropriate Facilities Schedule, and billed accordingly.

1. Schedule. Estimated and actual billing statements prepared by NCPA shall be sent to each Participant showing the Participant's share of costs and other charges payable under this Agreement for each billing period. Such statements shall be adjusted to reflect any credit or debit adjustments.

Amounts shown on the billing statement are due and payable thirty (30) days after the date of the billing statement, except that any amount due on a Friday, holiday or weekend shall be adjusted by NCPA to the closest following workday, as appropriate.

Any amount due and payable but not paid by the Participant within thirty (30) days following the date of the billing statement shall bear interest at the per annum prime rate (or reference rate) of the Bank of America NT & SA then in effect, plus two percent per annum, computed on a daily basis until paid. Such

computation shall be made on a simple interest basis without compounding.

NCPA shall mail all billing statements within 24 hours of the date of the billing statement.

NCPA will alert a Participant's designated representative via telephone of any payment not received within 36 hours after the due date. Designation of such representative shall be made in writing by each Participant pursuant to the procedures set forth in Article 14 of the Facilities Agreement.

The postmark date on the envelope containing payment by check shall be used to determine timeliness of payment, except that payments received later than seven days after the due date shall be declared late without regard to postmark date.

Payment via wire transfer is the preferred method of making payments to NCPA. For wire transfers, the transaction date shall be used to determine the timeliness of payments.

NCPA Credit Memoranda issued to any Participant do not bear interest during the period such credits remain outstanding, but unapplied. It is each Participant's responsibility to apply the credits to subsequent NCPA billings on a timely basis.

2. Disputes. If a Participant questions or disputes the correctness of any billing statement by NCPA, it shall pay the amount claimed when due.

A Participant may within thirty (30) days of the receipt of such billing statement, request a written explanation from NCPA, otherwise the billing statement shall be deemed to be correct.

If a bill is determined to be incorrect, NCPA will issue a corrected bill and refund any amount which may be due the Participant along with interest thereon from the date NCPA received the payment until the date of the refund. The rate of interest shall be the Bank of America NT & SA

average Regular Savings rate, computed on a simple interest basis, without compounding, for the period the excess is outstanding.

If NCPA and the Participant fail to agree on the correctness of a bill within thirty (30) days after the Participant has requested a written explanation, the dispute shall then be resolved under the procedures set forth in Article 20 of the Facilities Agreement.

G. Interest on Estimated and Actual Billings

1. Applicability. This procedure for calculation of interest will be applicable whenever the actual bill to a Project Participant for an NCPA Project has not been rendered within 120 days beyond the end of the actual billing month in question. These computations shall not apply to bills considered delinquent pursuant to Section F of this Facilities Schedule, nor to "true-ups" performed as provided in Section I of this Facilities Schedule.
2. Calculations. The Participant's monthly estimated bill will be compared with the corresponding actual bill for each NCPA Project, and any overpayment/underpayment amount will be computed. A credit (overpayment amount \* interest rate \* period outstanding) or charge (underpayment amount \* interest rate \* period outstanding) will be computed. These credits and/or charges shall be applied by NCPA to the next estimated bills to be rendered to the Participants for such NCPA Projects.
3. Interest Rate. The average ninety (90) day Treasury Bill interest rate for the period outstanding shall be computed and used as the interest rate for this credit or charge. Such interest rate shall be applied on a simple interest basis without compounding.
4. Period Outstanding. The period outstanding shall be deemed to extend from thirty (30) days after the date of the estimated billing statement to the date of the billing statement to which the appropriate credits or charges are applied.



H. Waiver of Penalties.

The Commission may delegate to the General Manager the authority to waive late payment interest penalties computed pursuant to Section F of this Facilities Schedule. The General Manager may, under this delegation, waive interest penalties for cause for a period not exceeding seven (7) days. Said waiver shall be made in writing. The NCPA Commission shall, however, retain final authority in all late payment situations.

I. Fixed and Variable Costs

Both "fixed" and "variable" cost billings shall be made on the basis of amounts included in the NCPA Budget or actual costs incurred by NCPA as provided herein.

The fixed and variable cost rates established for each NCPA Project pursuant to the Facilities Agreement and applicable Facilities Schedules shall provide for the recovery of all Project Costs and all other costs, expenses, or obligations authorized by an indenture, or other similar instrument, or any other agreement applicable to such NCPA Project.

To the extent that "fixed" and "variable" cost billings for a Project are not sufficient to recover all Project costs because of a significant curtailment or suspension in the operations of a Project, each Project Participant shall pay its share of such Project costs based on its take-or-pay obligations according to Project Entitlement Percentages.

Following the end of each quarter of the fiscal year, NCPA shall review its estimates set forth in the annual Budget for such fiscal year. In the event such estimates substantially deviate from actual expenses (i.e.; deviate from actual revenues, operating expenses or other requirements as of the date of the review or are expected to do so during the remainder of the fiscal year), NCPA shall adopt a Budget amendment for the remainder of the fiscal year.

A substantial deviation from the estimated annual Budget means a permanent variation from a major objective or parameter of plus or minus five percent (5%) or more, unless otherwise

provided for in the Budget. A permanent variation is one that is not expected to reverse at a later date during the same fiscal year.

1. Fixed Cost Recovery

Fixed cost rates shall be established annually for each NCPA Project on the basis of those Project Costs and dispatch costs for NCPA Projects which are included in the NCPA Budget and classified as "fixed" costs pursuant to the applicable Facilities Schedule.

Such rates may be adjusted during a fiscal year as provided in this Schedule.

2. Variable Cost Recovery

Variable cost rates established annually for each NCPA Project shall have two components, a "base" component and a "fuel" component.

a. Base Component

All variable costs, except fuel costs, shall be included in the base component of the variable cost rate. Such rate may be adjusted during a fiscal year as provided in this Schedule.

b. Fuel Component

That portion of variable costs associated with certain fuels with commodity prices which are subject to substantial change during a fiscal year (e.g. natural gas or oil, but not geothermal steam or hydroelectric water) will be billed each month based on the actual rate for that month, or NCPA's best estimate of such rate if actual prices are not known at the time of billing. When estimated prices are used, final adjustments shall be made as a true-up as provided below.

Any portion of fuel costs which are not related to monthly consumption, such as customer charges or minimum charges resulting from prior month's

consumption, to the extent not offset by commodity purchases, will not be included in this fuel component.

3. Billing True-Up

NCPA billings for all costs will be adjusted or trued-up as provided below.

At the end of each fiscal year, as soon as actual data is available, NCPA shall true-up all billings based on actual cost data and actual billing determinants. True up amounts will be debited or credited to Project Participants as follows:

- a. a lump sum on future NCPA bills to the Project Participants; or
- b. an NCPA Reserve Fund designated by each Project Participant; or
- c. as otherwise directed by the Commission.

At the time that an amendment to the NCPA Budget is approved by the Commission, the Facilities Committee may also recommend that the Commission direct that a true-up be performed, in the manner provided above for fiscal year true-ups, on all billings rendered to date by NCPA.

NCPA Facilities Agreement  
Facilities Schedule FA 1.01

Combustion Turbine Project No.1  
Fixed and Variable Cost Determination

A. Cost Allocation:

The classification of Project Costs as approved by the NCPA Commission in the NCPA Budget is as follows:

	Classification between		FERC
<u>Combustion Turbine Project</u>	<u>Fixed</u>	<u>Variable</u>	<u>Account</u>
Fuel - Natural Gas - Operations		100%	547-00
Fuel - Natural Gas - Maintenance	100%		547-01
Operations -			
Supervision and Engineering	100%		546
Generation Expense - Host City Labor	50%	50%	548
Generation Expense - Other	100%		548/549
Maintenance -			
Supervision & Engineering	100%		551
Maintenance of Structures	100%		552
Generating & Electric Equip.	100%		553/554
System Control & Load Dispatch-Allocated	100%		556
Administrative & General(Direct Charges)			
Salaries & Wages	100%		920
Office Supplies & Expenses	100%		921
Outside Services	100%		923
Regulatory Expenses	100%		928
Property & Liability Insurance	100%		924
Maintenance of General Plant	100%		935
Indirect Costs of NCPA - Allocated			
(See Note 1)	100%		922

	Classification		FERC
	Fixed	Variable	
<u>Combustion Turbine Project</u>			<u>Account</u>
Employee pensions & benefits-	See Note 2		926
SEP/IRA Plan			
Medical and dental insurance			
Employee life insurance			
Long-term disability insurance			
Worker's compensation insurance			
Property & Other Taxes			
Property Taxes	100%		408
Payroll Taxes (FICA, SUI, Etc.)	See Note 2		408
Debt Service			
Debt service - interest	100%		427
Debt service - principal	100%		221
Interest Income	100%		419
Fees and charges			
L.O.C. fees	100%		930
Trustee fees	100%		930
Remarketing fees	100%		930
Miscellaneous other	100%		930
Maintenance, Other Reserves, and Inventories	See Note 3		
Capital Assets	See Note 4		
Plant materials & operating supplies	100%		154
Structures & improvements	100%		390
Miscellaneous power plnt. equip.	100%		316

Note 1      Indirect costs of NCPA, except such costs associated with Payroll and other Taxes and Employee pensions and benefits (see Note 2), are those costs charged by NCPA to Accounts 920 through 935 and then allocated to the Project.

Note 2      Salary and wage-related expenses and payroll-related taxes are allocated based on the distribution of labor included in the Operating and Maintenance and Administrative and General expenses.

Note 3      Maintenance, other Reserves, and Inventories are initially treated as fixed costs. Reimbursements, however, will be classified on the basis of the operation and/or maintenance accounts charged for such reimbursements as provided in Facilities Schedule 5.00.

Note 4      Capital outlays are charged to the appropriate FERC Plant Accounts and are classified as fixed costs.

For purposes of payments for Project Costs by Project Participants to NCPA and sales of Project Capacity and/or energy among Project Participants, Project costs will be classified on the basis of all fixed costs being assigned either to capacity, or to Project Participant Percentage, and all variable costs being assigned to energy.

NCPA Facilities Agreement  
Facilities Schedule FA 1.02

Geothermal Project Fixed and Variable Cost Determination

A. Cost Allocation - Steam Field

The classification of Project Costs as approved by the NCPA Commission in the NCPA Budget is as follows:

	Classification between <u>Fixed</u>	<u>Variable</u>	FERC <u>Account</u>
<u>Steam Well Drilling &amp; Field Development</u>			
New Production Wells		100%	502
Existing Well Workovers		100%	502
Direct Labor & Related Costs (Drilling)		100%	502
Well Surface & Other Equipment		100%	502
Direct labor & related costs (NCPA Clearing Account)		100%	700
Drill Rig Operation & Maintenance		100%	502
Administrative & General (Drilling)		100%	502
Legal fees		100%	502
Miscellaneous general expenses		100%	502
Indirect costs of NCPA		100%	502
<u>Steam Field Operations &amp; Maintenance</u>			
Reimbursement of Steam Well Drilling & Field Development	See Note A		
BLM Royalty Fees		100%	502
Operations			
Supervision & Engineering	100%		500
Steam operations expense	100%		502
Miscellaneous steam power expense	100%		506
Lease royalty payments	100%		507
Maintenance			
Supervision & Engineering	100%		510
Maintenance of structures	100%		511
Maintenance of steam gathering sys.	100%		513
Miscellaneous & steam gathering sys.	100%		514

	Classification between <u>Fixed</u> <u>Variable</u>	FERC <u>Account</u>
<u>Cost Allocation - Steam Field (Cont.)</u>		
Capital Assets (See Note 4)		
Laboratory equipment	100%	395
Office furniture & equipment	100%	391
Transportation equipment	100%	392
Miscellaneous power plant equipment	100%	316
Communications systems	100%	397
Plant materials & operating supplies	100%	154
Property & Other Taxes		
Property taxes	100%	408
Payroll taxes (FICA, SUI & etc.)	See Note 2	408
Shared Facilities Allocations	100%	506
Administrative & General (Direct Charges)		
Salaries & wages	100%	920
Office supplies & expenses	100%	921
Administration building credit	100%	929
Outside services	100%	923
Property insurance	100%	924
Liability insurance	100%	925
Regulatory expense	100%	928
Miscellaneous general expense	100%	930.2
Rents	100%	931
Maintenance of general plant	100%	935
Indirect costs of NCPA - Allocated (See Note 1)	100%	922
Debt Service (Net)		
Debt service - interest	100%	427
Debt service - principal	100%	223
Interest income	100%	419
Maintenance, Other Reserves, and Inventories	See Note 3	various



Note A In the future, all or a portion of "Steam Well Drilling & Field Development" may initially be funded from an appropriate reserve fund and reimbursed during the year of expenditure or in subsequent years from amounts budgeted for such purposes. Classifications shown here are those currently effective. Reimbursements to such a reserve fund would be classified as variable costs and charged to FERC Account 502, as shown under "Steam Field Operations and Maintenance."

B. Cost Allocation - Geothermal Project

The classification of Project Costs as approved by the NCPA Commission in the NCPA Budget is as follows:

<u>Geothermal Projects:</u>	Classification between		<u>FERC Account</u>
	<u>Fixed</u>	<u>Variable</u>	
	As determined above		
Fuel - Steam			
Operation			
Supervision & Engineering	100%		500
Electric Expenses			
Labor	100%		505
Sulphur disposal		100%	505
Abatement Chemicals		100%	505
Potable Water	100%		505
Permits & Miscellaneous	100%		505
Miscellaneous steam power	100%		506
Rent	100%		507
Maintenance			
Supervision & engineering		100%	510
Structures	100%		511
Steam auxiliaries		100%	512
Electric plant		100%	513
Miscellaneous steam plant equipment		100%	514
System Control & Load Dispatch	100%		556
Shared Facilities Allocation	100%		557

<u>Geothermal Projects:</u>	Classification between		FERC Account
	<u>Fixed</u>	<u>Variable</u>	
Property & Other Taxes			
Property taxes	100%		408
Payroll taxes (FICA, SUI, etc.)	See Note 2		408
Administrative & General (Direct Charges)			
Salaries & wages	100%		920
Office supplies & expenses	100%		921
Administration building rent credit	100%		929
Outside services	100%		923
Property insurance	100%		924
Liability insurance	100%		925
(injuries & damages)			
Regulatory expenses	100%		928
Miscellaneous general expenses	100%		930.2
Maintenance of general plant	100%		935
Employee pensions & benefits	See Note 2		926
SEP/IRA plan			
Medical & dental insurance			
Long-term disability insurance			
Employee life insurance			
Workers' compensation insurance			
Indirect Costs of NCPA - Allocated	See Note 1		922
Debt Service			
Debt service - interest	100%		427
Debt service - principal	100%		223
Interest income	100%		419
Maintenance and other reserves and Inventories	See Note 3		various
Capital Assets	See Note 4		
Office furniture & equipment	100%		391
Laboratory equipment	100%		395
Plant materials & operating supplies	100%		154
Steam miscellaneous power plant	100%		316
Communication equipment	100%		397

<u>Geothermal Projects:</u>	Classification between		FERC <u>Account</u>
	<u>Fixed</u>	<u>Variable</u>	
Radio repeater station	100%		397
PG&E 16 Wheeling Credit	100%		456

Note 1 Indirect Costs of NCPA, except such costs associated with Payroll and other Taxes and Employee pensions and benefits (see Note 2), are those costs charged by NCPA to Accounts 920 through 935 and then allocated to the Project.

Note 2 Salary and wage related expenses and payroll taxes are allocated over the distribution of labor included in the Operating and Maintenance and Administrative and General expenses.

Note 3 Maintenance, Other Reserves, and Inventories are initially treated as fixed costs. Reimbursements, however, will be classified on the basis of the operation and/or maintenance accounts charged for such reimbursements as provided in Facilities Schedule 5.00.

Note 4 Capital outlays are charged to the appropriate FERC Plant Accounts and are classified as fixed costs.

For purposes of payments for Project Costs by Project Participants to NCPA, and sales of Project Capacity and/or energy among Project Participants, Project Costs will be classified on the basis of all fixed costs being assigned to either capacity or to Project Participation Percentage and all variable costs being assigned to energy.

NCPA Facilities Agreement  
Facilities Schedule FA 1.03

Hydroelectric Project No.1  
Fixed and Variable Cost Determination

A. Cost Allocation:

The classification of Project Costs as approved by the NCPA Commission in the NCPA Budget is as follows:

	Classification between		FERC
	<u>Fixed</u>	<u>Variable</u>	<u>Account</u>
<u>Hydroelectric Project:</u>			
Operations -			
Supervision & engineering	100%		535
Water for Power-Royalty Pmts.	100%		536
Hydraulic Expense	100%		537
Electric Expense	100%		538
Misc. Hydraulic Generation Expense	100%		539
Rents - Land Use	100%		540
Maintenance -			
Supervision & Engineering	100%		541
Maintenance of Structures	100%		542
Maintenance of Reservoirs, Dams & Waterway	100%		542
Maintenance of Electric Plant		100%	544
Maintenance of Msc. Hyd. Plant		100%	545
System Control & Load Dispatch	100%		556
Property & Other Taxes			
Payroll (FICA, SUI & etc.)	See Note 2		408
Property Tax	100%		408
Administrative & General (Direct Charges)			
Salaries & wages	100%		920
Office supplies & expenses	100%		921

<u>Hydroelectric Project:</u>	Classification between		<u>FERC Account</u>
	<u>Fixed</u>	<u>Variable</u>	
Regulatory expenses	100%		928
Indirect costs of NCPA (See Note 1)	100%		922
Employee pensions & benefits	See Note 2		926
SEP/IRA plan			
Medical & dental insurance			
Workers compensation insurance			
Employee life insurance			
Long-term disability insurance			
Debt Service (Net)			
Debt service - interest	100%		427
Debt service - principal	100%		223
Interest income	100%		419
Maintenance and Other Reserves and Inventory	See Note 3		various
Capital Assets	See Note 4		
Transportation equipment	100%		392
Tools, shop & garage equipment	100%		394
Laboratory equipment	100%		395

Note 1      Indirect costs of NCPA, except such costs associated with Payroll and other Taxes and Employee pensions and benefits (see Note 2), are those costs charged by NCPA to Accounts 920 through 935 and then allocated to the Project.

Note 2      Salary and wage related expenses and payroll taxes are allocated based on the distribution of labor included in the Operating and Maintenance and Administrative & General expenses.

Note 3      Maintenance, Other Reserves, and Inventories are initially treated as fixed costs. Reimbursements, however, will be classified on the basis of the operation

and/or maintenance accounts charged for such reimbursements as provided in Facilities Schedule 5.00.

Note 4      Capital outlays are charged to the appropriate FERC Plant Accounts and are classified as fixed costs.

For purposes of payments for Project Costs by Project Participants to NCPA, and sales of Project Capacity and/or energy among Project Participants, Project costs will be classified on the basis of all fixed costs being assigned either to capacity, or to Project Participation Percentage, and all variable costs being assigned to energy.

NCPA Facilities Agreement  
Facilities Schedule FA 1.04

Power Purchase Projects  
Fixed and Variable Cost Determination

Cost Allocation:

The classification of Project Costs as approved by the NCPA Commission in the NCPA Budget is as follows for each power purchase project that is an NCPA Project:

<u>Category</u>	Classification Between		<u>FERC Account</u>
	<u>Fixed</u>	<u>Variable</u>	
Operations-			
Capacity	100%		555
Transmission	100%		565
Energy		100%	555
Supervision and Engineering	100%		500
System Control & Load Dispatch	100%		556
Property and Other Taxes			
Payroll (FICA, SUI & etc.)	See Note 2		408
Administrative & General (Direct Charges)			
Salaries and Wages	100%		920
Office Supplies & Expenses	100%		921
Outside Services	100%		923
Property Insurance	100%		924
Liability Insurance	100%		925
(injuries & damages)			
Regulatory Expenses	100%		928
Miscellaneous general expenses	100%		930.2
Maintenance of general plant	100%		935

<u>Category</u>	<u>Fixed</u>	<u>Variable</u>	<u>Account</u>
Employee pensions and benefits	See Note 2		926
SEP/IRA plan			
Medical & dental insurance			
Long-term disability insurance			
Employee life insurance			
Workers compensation insurance			
Indirect Costs of NCPA - Allocated	100%		922
(See Note 1)			
Reserves	See Note 3		Various
Capital Assets	See Note 4		Various

Note 1     Indirect costs of NCPA, except such costs associated with Payroll and other Taxes and Employee pensions and benefits (See Note 2), are those costs charged by NCPA to Accounts 920 through 935 and then allocated to the Project.

Note 2     Salary and wage related expenses and payroll taxes are allocated based on the distribution of labor included in the Operating and Administrative & General expenses.

Note 3     Reserves are initially treated as fixed costs. Reimbursements, however, will be classified on the basis of the operation accounts charged for such reimbursements as provided in Facilities Schedule 5.00.

Note 4     Capital Outlays are charged to the appropriate FERC plant account and are classified as fixed costs.

For purposes of payments for Project Costs by Project Participants to NCPA, and sales of Project Capacity and/or energy among Project Participants, Project Costs will be classified on the basis of all fixed costs being assigned to either capacity, or to Project Participation Percentage, and all variable costs being assigned to energy.



NCPA Facilities Agreement  
Facilities Schedule FA 1 05

Combustion Turbine Project No 2  
Fixed and Variable Cost Determination

A Cost Allocation

The classification of Project Costs as approved by the NCPA Commission in the NCPA Budget is as follows

	Classification between		FERC
<u>Combustion Turbine Project</u>	<u>Fixed</u>	<u>Variable</u>	<u>Account</u>
IA Fuel- Fixed	100%		547-01
IA Fuel- Variable		100%	547-01
Gas Procurement Program	100%		547-01
Operations -			
Supervision and Engineering	100%		546
Generation Expense	100%		548/549
Maintenance -			
Supervision & Engineering	100%		551
Maintenance of Structures	100%		552
Generating & Electric Equip	49%	51%	553/554
System Control & Load Dispatch-Allocated	100%		556
Administrative & General (Direct Charges)			
Salaries & Wages	100%		920
Office Supplies & Expenses	100%		921
Outside Services	100%		923
Regulatory Expenses	100%		928
Property & Liability Insurance	100%		924
Maintenance of General Plant	100%		935
Indirect Costs of NCPA - Allocated (See Note 1)	100%		922

<u>Combustion Turbine Project</u>	Classification		FERC
	Fixed	Variable	
Employee pensions & benefits- SEP/IRA Plan	See Note 2		926
Medical and dental insurance			
Employee life insurance			
Long-term disability insurance			
Worker's compensation insurance			
Property & Other Taxes			
Property Taxes	100%		408
Payroll Taxes (FICA SUI Etc )	See Note 2		408
Debt Service			
Debt service - interest	100%		427
Debt service - principal	100%		221
Interest Income	100%		419
Fees and charges			
L O C fees	100%		930
Trustee fees	100%		930
Remarketing fees	100%		930
Miscellaneous other	100%		930
Maintenance Reserves		100%	
Inventories	100%		
Capital Assets	See Note 3		
Plant materials & operating supplies	100%		154
Structures & improvements	100%		390
Miscellaneous power plnt equip	100%		316

Note 1 Indirect costs of NCPA, except such costs associated with Payroll and other Taxes and Employee pensions and benefits (see Note 2) are those costs charged by NCPA to Accounts 920 through 935 and then allocated to the Project

Note 2 Salary and wage-related expenses and payroll-related taxes are allocated based on the distribution of labor included in the Operating and Maintenance and Administrative and General expenses

Note 3      Capital outlays are charged to the appropriate FERC Plant Accounts and are classified as fixed costs

For purposes of payments for Project Costs by Project Participants to NCPA and sales of Project Capacity and/or energy among Project Participants, Project costs will be classified on the basis of all fixed costs being assigned either to capacity, or to Project Participant Percentage and all variable costs being assigned to energy

NCPA Facilities Agreement  
**Facilities Schedule FA 1.06**

Shared Facilities and Cost Sharing

A. Definitions

“LEC” means the Lodi Energy Center, upon completion of construction will be a natural gas-fired, combined-cycle electrical generating facility rated at a nominal generating capacity of 280 megawatts (MW).

“PPC” means the Participant Committee established in accordance with Section 8 of the Lodi Energy Center Power Sales Agreement.

“Shared Facilities” means the facilities as documented in Facilities Schedule FA 1.06 and which may be revised from time to time based upon the recommendations and approvals of the Facilities Committee, the PPC and the Commission.

B. Scope

Project Participants desire to equitably share and use facilities and equipment common to two or more NCPA Projects, including the Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC, for the purpose of reducing costs and improving efficiencies for all participants of those projects. Such Shared Facilities and the basis for such cost sharing shall be included in Facilities Schedule FA 1.06

Facilities Schedule FA 1.06 will become effective once approved by the NCPA Commission, but all Shared Facilities and Cost Sharing allocations may not be applicable until construction of LEC is complete and the project becomes operational. Once the LCE project becomes operational all Shared Facilities and Cost Sharing allocations as documented in Facilities Schedule FA 1.06 will be applicable.

C. Joint Use of Facilities

NCPA and Project Participants may use, operate and maintain the Shared Facilities, according to the terms and conditions of this Agreement and the percentage allocation of costs associated with such Shared Facilities detailed in

Facilities Schedule FA 1.06. Nothing in this Agreement may be construed to create a lease, sale or other disposition of real or personal property of NCPA.

D. Use of Shared Facilities

As applicable, the Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC projects will utilize the Shared Facilities and equipment as listed in Facilities Schedule FA 1.06. In addition thereto, the Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC projects and personnel will have:

- a. Vehicular and pedestrian access rights.
- b. Use of Shared Facilities for the purpose of locating, accessing, operating, maintaining, repairing and replacing pipelines.
- c. Access for locating, accessing, operating, constructing, maintaining, repairing and replacing the steam pipeline(s), natural gas pipeline(s) and any associated equipment currently on the Combustion Turbine Project No. 2 and/or LEC sites or to be installed in the future.
- d. Access to the office building currently on the Combustion Turbine Project No. 2 site for the installation, use, maintenance, repair and replacement of process control systems and related computer hardware associated with the Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC projects.
- e. Access to the Shared Facilities for the purpose of locating, operating, repairing and replacing such improvements as may be necessary from time to time.
- f. Personnel associated with Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC shall provide reasonable notice, each to the other, regarding any work to be conducted consistent with the above.

E. Shared Cost Allocation

Shared costs shall be allocated among the Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC in one or more of the following ways, pursuant to Facilities Agreement FA 1.06:

- a. Headcounts allocated to each project; or
- b. Capacity; or
- c. Actual usage; or
- d. Such other allocation mechanism as may be determined in Facilities Schedule FA 1.06.

The shared cost allocation set forth in Facilities Agreement FA 1.06 may be revised from time to time when operational conditions or factors used for the shared cost allocation(s) change. In such event, the PPC and the Facilities Committee will provide their respective recommendations and approvals to the Commission regarding any proposed modifications to the allocations set forth in Facilities Schedule FA 1.06. Until such revisions as proposed by the PPC and the Facilities Committee are approved by the Commission the cost allocation(s) set forth in Facilities Agreement FA 1.06 will be used to allocate shared costs among the Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC projects, irrespective of the basis used for cost allocation as listed in Facilities Agreement FA 1.06, including those allocations that are based on estimated usage.

#### F. Other Costs

The Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC projects will each be solely responsible for the payment of any and all taxes, insurance, utilities, maintenance, improvements and labor directly attributable to the construction, operation and maintenance of the respective projects. The Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC projects must pay the shared cost allocations imposed on such projects as detailed in Facilities Schedule 1.06.

#### G. Sale of Shared Facilities

In the event NCPA seeks to sell any of the Shared Facilities the Combustion Turbine Project No. 1, Combustion Turbine Project No. 2 and LEC projects must be given reasonable notice and an opportunity to purchase such Shared Facilities.

## H. Listing of Shared Facilities and Allocations to Projects

Facility	Cost Allocation to NCPA Project %			
	CT1	CT2	LEC	Total
MW Capacity	75.0	49.9	280.0	404.9
Capacity CT1, CT2, LEC %	18.52%	12.32%	69.15%	100.00%
Capacity CT2, LEC %	0.00%	15.13%	84.87%	100.00%
<b>Headcount for FTE-2012</b>	3.0	4.5	17.5	25.0
Headcount % CT1, CT2, LEC	12.00%	18.00%	70.00%	100.00%
Cooling Tower Usage CT2/LEC (based on calculation below)	0.00%	1.30%	98.70%	100.00%
Vehicle Usage CT1/CT2/LEC (based on estimated usage)	90.00%	5.00%	5.00%	100.00%
<b>Anhydrous Ammonia System</b>				
Fixed O&M, Capital (based on Capacity CT2, LEC %)	0.00%	15.13%	84.87%	100.00%
Variable O&M CT2/LEC (based on actual Ammonia usage)		Usage	Usage	
<b>Administration / Warehouse Building</b>				
O&M, Capital (based upon Headcount % CT1, CT2, LEC)	12.00%	18.00%	70.00%	100.00%
<b>Fire System</b>				
O&M, Capital (based on Capacity CT2, LEC %)	0.00%	15.13%	84.87%	100.00%
<b>230 KV Switchyard (Common Equip)</b>				
O&M, Capital (based on Capacity CT2, LEC %)	0.00%	15.13%	84.87%	100.00%
<b>Tooling and Special Equipment</b>				
(based on Headcount % CT1, CT2, LEC)	12.00%	18.00%	70.00%	100.00%
<b>Cooling Tower/Closed Cooling Water/Injection Well Systems</b>				
O&M, Capital (based on Cooling Tower Usage CT2/LEC)	0.00%	1.30%	98.70%	100.00%
<b>Vehicle Usage</b>				

O&M, Capital (based on Vehicle

Usage CT1/CT2/LEC)

90.00%

5.00%

5.00%

100.00%

Cooling Tower CT2/LEC Usage Calculation:

Inputs

$S_h$  = Number of Operating Hours of CT2

$L_h$  = Number of Operating Hours of LEC

Constants

$S_f$  = Design flowrate for CT2 cooling water = 4,416 GPM

$L_f$  = Design flowrate for LEC cooling water = 64,584 GPM

Formula

$$\text{CT2 Percentage} = S_{\%} = \frac{(S_h * S_f)}{(S_h * S_f) + (L_h * L_f)} * 100$$

$$\text{LEC Percentage} = L_{\%} = 100 - S_{\%}$$



NCPA Facilities Agreement  
Facilities Schedule FA 2.01

Combustion Turbine Project No.1 Capability

The capability of the Combustion Turbines shall be determined considering criteria which include but are not limited to the following.

1. Physical and Operational Criteria

- A. The net capability of the individual CT units is determined on a monthly basis.
- B. The monthly capability of the units shall be calculated on a theoretical basis using the International Standards Organization (ISO) peak rating that is adjusted for such seasonal variations as ambient temperature and relative humidity.
- C. The ISO peak output will be reduced to reflect the estimated auxiliary power usage.
- D. The monthly calculated capability in kilowatts is based on the original guarantee tests for the five units and the following assumptions:
  - 1. ISO conditions are 59 °F, at sea level, with an atmospheric pressure of 14.7 psia.
  - 2. The dry bulb temperatures for the "summer" months are based on those recommended in the 1981 ASHRAE Handbook for Oakland (Alameda), Sacramento (Roseville) and Stockton (Lodi).
  - 3. The wet bulb temperatures for the "summer" months are based on those recommended in the 1981 ASHRAE Handbook for Sacramento (Roseville), Oakland (Alameda) and Stockton (Lodi).
  - 4. The ISO peak output can vary by as much as +/-3.01% in accord with the manufacturer's testing methods.

5. Auxiliary power usage is 972 kW for Alameda Unit No. 1, 1,026 kW for Alameda Unit No. 2, 567 kW for the Lodi unit and 300 kW each for the two Roseville units.

Calculated Net Monthly Capability of Units in Kilowatts  
(@ unity power factor)

Month	Alameda No. 1	Alameda No. 2	Roseville No. 1	Roseville No. 2	Lodi
Jan.	26,233	27,006	28,259	27,678	27,010
Feb.	26,233	27,006	28,259	27,678	27,010
Mar.	26,233	27,006	28,259	27,678	27,010
Apr.	26,233	27,006	28,259	27,678	27,010
May	24,962	25,697	25,984	25,450	25,174
June	24,692	25,418	25,984	25,450	24,900
July	24,962	25,697	25,984	25,450	24,900
Aug.	24,962	25,697	25,984	25,450	24,900
Sept.	24,962	25,697	25,984	25,450	24,900
Oct.	24,962	25,697	25,984	25,450	25,174
Nov.	26,233	27,006	28,259	27,678	27,010
Dec.	26,233	27,006	28,259	27,678	27,010

2. Licensing and Regulatory Criteria

The permits from the local air pollution control districts limit the output of the units as follows:

- A. The two units in Roseville may generate no more than 645 MW-HRS daily on a combined basis, and no more than 23,220 MW-HRS gross on a combined calendar year basis, which equates to 22,950 MW-HRS on a net basis.
- B. The two units in Alameda may generate no more than 25,800 MW-HRS gross on a combined calendar year basis, which equates to 24,801 MW-HRS on a net basis, using the average auxiliary power usage of 999 KW per unit.
- C. The Lodi unit must be operated in a manner so as to not emit more than 250 pounds per day of oxides of nitrogen. At peak load, the Lodi unit may operate no more than 4.7 hours. At reduced loads, the operating time may be increased.

3. Information Reporting Requirements

Based on the physical and operational, licensing and regulatory criteria set forth herein, NCPA shall recommend to the Facilities Committee at least annually, the following:

- A. Monthly capability, or changes in monthly capability, as appropriate, of the unit(s) and any limiting criteria.
- B. Planned outage dates and estimated duration of each unit outage.

NCPA shall notify the Facilities Committee and the Coordinated Operations Group in a timely manner, if at any time, reactive power operation results in a reduction of plant capability in excess of 2%.

NCPA Facilities Agreement  
Facilities Schedule FA 2 02

Geothermal Project Capability

The capability of the Geothermal plants shall be determined considering criteria which include but are not limited to the following

1 Physical and Operational Criteria

A The maximum net capability for each geothermal plant is based on the following criteria

- 1 A power factor appropriate to provide for NCPA's share of the service area loads and transmission needs and in accordance with Good Utility Practice
- 2 The capability of NCPA's steam field
- 3 Testing programs conducted in accordance with Good Utility Practice

2 Licensing and Regulatory Criteria

The plants are licensed and regulated according to the provisions of California Energy Commission decisions made in 1980 and 1982 for plants 1 and 2 respectively

3 Information Reporting Requirements

Based on the physical and operational licensing and regulatory criteria set forth herein, NCPA shall recommend to the Facilities Committee at least annually the following

- A The capability or changes in capability as appropriate, of the unit(s) and any limiting criteria
- B Planned outage dates and estimated duration of each unit outage

NCPA shall notify the Facilities Committee and the Coordinated Operations Group in a timely manner, if at any time reactive

power operation results in a reduction of plant capability in  
excess of 2%

NCPA Facilities Agreement  
Facilities Schedule FA 2 03

Hydroelectric Project No 1 (Calaveras) Capability

The Capability of the Calaveras units shall be determined considering criteria which include but are not limited to the following

1     Physical and Operational Criteria

- A     The maximum capability of the Project is based on a power factor appropriate to provide NCPA's share of the service area loads and transmission needs in accordance with Good Utility Practice
- B     Each unit at the Collierville powerhouse has a capability of 126 5 megawatts at 0 9 power factor    The combined maximum instantaneous gross bus bar capability of the two units at the Collierville powerhouse is 243 megawatts at 0 9 power factor
- C     Fifteen megawatts is the minimum output level for efficient operation of each of the units at the Collierville Powerhouse
- D     The maximum instantaneous capability of the three units at the New Spicer powerhouse is 5 5 megawatts    based on unit tests
- E     The maximum instantaneous capability of the McKays unit is 200 kilowatts

2     Licensing and Regulatory Criteria

- A     Agreement between NCPA and the California Department of Fish and Game
- B     FERC license for Project No   2409
- C     The license has recently been amended   and according to the FERC License Amendment, the simultaneous rating of the Collierville units is 251 6 megawatts (at 0 9 power

factor) which added to the 55 megawatts from the New Spicer powerhouse, represents a combined Project capability of 257.1 MW

D Water Rights Permits

3 Information Reporting Requirements

Based on the physical and operational, licensing and regulatory criteria set forth herein, NCPA shall recommend to the Facilities Committee at least annually the following

- A The capability or changes in capability, as appropriate of the unit(s) and any limiting criteria
- B Planned outage dates and estimated duration of each unit outage

NCPA shall notify the Facilities Committee and the Coordinated Operations Group in a timely manner, if at any time reactive power operation results in a reduction of plant capability in excess of 2-

NCPA Facilities Agreement  
Facilities Schedule FA 2.04

Power Purchase Projects Capability

A Power Purchase Project is a power purchase contract that has been acquired through execution of a Third Phase Agreement, which provides for specific entitlements. The capability of Power Purchase Projects shall be determined considering criteria which include but are not limited to the following.

1. Physical and Operational Criteria

- A. The maximum net capability for each Power Purchase Project is based on the following criteria:
  - 1. The terms and conditions of each power purchase contract which have been established as NCPA Projects.
  - 2. The point of receipt for deliveries of capacity and energy made pursuant to each power purchase contract.
  - 3. The maximum capability of any electric generation facility, resource, or system that supports the sale of capacity and energy made pursuant to such power purchase contracts, if applicable.
- B. The maximum net capabilities of the Power Purchase Projects, using the criteria in this Schedule, have been determined to be:
  - 1. Washington Water Power. A 20 year Power Purchase Contract for 50 Megawatts of firm capability delivered to the California-Oregon Border (COB).
  - 2. Graeagle Power Purchase. A 20 year Power Purchase Contract for 440 kilowatts delivered to the Plumas-Sierra distribution system at Graeagle, California.



3. Midway-Sunset Purchase. An off-peak power purchase contract for up to 30 megawatts delivered over the Participants' South of Tesla transmission entitlement.
4. Seattle City Light Exchange Agreement. A 12 year power exchange agreement using the Participants' COTP entitlement. Sixty megawatts of capability will be provided to the Participants during the summer season, in exchange for the Participants providing 38 megawatts of capability in the winter months.

2. Licensing and Regulatory Criteria

Power Purchase Contracts may be subject to FERC filing and review.

3. Information Reporting Requirements

Based on the physical, operational, licensing and regulatory criteria set forth herein, NCPA shall recommend to the Facilities Committee at least annually, the following:

- A. The capability, or changes in capability, as appropriate, of Power Purchase Projects and any limiting criteria.
- B. Planned outage dates, if any, and the estimated durations of any such outages.

NCPA Facilities Agreement  
Facilities Schedule FA 2 05

Combustion Turbine Project No 2 Capability

The capability of Combustion Turbine Project No 2 shall be determined considering criteria which include but are not limited to the following

1     Physical and Operational Criteria

- A     The initial net capability of the Project is 49 999 megawatts at an ambient air temperature of 95 degrees F dry bulb and 69 degrees F wet bulb     The design heat rate for the Project is 7969 Btu per kilowatt-hour
- B     It is expected that the capability of the Project will degrade over time due to normal wear and tear     However following unit overhaul the Project capability will be restored to initial conditions

2     Information Reporting Requirements

Based on the physical and operational, licensing and regulatory criteria set forth herein NCPA shall recommend to the Facilities Committee at least annually the following

- A     Any change in Project capability associated with output degradation due to normal wear and tear or other changes
- B     Planned outage dates and estimated duration of each unit outage

NCPA shall notify the Facilities Committee and the Coordinated Operations Group in a timely manner if at any time reactive power operation results in a reduction of plant capability in excess of 2%

NCPA Facilities Agreement  
Facilities Schedule FA 3.01

Combustion Turbine Project No.1 Operating Procedures

A. Definitions

Definitions as set forth in the General Provisions of the Agreement shall have the same meaning in this Schedule. The following additional terms, when used in this Schedule, in either the singular or plural, shall have the following meanings:

1. Combustion Turbine Project Capacity is the total Project generating capability as established by the Schedule "Combustion Turbine Capability."
2. Combustion Turbine Project Generation is the total amount of capacity and energy produced by the Project.
3. Combustion Turbine Test Energy is the energy resulting from Combustion Turbine Project testing.
4. Coordinated Entity(ies) is two or more Operating Entities which agree to pool Entitlements to the Project.
5. Designated Reserve is that portion of a Project Participant's Entitlement to Project Capacity so designated by the Project Participant which may be operated only for testing without express consent of the Project Participant.
6. Emergency Operation is the unscheduled operation of a Project unit which is located within a Project Participant's system at the request of the Project Participant due to an unusual event within its system.
7. Entitlement is the same as Project Entitlement.
8. Entity is the same as Operating Entity.

9. Generation Preschedule is the amount of an Operating Entity's Entitlement to Project Generation scheduled by the Entity prior to the half-hour.
10. Generation Schedule is the amount of an Operating Entity's Entitlement to Project Generation scheduled within a half-hour by real-time scheduling.
11. Load Requirement is the amount of forecast capacity and energy requirement of an Operating Entity which is to be supplied by the Operating Entity's Entitlement to Project Generation.
12. Operating Entity shall mean a Project Participant or group of Project Participants who operate and schedule their combined Project Entitlements as a single entity.
13. Project is the Combustion Turbine Project No.1, which consists of five combustion turbine units and related support and interconnection facilities. Two units each are located in Alameda and Roseville and one in Lodi.
14. Project Data Transmission Facilities are facilities for exchange of schedules, operating data and other Project-related data between the Project Manager and each Operating Entity.
15. Project Daily-Regulated Generation is the amount of Project Generation available on a daily basis from Project units without day to day carry-over air quality provisions as set by the licensing and regulatory criteria listed in the Schedule "Combustion Turbine Capability".
16. Project Entitlement is the portion of the Project Capacity, Project Energy, and the portion of the project obligations to which an Operating Entity is currently entitled or obligated, less any part thereof, which such Operating Entity is selling pursuant to a Unit Contract and plus any part thereof which such Operating Entity is buying pursuant to a Unit Contract.
17. Project Generation is the total net capacity and energy produced by the Project as measured at the plant bus.

18. Project Generation Account is a daily account maintained by the Project Manager showing the amounts of half-hourly Generation Schedules and the daily allocations of Project Daily-Regulated Generation and Project Non-Daily-Regulated Generation.
19. Project Manager is the General Manager of NCPA or the person designated by the General Manager to carry out the day-to-day responsibilities for operating the Project.
20. Project Non-Daily-Regulated Generation is the amount of Project Generation available on a yearly basis from Project units with day to day carry-over air quality provisions as set by the licensing and regulatory criteria listed in the Schedule "Combustion Turbine Capability."
21. Project Unit is one of the five Project combustion turbines.
22. Replacement Energy is power scheduled by one Operating Entity to another in lieu of power produced by the Project subject to the limitations in this Agreement.

B. Operating Criteria

1. Good Utility Practice. The Project Manager shall operate the Project in accordance with Good Utility Practice.
2. License and Regulatory Criteria. The Project shall be operated to comply with all of the license and regulatory requirements of the Project.
3. Project Coordination. The Project Manager will operate the Project to meet the schedules of the Operating Entities.
4. Project Entitlements. Each Operating Entity shall have available the Operating Entity's Entitlement to Project Resources as follows:
  - (a) Non-reserve Capacity
  - (b) Reserve Capacity

- (c) Spinning Reserve
- (d) Energy

5. Reserve Capacity. Each Project Participant may designate to NCPA the amount of its Project Entitlement of project capacity to be used for Designated Reserve and the amount to be used to serve load. These amounts may be changed upon written advance notice to NCPA. In the event such notice is given, NCPA will immediately notify all Project Participants.
6. Coordinated Entities. Two or more Operating Entities may agree to coordinate the operation of their Project Entitlements as a Coordinated Entity. A Coordinated Entity may pool the Entitlements of the member Operating Entities and operate the pooled Entitlements as a single Operating Entity. The Operating Entities in a Coordinated Entity may send separate Generation Schedules. The Project Manager will maintain separate Generation Schedule records for each Operating Entity, but under circumstances of coordinated operation, will also combine the Generation Schedules of the Operating Entities as a Coordinated Entity and prepare generation accounts for the Coordinated Entity.

C. Scheduling

1. Scheduling Criteria. Each Operating Entity may schedule its Entitlement of Project Generation in any manner, provided that such schedules shall be consistent with licensing and regulatory criteria and the provisions of the Project Third Phase Agreement. Project Test Generation will be allocated among the Operating Entities in proportion to their Entitlements and coordinated with the Operating Entities' schedules.
2. Planned Outages and Curtailment Scheduling Criteria. Prior to the beginning of each fiscal year, the Project Manager will prepare a Project Planned Outages and Curtailment Schedule for approval by the Facilities Committee.
3. Emergency Operation. Alameda, Lodi or Roseville may request operation of a Project Unit located within its

distribution system in case of unusual events (e.g., approaching distribution system loading limitations, loss of transmission services, etc.). The request shall be made to the NCPA Chief Load Dispatcher or his designated representative by the Project Participant's designated representative. Each such Project Participant shall designate in writing to the NCPA Chief Load Dispatcher the names of personnel authorized to request Emergency Operation for its system. All additional costs related to the Emergency Operation will be borne by the requesting Project Participant. NCPA shall not approve a request for Emergency Operation without due consideration of the prior rights of all other Project Participants. NCPA shall notify all Operating Entities of the nature of the emergency and the expected duration of the Emergency Operation as soon as practicable. An Operating Entity may interrupt Emergency Operation, without notice in the event the output of the Project Unit in Emergency Operation, to which the Operating Entity is entitled, is required to meet its own loads or contractual commitments.

4. Requests for Operation by Non Participants. Requests from other Entities will be honored only to the extent, and under such terms and conditions as the Operating Entity whose member Project Participants' entitlements are utilized, has specifically authorized.
5. Replacement Energy. An Operating Entity may schedule Replacement Energy to another Operating Entity. The energy equivalent will be added to the Generation Limits Account of the Operating Entity delivering Replacement Energy and subtracted from the Generation Limits Account of the Operating Entity receiving Replacement Energy.

The Replacement Energy schedule shall normally be prepared concurrently with the compilation of the daily Generation Preschedule.

Replacement Energy shall normally be scheduled for periods not exceeding 24 hours.

6. Minimum Generation Transfers. At any time that the Project is being operated at a minimum generation level

to meet regulatory or operating requirements and one Operating Entity has scheduled or is willing to schedule Project Generation associated with such minimum generation, any other Operating Entity or Operating Entities may arrange with that Operating Entity to schedule output of the Project that such Operating Entity would otherwise be required to schedule, upon agreement of the Operating Entities and appropriate notification to the Project Manager.

The responsibility for all arrangements in connection with any such transfers shall rest with the Operating Entities involved. Unless otherwise agreed by the Operating Entities and the Project Manager, the Project Manager shall have no obligation in connection with the transaction beyond operating the Project to meet schedules provided and authorized by the Operating Entities.

D. Project Accounting

1. General Considerations. The primary objective of Project Accounting is to record and account for each Operating Entity's use of its Project Entitlement to satisfy its Load Requirements and to insure compliance with license and regulatory criteria.
2. Criteria. A Project Generation Account and a Generation Limits Account will be established for each Operating Entity. The accounts will be updated daily immediately following the 2400 clock hour.

Project Generation Account. Generation accounting will track the quantity of generation from each unit which was allocated to each Operating Entity.

Each day the Project Manager will allocate Project Generation between Operating Entities based on individual unit schedules, and will transmit to each Operating Entity a Generation Accounting Report which will provide half-hourly accounts and a daily summary account of Project Generation and allocation of Project Generation to each Operating Entity.



Generation Limits Account. Air quality permit limitations on the generation of each unit will be converted to energy equivalents and allocated to each Operating Entity based on the sum of its member project participants' Project Entitlements during the applicable time period (day or year). An Operating Entity's share of the Project Generation Account may not exceed its Generation Limits Account share during the applicable time period(s).

Operating Entities may allocate their air quality energy equivalents to other Operating Entities by mutual agreement and the Generation Limits Account will be adjusted accordingly.

The daily Generation Accounting Report will include the status of the Generation Limits Account.

NCPA Facilities Agreement  
Facilities Schedule FA 3.02

Geothermal Project Operating Procedures

A. Definitions

Definitions as set forth in the General Provisions of the Agreement shall have the same meaning in this Schedule. The following additional terms, when used in this Schedule, in either the singular or plural, shall have the following meanings:

1. Geothermal Project Capacity is the total Project generating capability as established by the Schedule "Geothermal Plant Capability."
2. Geothermal Project Generation is the total amount of capacity and energy produced by the Project.
3. Coordinated Entity(ies) is two or more Operating Entities which agree to pool Entitlements to the Project.
4. Entitlement is the same as Project Entitlement.
5. Entity is the same as Operating Entity.
6. Generation Preschedule is the amount of an Operating Entity's Entitlement to Project Generation scheduled by the Entity prior to the half-hour.
7. Generation Schedule is the amount of an Operating Entity's Entitlement to Project Generation scheduled within a half-hour by real-time scheduling.
8. Load Requirement is the amount of forecast capacity and energy requirement of an Operating Entity which is to be supplied by the Operating Entity's Entitlement to Project Generation.
9. Operating Entity shall mean a Project Participant or group of Project Participants who operate and schedule their combined Project Entitlements as a single entity.

10. Project is the geothermal power plants and steamfield as defined in the Geothermal Operating Agreement.
11. Project Data Transmission Facilities are facilities for exchange of schedules, operating data and other Project-related data between the Project Manager and each Operating Entity.
12. Project Entitlement is the portion of the Project Capacity, Project Energy, and the portion of the project obligations to which an Operating Entity is currently entitled or obligated, less any part thereof, which such Operating Entity is selling pursuant to a Unit Contract and plus any part thereof which such Operating Entity is buying pursuant to a Unit Contract.
13. Project Generation is the total net capacity and energy produced by the Project as measured at the plant bus.
14. Project Generation Account is a daily account maintained by the Project Manager showing the amounts of half-hourly Generation Schedules and the daily allocations of Project Generation.
15. Project Manager is the General Manager of NCPA or the person designated by the General Manager to carry out the day-to-day responsibilities for operating the Project.
16. Project Unit is one of the four Project generating units.
17. Replacement Energy is energy scheduled by one Operating Entity to another in lieu of Project generation, subject to the limitations in this Agreement.
18. Year shall mean the calendar year ending December 31, notwithstanding the definition of the word "Year" in Article 1.20 of the Geothermal Operating Agreement.

B. Operating Criteria

1. Operation. The geothermal Project will be operated in a manner consistent with the Geothermal Operating Agreement as adopted by the Commission. The following operating

procedures are designed to further define and clarify the principles and procedures contained in the Geothermal Operating Agreement.

2. Good Utility Practice. The Project Manager shall operate the Project in accordance with Good Utility Practice.
3. License and Regulatory Criteria. The Project shall be operated to comply with all of the license and regulatory requirements of the Project.
4. Project Coordination. The Project Manager will operate the Project to meet the schedules of the Operating Entities.
5. Project Entitlements. Each Operating Entity shall have available the Operating Entity's Entitlement to Project Resources as follows:
  - (a) Capacity
  - (b) Spinning Reserve
  - (c) Energy
6. Coordinated Entities. Two or more Operating Entities may agree to coordinate the operation of their Project Entitlements as a Coordinated Entity. A Coordinated Entity may pool the Entitlements of the member Operating Entities and operate the pooled Entitlements as a single Operating Entity. The Operating Entities in a Coordinated Entity may send separate Generation Schedules. The Project Manager will maintain separate Generation Schedule records for each Operating Entity, but under circumstances of coordinated operation, will also combine the Generation Schedules of the Operating Entities as a Coordinated Entity and prepare generation accounts for the Coordinated Entity.
7. Operational Plan. Notwithstanding the provisions of the Geothermal Operating Agreement, Operational Plans shall be made on the basis of calendar years ending December 31st.
8. Modified Operational Plan. Pursuant to the Geothermal Operating Agreement, the Facilities Committee may from

time to time recommend, and the Commission may adopt, a Modified Operational Plan. Such modifications may be made, for among other reasons, to compensate for a reduced availability of hydroelectric energy during a period of adverse hydro conditions. If such modification results in an increase in the amount of annual energy production above that specified in the previously adopted Operational Plan, subsequent operations shall be adjusted to provide an equal reduction in steam consumption for energy production during the following Year, or as soon thereafter as conditions permit. Such adjustments shall be made as recommended by the Facilities Committee and approved by the Commission. The possibility of such modification is recognized in advance in order that Operating Entities may rely on such modified operations on a planning basis.

C. Scheduling

1. Scheduling Criteria. Each Operating Entity may schedule its Entitlement of Project Generation in any manner, provided that such schedules shall be consistent with licensing and regulatory criteria and the provisions of the Project Third Phase Agreement.
2. Planned Outages and Curtailment Scheduling Criteria. Prior to the beginning of each fiscal year, the Project Manager will prepare a Project Planned Outages and Curtailment Schedule for approval by the Facilities Committee.
3. Replacement Energy. An Operating Entity may schedule Replacement Energy to another Operating Entity. The energy equivalent will be added to the Generation Limits Account of the Operating Entity delivering Replacement Energy and subtracted from the Generation Limits Account of the Operating Entity receiving Replacement Energy.

The Replacement Energy schedule shall normally be prepared concurrently with the compilation of the daily Generation Preschedule.

Replacement Energy shall normally be scheduled for periods not exceeding 24 hours.

4. Minimum Generation Transfers. At any time that the Project is being operated at a minimum generation level to meet regulatory or operating requirements and one Operating Entity has scheduled or is willing to schedule Project Generation associated with such minimum generation, any other Operating Entity or Operating Entities may arrange with that Operating Entity to schedule output of the Project that such Operating Entity would otherwise be required to schedule, upon agreement of the Operating Entities and appropriate notification to the Project Manager.

The responsibility for all arrangements in connection with any such transfers shall rest with the Operating Entities involved. Unless otherwise agreed by the Operating Entities and the Project Manager, the Project Manager shall have no obligation in connection with the transaction beyond operating the Project to meet schedules provided and authorized by the Operating Entities.

D. Project Accounting

1. General Considerations. The primary objective of Project Accounting is to record and account for each Operating Entity's use of its Project Entitlement to satisfy its Load Requirements and to insure compliance with license and regulatory criteria.
2. Criteria. A Project Generation Account and a Generation Limits Account will be established for each Operating Entity. The accounts will be updated daily immediately following the 2400 clock hour.

Project Generation Account. Generation accounting will track the quantity of generation which was allocated to each Operating Entity.

Each day the Project Manager will allocate Project Generation between Operating Entities based on schedules, and will transmit to each Operating Entity a Generation Accounting Report which will provide half-hourly accounts and a daily summary account of Project Generation and

allocation of Project Generation to each Operating Entity.

Generation Limits Account. Annual energy generation limits established or modified by the Commission pursuant to the Geothermal Project Operating Agreement will be allocated to each Operating Entity based on the sum of its member project participants' Project Entitlements during the Year. An Operating Entity's share of the Project Generation Account may not exceed its Generation Limits Account share during the Year.

The daily Generation Accounting Report will include the status of the Generation Limits Account.

NCPA Facilities Agreement  
Facilities Schedule FA 3.03

Hydroelectric Project No.1 Operating Procedures

A. Definitions

Definitions as set forth in the General Provisions of the Agreement shall have the same meaning in this Schedule. The following additional terms, when used in this Schedule, in either the singular or the plural shall have the following meanings:

1. Beaver Creek Diverted Flow is the quantity of flow diverted at the Beaver Creek Diversion Structure via the Beaver Creek Diversion Tunnel to the McKays' Diversion Dam.
2. Big Trees Flow Requirement is the quantity of flow which must be maintained in the North Fork Stanislaus River at Big Trees State Park in accordance with the provisions of the FERC License.
3. Collierville Capacity is the maximum generating capability of the Collierville Power Plant at any time under then existing conditions as specified in the Service Schedule, "Hydroelectric Project No. 1 Capability."
4. Collierville Discharge is the total flow through the Collierville Power Plant for the production of Collierville Generation.
5. Collierville Generation is the total amount of capacity and energy produced by the Collierville Power Plant.
6. Collierville Minimum Generation is the minimum loading of one unit at the Collierville Power Plant necessary to supply the required consumption of the motoring unit or station power consumption as determined through testing.



7. Coordinated Entity(ies) is two or more Operating Entities which agree to pool Entitlements to the Project.
8. Dry Water Conditions is the period of historic record during which the Project could produce minimum Project Generation usable to supply Operating Entities' Load Requirements.
9. Energy Requirement is the amount of energy required from Project Generation to support an Operating Entity's Useable Capacity in satisfying its Load Requirement.
10. Entitlement is the same as Project Entitlement.
11. Entity is the same as Operating Entity.
12. FERC License is the License awarded by the Federal Energy Regulatory Commission for construction and operation of the North Fork Stanislaus River Hydroelectric Development Project, FERC Project Number 2409.
13. Forecast Project Inflow is the amount of Project Inflow forecast for a period of one month or less based on hydrometeorologic forecast methods considering current flows, antecedent flows, snow pack measurements, antecedent precipitation, forecast precipitation, and forecast air temperatures.
14. Generation Preschedule consists of energy and ancillary service schedules and bids, for NSM and Collierville separately, for submittal to the California ISO's forward markets.
15. Generation Schedule consists of energy and ancillary service final schedules, awards and dispatches that result from the California ISO's and NCPA's scheduling and dispatching processes.
16. License Requirements include all provisions of the Project FERC License and all other regulatory requirements to which the Project is subject.

17. Load Requirement is the amount of forecast capacity and energy requirement of an Operating Entity which is to be supplied by the Operating Entity's Entitlement to Project Generation.
18. McKay's Inflow is the total inflow to McKay's Diversion Dam including flows diverted from Beaver Creek via the Beaver Creek Diversion Tunnel.
19. McKays Minimum Outflow Requirement is the sum of the following Project Minimum Flow Obligations:
  - a. Required minimum downstream flow below McKays Diversion Dam;
  - b. Required diversions to Utica Power Authority (UPA) and Calaveras County Water District (CCWD); and
  - c. Supplemental releases below McKays Diversion Dam to satisfy minimum flow requirements at the confluence of the North Fork Stanislaus River and Beaver Creek..
20. McKays Minimum Pool are the minimum levels to which McKays Reservoir will be drawn down under various operating conditions.
21. McKays Pondage is the amount of usable storage at McKays Diversion Dam for reregulating McKays Inflow.
22. McKays Pondage Account is an account maintained for each Operating Entity and updated half-hourly, of the amount of water stored for each Operating Entity in McKays Reservoir.
23. McKays Storage-Regulated Inflow is the inflow to McKays Diversion Dam from NSM Storage-Regulated Releases.
24. NSM shall mean New Spicer Meadow.

25. NSM Capacity shall mean the maximum generating capability of the NSM Power Plant at any time under then existing conditions.
26. NSM Generation is the total amount of capacity and energy produced by the NSM Power Plant.
27. NSM Minimum Release Requirement is the amount of water which must be released from NSM Storage to supply or supplement the greater of 1) NSM Minimum Flow Requirements, 2) Big Trees Flow Requirements, or 3) McKays Minimum Outflow Requirements.
28. NSM Minimum Release Rule Curve Storage is the quantity of water of NSM Storage which must be retained in NSM Storage to ensure that the Project can satisfy NSM Minimum Release Requirements under Dry Water Conditions.
29. NSM Non-Storage-Regulated Release is the quantity of water which must be released from NSM Storage to supply the NSM Minimum Release Requirement.
30. NSM Release is the total quantity of water released from NSM Storage to satisfy the NSM Minimum Release Requirement and for producing power to satisfy the Generation Schedules of the Operating Entities.
31. NSM Spill Prevention Rule Curve Storage is the minimum quantity of water in NSM Storage which the Project Manager determines can be held in NSM Storage and assure refill based on conservative forecasts of runoff using snow pack measurements and long-range precipitation forecasts. NSM Spill Prevention Rule Curve Storage may be less than the NSM Minimum Release Rule Curve Storage.
32. NSM Storage shall mean the usable storage above NSM Dam for reregulating Project Inflow.
33. NSM Storage Account is an account maintained for each Operating Entity and updated half-hourly of the amount of water stored in the Operating Entity's Entitlement to NSM Storage.

34. NSM Storage-Regulated Release is the quantity of water released from NSM Storage in excess of NSM Non-Storage-Regulated Releases to satisfy the Generation Schedules of the Operating Entities.
35. Operating Entity shall mean a Project Participant or group of Project Participants who schedule their combined Project Entitlements as a single entity.
36. Project is the North Fork Stanislaus River Hydroelectric Development Project as defined in the FERC License.
37. Project Capacity is the sum of the Collierville Capacity and the NSM Capacity.
38. Project Data Transmission Facilities are facilities for exchange of Generation Schedules, NSM Storage Accounts, McKays Pondage Accounts, operating data, Operation Study results, Regulation Study results, and other Project-related data between the Project Manager and each Operating Entity, as determined by the Project Manager.
39. Project Entitlement is the portion of the Project Capacity, Project Energy, Project Inflow, NSM Storage, McKays Storage and the portion of the Project Obligations to which an Operating Entity is currently entitled or obligated. Entitlements to reservoir or plant capacity, unregulated flows and project minimums are in accordance with the Project Share Percentages. Entitlements to regulated flows, water in storage, spill, and plant energy are in accordance with the accounting methods described in this FA 3.03 Schedule.
40. Project Share Percentage(s) are the Project Entitlement Percentage(s) for each Project Participant as set forth in the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project dated September 1, 1982, as amended (Phase III Agreement), and as adjusted to account for all assignments, transfers, layoffs, or any similar transactions among and between the Participants that affect the proportionate rights to project output associated with each Participant's Project Entitlement Percentage.

41. Project Generation is the total net capacity and energy produced by the Project as measured at the metered connection point with the control area.
42. Project Generation Account is a daily account maintained by the Project Manager showing the amounts of half-hourly Project Generation and the daily allocations to the Operating Entities.
43. Project Inflows are each of the following inflows to the Project:
  - a. Natural inflow to NSM Reservoir from Highland Creek;
  - b. Natural flows diverted from the North Fork Stanislaus River at the North Fork Diversion Dam to NSM Reservoir;
  - c. Bypassed flows and spill at the North Fork Diversion Dam;
  - d. Natural inflows below NSM Dam on Highland Creek and below the North Fork Diversion Dam to the McKays Diversion Dam on the North Fork Stanislaus River;
  - e. Natural flows diverted from Beaver Creek to the McKays Diversion Dam at the Beaver Creek Diversion Structure.
44. Project Manager is the General Manager of NCPA or the person designated by the General Manager to carry out the day-to-day responsibilities for operating the Project.
45. Project Minimum Flow Obligations are the minimum flows to be maintained at specified locations as provided in the FERC License.
46. Project Obligations are the obligations of the Project as defined in License No. 2409 issued by the Federal Energy Regulatory Commission and agreements with local water districts and other governmental entities as applicable.

47. Real Time Dispatching is the continuous adjustment of Project Generation by the Project Manager to satisfy California ISO dispatch instructions, and to follow changes in the NCPA Metered Subsystem Aggrement (MSSA) Load Requirement.
48. Regulation Study is a study to determine the maximum monthly loads of an Operating Entity or of all Operating Entities which can be supplied by monthly Project Inflows when such flows are Regulated by NSM Storage and the Project is operated to satisfy Project Obligations under License No. 2409.

B. Operating Criteria

1. Good Utility Practice. The Project Manager shall operate the Project in accordance with Good Utility Practice.
2. License Requirements. The Project shall be operated to comply with all License Requirements.
3. Project Coordination. The Project Manager will coordinate the operation of the Project to meet the schedules of the Operating Entities.
4. Project Entitlements. Each Operating Entity shall have available the Operating Entity's Entitlement to Project Resources as follows:
  - a. Project Inflows;
  - b. NSM Storage;
  - c. NSM Generation;
  - d. McKays Pondage;
  - e. Collierville Generation.

Each Operating Entity shall be responsible for supplying its Entitlement of Project Minimum Flow Obligations.

5. Seasonal Runoff Forecasts. On or before the 7th business day of each month, December through May, the Project Manager will prepare a forecast of spring runoff based on

hydrometeorologic data including measurements of snow pack depth and water content and long-range forecasts of future precipitation. An analysis will be made to determine NSM Spill Prevention Rule Curve Storage required at the end of subsequent months through June to assure NSM Storage refill. For the period June-November, the Project Manager will provide a forecast based on historical information. NSM Spill Prevention Rule Curve Storage may be less than the NSM Minimum Release Rule Curve Storage. The Project Manager shall provide copies of all such forecasts and NSM Spill Prevention Rule Curve Storage data, required by this Article, to the COG for review and comment.

6. NSM Minimum Release Obligations. The Project Manager shall perform a Regulation Study to determine the NSM Minimum Release Rule Curve Storage required to satisfy Project Minimum Flow Obligations under Dry Water Conditions. An Operating Entity shall not draft its NSM Storage Entitlement below its NSM Minimum Release Rule Curve Storage Entitlement except when the established NSM Spill Prevention Rule Curve Storage is below the NSM Minimum Release Rule Curve Storage level. The Regulation Study and the NSM Minimum Release Rule Curve Storage for each Operating Entity, and in total for the Project, shall be reviewed by the COG.

C. Project Scheduling

1. Scheduling Criteria. Each Operating Entity may schedule its Entitlement of Project Generation in any way, provided that, such schedules shall be consistent with the provisions of the FERC License for Project No. 2409. Scheduling shall be in accordance with the following criteria:
  - a. Each Operating Entity shall be entitled to schedule its Entitlement to Project Generation using its Entitlement to Project Capacity, Project Inflow, NSM Storage, and McKays Pondage after satisfying its Entitlement to Project Obligations;

- b. If the NSM Storage of an Operating Entity is equal to or less than its Entitlement of NSM Minimum Release Rule Curve Storage, its Generation Schedule will be limited to its Entitlement of NSM Non-Storage-Regulated Generation;
- c. Each Operating Entity shall be responsible for supplying its Entitlement of NSM Non-Storage-Regulated Releases from its NSM Storage Entitlement;
- d. Each Operating Entity shall schedule its allocation of NSM Generation based on its Non-Storage-Regulated Releases each day;
- e. Each Operating Entity will be entitled to use its Entitlement of McKays Pondage to reregulate its allocations of McKays Non-Storage-Regulated Inflow and McKays Storage-Regulated Inflow to satisfy its Load Requirements;
- f. The Project Manager, from time to time, will work with the Operating Entities and the COG to identify McKays Minimum Pool, the applicable operating conditions and the associated minimum reservoir levels. The Minimum Pool levels are established taking into account Project operational limitations, Project Minimum Obligations, the amount of useable Entitlement possible in the reservoir, and other criteria as appropriate. Once established, Operating Entities shall not draw down their Entitlement to McKays Reservoir below their Project Share Percentage of McKays Minimum Pool under any circumstances.
- g. The Project Manager will coordinate the operation of the NSM Power Plant and the Collierville Power Plant to maintain the McKays Pondage to maximize the value of generation from the Project.



2. Long Term Schedules. Based on information supplied pursuant to Article B.5, and at least 10 days prior to the start of each month for the periods described herein, each Operating Entity shall, at the request of the Project Manager, submit to the Project Manager schedules of forecast monthly energy requirements as follows:
- a. Before November of each year a schedule of monthly energy requirements for the following 14 months;
  - b. In the storage refill period before each month from January through June, changes in schedules of monthly energy requirements for the remainder of the calendar year;
  - c. In the storage draft period before each month from July through December, except November, changes in schedules of its forecast monthly energy requirements to the end of the calendar year or for the following 4 months, whichever is longer.

The Project Manager shall prepare a Regulation Study based on the Forecast Project Inflows to determine the forecast Project operation of each Operating Entity's Entitlement to NSM Storage, the total Project NSM Storage and the estimated schedules of Project Generation for the following month based on Forecast Project Inflows.

The Project Manager shall transmit to each Operating Entity the results of the Regulation Study for its Project Entitlement and for the Project, within 3 working days of receipt of above schedules or any revisions thereto.

3. Daily Generation Preschedules. In accordance with Appendix C to the Schedule Coordination Program Agreement, each Operating Entity shall prepare and transmit to the Project Manager via Project Data Transmission Facilities a Generation Preschedule of the Operating Entity's Project Generation.

4. Real Time Dispatch. The Project Manager will operate the Project in real-time in accordance with the provisions of this FA 3.03, and the requirements of the California ISO as expressed in NCPA's Metered Subsystem Aggregator Agreement (MSSA) and the ISO Tariff, and NERC and WECC operating standards.
5. Collierville Minimum Generation Schedules. If the sum of the Collierville Generation Preschedules of the Operating Entities during any interval of the day is less than the sum of the Collierville Minimum Generation, the Project Manager will coordinate with the Operating Entities and adjust the Preschedules to meet the Collierville Minimum Generation.
6. Unscheduled Generation. If an Operating Entity does not schedule its Project Entitlement for use in its own system, or for sale to others, with the permission of that Operating Entity arranged through the Project Manager, the other Operating Entities may schedule such generation for their systems. If more than one Operating Entity requests that such unscheduled generation be added to its schedule, the unscheduled generation shall be allocated in proportion to the Project Share Percentage of those Operating Entities.
7. Minimum Generation Transfers. At any time that the Project is being operated at a minimum generation level to meet regulatory or operating requirements and one Operating Entity has scheduled or is willing to schedule Project Generation associated with such minimum generation, any other Operating Entity or Operating Entities may arrange with that Operating Entity to schedule output of the Project that such Operating Entity would otherwise be required to schedule, upon agreement of the Operating Entities and appropriate notification to the Project Manager.

The responsibility for all arrangements in connection with any such transfers shall rest with the Operating Entities involved. Unless otherwise agreed by the

Operating Entities and the Project Manager, the Project Manager shall have no obligation in connection with the transaction beyond operating the Project to meet schedules provided and authorized by the Operating Entities.

D. Project Accounting

1. General Considerations. The primary objective of Project Accounting is to record and account for each Operating Entity's use of its Entitlement to Project Inflow, NSM Storage, McKays Pondage, and Project Generation to satisfy its Load Requirements and its share of Project Minimum Flow Obligations as defined in the FERC License.
2. Criteria. A Project Generation Account, an NSM StorageAccount, and a McKays Pondage Account will beestablished for each Operating Entity. The GenerationAccount, the McKays Pondage Account, and the NSM following the 2400 clock hour. Said updated accountingshall be immediately transmitted to each Operating Entityvia Project Data Transmission Facilities.
3. Required Models. Project Accounting will include four basic models as follows:
  - a. Flow Calculation;
  - b. Generation Accounting;
  - c. NSM Storage Accounting;
  - d. McKays Pondage Accounting

The four models will be run in the above sequence and make the following determinations:

- a. Flow Calculation. Flow calculations will determine the non-storage-regulated and storage-regulated flows available for power generation at NSM Power Plant and at Collierville Power Plant. Non-storage-regulated flows include releases from NSM Storage to satisfy Project FERC License requirements and

unregulated flows entering the North Fork Stanislaus River below NSM Dam and above McKays Diversion Dam;

- b. Generation Accounting. Generation accounting will determine the quantity of Project Generation produced by each Operating Entity;
  - c. NSM Storage Accounting. Storage accounting will determine the amounts of NSM Storage of each Operating Entity;
  - d. McKays Pondage Accounting. McKays Pondage Accounting will determine the amounts of McKays Pondage for each Operating Entity based on:
    - (1) The Entity's allocation of McKays Non-Storage-Regulated Inflow;
    - (2) The Entity's allocation of McKays Storage-Regulated Inflow; and
    - (3) The Entity's allocation of Collierville Generation.
4. Project Flow Determinations. Each day the Project Manager will determine Project flows required for NSM Storage Accounting as described in Appendix A and will transmit to each Operating Entity a report on Project flow determination including the following items:
- a. UPA and CCWD Project Diversions;
  - b. McKays Downstream Releases including spill;
  - c. McKays Minimum Outflow (a + b);
  - d. Collierville Discharge;
  - e. Total McKays Outflow (c + d);
  - f. McKays Pondage Change;
  - g. McKays Inflow (e + f);
  - h. McKays Storage-Regulated Inflow;
  - i. McKays Non-Storage-Regulated Inflow;
  - j. Beaver Creek Diverted Flow;
  - k. Big Trees Flow (g - h);

- l. NSM Power Plant Discharge;
- m. NSM Outlet Works Discharge;
- n. Total NSM Release ( $l + m$ );
- o. NSM Storage Change;
- p. NSM Inflow ( $n + o$ );
- q. Total NSM Non-Storage-Regulated Release;
- r. Total NSM Storage-Regulated Release;

Additionally, any two Operating Entities, by mutual consent, may trade water in McKays, and make a simultaneous offsetting reverse trade of their Pondage at NSM. The quantity of the offsetting trade at NSM is reduced by 8% to compensate the Entity trading away at NSM for the loss of the opportunity to generate with that water through the NSM turbines.

- 5. Power Accounting. Each day the Project Manager will allocate Project Generation between Operating Entities and will provide half-hourly accounts and a daily summary account of Project Generation and allocations of Project Generation to each Operating Entity. The procedures in Appendix B shall be used for maintaining NSM Storage Accounts. The Generation Accounting Report will include the following items:
  - a. Scheduled Generation Schedules;
  - b. NSM Generation;
  - c. Collierville Generation;
  - d. Total Project Generation;
- 6. Operating Entity NSM Storage Accounts. The Project Manager will establish an NSM Storage Account for each Operating Entity which shall be updated on a daily basis. The procedures in Appendix C shall be used for maintaining NSM Storage Accounts. Each day the Project Manager will transmit to each Operating Entity a Storage Account report which will provide a half-hour account and a daily summary account of New Spicer Meadow Storage for the Project and allocation of New Spicer Meadow Storage to each Operating Entity. The Storage Account report will include the following items:

- a. NSM Storage at beginning of interval;
  - b. NSM Storage-Regulated Release during interval;
  - c. NSM Non-Storage-Regulated Release during interval;
  - d. Change in NSM Storage during interval;
  - e. NSM Storage at end of interval. NSM storage and releases will be reported in acre-feet, with an appropriate value in project megawatt hours to be included on reports.
7. McKays Pondage Accounting. The Project Manager will establish McKays Pondage Accounts of Non-Storage-Regulated Inflow and Storage-Regulated Inflow which will be updated on a daily basis. The McKays Pondage Accounts will be maintained in acre-feet with an approximate value of megawatt hours of Collierville generation to be included on reports. The procedures in Appendix D will be used for maintaining McKays Pondage Accounts. Each day the Project Manager will transmit to each Operating Entity via Project Data Transmission Facilities a McKays Pondage report which will provide half-hour running accounts and a daily summary account of McKays Pondage of Non-Storage-Regulated Inflow, Storage-Regulated Inflow and total McKays Pondage for the Project and for each Operating Entity. The McKays Pondage Account report will include the following items:
- a. McKays Pondage at the beginning of the interval;
  - b. McKays Non-Storage-Regulated Inflow during the interval;
  - c. McKays Storage-Regulated Inflow during the interval;
  - e. Collierville Generation during the interval;
  - f. McKays Pondage at the end of the interval;

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Appendix A

FLOW CALCULATIONS

- A1. New Spicer Meadow Storage-Regulated Flows into Bank Storage are releases from New Spicer Meadow Reservoir exclusively to produce power at the NSM Power Plant or to produce power or ancillary services at the Collierville Power Plant.
- A2. New Spicer Meadow Non-Storage-Regulated Flows into Bank Storage include the following:
1. Releases from NSM Reservoir to satisfy Project Minimum Flow Obligations including:
    - a. Minimum flows below NSM Dam;
    - b. Minimum flows at Big Trees State Park;
    - c. Required Mill Creek Tap Diversion;
    - d. Minimum flows below McKays Point Dam;
    - e. Minimum flows below the confluence of Beaver Creek and the North Fork Stanislaus River;
    - f. NSM Spill;
- B. Bank Storage. The storage within the banks of a river stretch resulting from the change in river stage at different flows. Filling and emptying of Bank Storage results in time delays between changes in discharge at NSM Dam and the corresponding changes in observed flow at McKays. Bank Storage in all stretches of the river below New Spicer is represented as an imaginary pondage reservoir above McKays.

C. Unregulated Flow into McKays includes the following:

1. Inflow to the North Fork Stanislaus River below NSM Dam and below the North Fork Diversion Structure;
2. North Fork Diversion Structure spill and fish release.
3. Beaver Creek diverted flows.

D. Basic Hydro Data. All flow calculations will be based on the following measurements:

1. NSM Releases including the following:
  - a. NSM Power Plant Discharge;
  - b. NSM Outlet Works Discharge;
  - c. NSM Spill (NSMS);
2. NSM Reservoir Elevation;
3. McKays Pondage Inflows including:
  - a. Avery gauge;
  - b. Beaver Creek Diverted Flow measurement;
4. McKays Pondage Outflows including:
  - a. Collierville Power Plant Discharge;
  - b. Mill Creek Tap Diversions;
  - c. McKays Downstream Fish Release;
  - d. McKays Spill;
5. Stream Gauge below McKays Dam - indirect spill calculation only;
6. McKays Pond Elevation;

E. General Procedure

1. All flows will be calculated and routed through the system using the model described herein.



2. The model will be considered to comprise three subsystems as follows:
  - a. NSM subsystem;
  - b. McKays subsystem;
  - c. Bank Storage subsystem.
3. The Bank Storage subsystem will serve as a substitute for the effect of natural bank storage within the river system between New Spicer Meadow Dam and McKays Dam to represent travel time.

F. Routing Interval. A basic routing interval of one-half hour is used. Computations will be based on average water and power flows recorded over the routing interval.

G. Routing Criteria. The following criteria will be used in flow routing:

1. Bank Storage Outflow will be assumed to come:
  - a. First from Bank Storage of Non-Storage-Regulated Flow; and
  - b. Second from Bank Storage of Storage-Regulated Flow;
2. Big Trees Flow in excess of available Bank Storage will be assumed to be Unregulated Inflow into McKays.

H. McKays Flows

1. Determine outflow from McKays Pondage as the sum of Collierville Discharge, Mill Creek Tap Diverted Flow, McKays Fish Release and McKays Spill.
2. Determine McKays Inflow as the sum of McKays Outflow plus the change in McKays Pondage.
3. McKays Minimum Outflow is the sum of the flow diverted from the Mill Creek tap and the McKays Fish Release.

4. Determine Big Trees Flow as McKays Inflow less Beaver Creek Diverted Flow.

I. NSM Flows

1. Determine NSM Release as the sum of NSM Power Plant Discharge, NSM Outlet Works Discharge and NSM Spill.
2. Determine NSM Inflow as the sum of NSM Release and the Change in NSM Storage.

J. Bank Storage Flows.

1. Bank Storage Inflow is equal to the sum of NSM Storage-Regulated and Non-Storage-Regulated Releases.
2. Bank Storage is accumulated in those routing intervals when Bank Storage Inflow is greater than Big Trees Flow. Bank Storage for each Entity will be classified and accumulated as Non-storage Regulated or Storage Regulated, in accordance with the classification of the release from NSM.
3. Bank Storage Outflow is used to supply Big Trees Flow.
4. If there is not sufficient Bank Storage to supply all of the Big Trees Flow, then the balance of the Big Trees Flow is assumed to be Unregulated Inflow directly into McKays and not through Bank Storage.
5. In accordance with the Routing Criteria, all Non-storage Regulated water in Bank Storage is depleted before any Storage Regulated water is released.

- K. NSM Non-Storage Regulated Releases are releases from NSM Storage to satisfy NSM Minimum Releases and Spill. Each Operating Entity is required to submit a NSM Water Release Schedule in each hour sufficient to meet their NSM Minimum Release Requirement on a Project Entitlement Percentage basis. An Operating Entity may arrange for another Operating Entity to step in and meet its NSM Minimum Release for one or several intervals. Each Entity making this arrangement is

responsible to inform the NCPA Project Manager. NCPA will not account for the meeting of one Entity's NSM Minimum Release Requirement by another and no financial or energy compensation for the arrangement will occur through NCPA. If the Entity that agrees to step in to provide the NSM Minimum Release of another fails to submit sufficient NSM Water Release Schedules, NCPA will look to the Entity with the original obligation for sufficient water releases, and if necessary, will adjust that Entity's NSM Water Release Schedules upward.

- L. NSM Storage-Regulated Release. NSM Storage-Regulated Release is equal to the total outflow minus the sum of NSM Non-Storage-Regulated Release.

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Appendix B

POWER ACCOUNTING

- A. General Considerations. Project generation may be placed in three principal categories:
1. Generation which must be produced at the Collierville Power Plant:
    - a. To discharge unregulated flows entering the North Fork Stanislaus River below New Spicer Meadow Dam or below the North Fork Diversion Structure including Beaver Creek Diversion discharge, or
    - b. to discharge North Fork Diversion Dam spill or NSM spill through the Collierville Power Plant turbines.
  2. Generation produced at the NSM Power Plant resulting from the release of NSM Storage to satisfy minimum release requirements of the Project FERC License.
  3. Generation produced at the NSM and Collierville Power Plants resulting from the release of Storage to meet the power and ancillary service requirements of the Operating Entities.
- B. Each Operating Entity is responsible for submitting NSM Water Release Schedules, NSM Energy Schedules, Collierville Energy Schedules, Ancillary Service Self-provision Schedules and Bids to the Project Manager in the time frames as specified by Appendix C to the Schedule Coordination Program Agreement. Each Operating Entity's pre-scheduled daily NSM Water Release Schedules will be developed by the Project Manager based on

each Operating Entity's estimate of Collierville energy use for that day. Each Operating Entity shall provide an estimate of total daily Collierville energy use no later than 07:00 each per-scheduling day. NSM Water Release Schedules can be adjusted for future hours, but not for the currently active hour, and not retroactively. Energy and Ancillary Service Schedules must follow the scheduling protocols of the California ISO and are therefore not changeable after having been processed through the ISO's scheduling system.

- C. New Spicer Meadow Generation. Generation actually produced at the NSM Power Plant will be allocated to the Operating Entities in proportion to their water release schedules, as is specified in Appendix B to the Schedule Coordination Program Agreement. Please note that this allocation means that it is the NSM Water Release Schedules, and not the NSM Energy Schedules, that form the basis for the allocation of power at NSM. The NSM Energy Schedules are needed for ISO energy balancing purposes in the day-ahead market, and of course should correspond appropriately to the NSM Water Release Schedules, but ultimately it is the NSM Water Release Schedules that dictate.
- D. Collierville Generation. Collierville discharge through the turbines is allocated to the Operating Entities in the same proportion as the metered energy allocation results described in Appendix B to the Schedule Coordination Program Agreement (commonly referred to as the Unit Energy Allocation, UEA).
- E. Water and Generation Entitlement. The Project Manager is responsible to ensure that each Operating Entity schedules NSM water releases, and submits generation and ancillary service schedules, and that NCPA operates the generating plants in real time, in accordance with the above. Appendix C for New Spicer Meadows and Appendix D for McKays describe the allocations of all inflows and outflows and the resulting Pondage calculations by Entity.

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**Appendix C**

NSM Storage Accounting

- A. General Considerations. Each Operating Entity will be allocated its Entitlement to NSM Storage. Storage accounting will determine the amount of NSM Storage drafted by each Operating Entity each day and the status of the Operating Entity's allocation of NSM Storage at the end of the day.

An Operating Entity may utilize NSM Reservoir Entitlements of other Operating Entities, provided that, if it is necessary to spill at NSM Dam, such spill will be assumed to be first from water stored by one Entity in the NSM Reservoir Entitlement of other Entities. The allocation of spill will be based on the amount the Entities are over-filled. If more than one Entity is over-filled, the initial allocation of spill will be pro-rata to each based on the amount each is over-filled. Once all water stored in the Entitlements of others is spilled, any remaining spill is allocated based on Project Entitlement Percentage.

- B. NSM Inflow Allocation. Each Operating Entity will be allocated its NSM Inflow (as determined in accordance with Appendix A, Flow Calculations) by Project Entitlement Percentage.
- C. NSM Release Allocation. Each Operating Entity shall provide a NSM Water Release Schedule for each interval each day. The actual NSM water releases, calculated as described in Appendix A, Section I, will be pro-rated to the Operating Entities based on the Water Release Schedules. The FA3.03 computer algorithm will automatically allocate the actual NSM water releases by Entity in each interval first to satisfy each Entity's share of the NSM Minimum Release. These are

classified in accordance with Appendix A as Non-Storage-Regulated Flows. The remainder of each Entity's water release will be considered Storage-Regulated.

- D. NSM Storage Change. The change in NSM Storage of each Operating Entity will be equal to the Entity's allocation of NSM Inflow Entitlement minus each Entity's Storage-Regulated and Non-Storage-Regulated Releases.
- E. End-of-Interval NSM Storage. The end-of-interval NSM Storage of each Operating Entity will be the algebraic sum of the Entity's beginning-of-interval NSM Storage and its NSM Storage Change.
- F. Water Trades Between McKays and New Spicer Pondage. Please refer to the description of the proposed water trades in Appendix D Section F.

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Appendix D

McKays Pondage Accounting

- A. General Considerations. Determinations of McKays Pondage Accounts for each Operating Entity will be made each day.
- B. McKays Entitlement. Each Operating Entity will be allocated an Entitlement amount of the total useable McKays Pondage in accordance with Paragraphs C through F below.
- C. Storage in Excess of Entitlement. An Operating Entity may utilize the McKays Pondage Entitlements of other Operating Entities, provided that if it is necessary to spill at McKays Dam, such spill will be assumed to be first from water stored by one Entity in the McKays Pondage Entitlement of other Entities. The allocation of spill will be based on the amount the Entities are over-filled. If more than one Entity is over-filled, the initial allocation of spill will be pro-rata to each based on the amount each is over-filled. Once all water stored in the Entitlements of others is spilled, any remaining spill is allocated based on Project Entitlement Percentage.
- D. Allocation of Flows. Flows are allocated to each entity as follows:
  - 1. Unregulated inflow, non-storage regulated inflow, inflow from Beaver Creek, Mill Creek Tap Outflow



and McKays Fish Release are allocated based on Project Entitlement Percentage.

2. Storage-regulated inflow is allocated in accordance with the Bank Storage Routing Criteria specified in Appendix A, and the accumulated Operating Entity Entitlement to the Storage-regulated water in Bank Storage, based on each Operating Entity's NSM water release schedules.
3. Spill is allocated as specified in Paragraph C above.
4. Collierville discharge through the turbines is allocated to the Operating Entities in the same proportion as the metered energy allocation results described in Appendix B to the Schedule Coordination Program Agreement (commonly referred to as the Unit Energy Allocation, UEA, and which allocates NSM energy based on the NSM water release schedules).

E. Entity Pondage. At the end of each interval, each Entity's McKays Pondage is determined by algebraically summing the Entity's allocation of inflows and outflows with the ending McKays Pondage from the previous interval.

F. Water Trades Between McKays and New Spicer Pondage.

Any two Operating Entities, by mutual consent, may trade water in McKays, and make a simultaneous offsetting reverse trade of their Pondage at NSM. The quantity of the offsetting trade at NSM is reduced to compensate the Entity trading away at NSM for the loss of the opportunity to generate with that water through the NSM turbines. The trade at NSM will be reduced by 8% (based on the historical generation water duty ratio for NSM releases) relative to the trade at McKays.

Water Trades are effective as of 0001 of the agreed-upon trade day (since the FA3.03 computer algorithm re-calculates each interval of the current day every half-hour, this means that there will be no retroactive computer re-runs required). A trade can be arranged to apply no earlier than 0001 of the current day. Once agreed by the trading Entities, the trade will be scheduled by the Project Manager. Trades are of water only with no corresponding financial payments. If there is no willing partner to a proposed trade, then each Operating Entity's Pondage results are unchanged, and all FA3.03 results, including the allocation of spill, remain unchanged.

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Power Purchase Projects Operating Procedures

A. Definitions

Definitions as set forth in the General Provisions of the Agreement shall have the same meaning in this Schedule. The following additional terms, when used in this Schedule, in either the singular or the plural, shall have the following meanings:

1. Coordinated Entity(ies) is two or more Operating Entities which agree to pool Entitlement to a Project.
2. Entitlement is the same as Project Entitlement.
3. Entity is the same as Operating Entity.
4. Load Requirement is the amount of forecast capacity and energy requirement of an Operating Entity which is to be supplied by the Operating Entity's Entitlement to Project Deliveries.
5. Operating Entity shall mean a Project Participant or group of Project Participants who operate and schedule their Entitlement to Project Deliveries as a single entity.
6. Power Purchase Preschedule is the amount of an Operating Entity's Entitlement to Project Deliveries scheduled by the Entity prior to the half-hour.
7. Power Purchase Project is a power purchase contract or contracts which are individually or collectively NCPA Projects.
8. Power Purchase Schedule is the amount of an Operating Entity's Entitlement to Project Deliveries scheduled within a half-hour by real-time scheduling.
9. Project is the same as Power Purchase Project.

10. Project Capacity is the total Project capability as established for each Power Purchase Project by the Schedule "Power Purchase Projects Capability".
11. Project Data Transmission Facilities are facilities for exchange of schedules, operating data and other Project-related data between the Project Manager and each Operating Entity.
12. Project Deliveries are the total net capacity (Project Capacity) and energy (Project Energy) available for delivery by Project at the points of delivery or receipt specified in the power purchase contract governing such Project.
13. Project Deliveries Account is the daily account maintained by the Project Manager showing the amounts of half-hourly Power Purchase Schedules and the daily allocations of Project Deliveries.
14. Project Energy is the amount of energy delivered by Project at the points of delivery or receipt specified in the power purchase contract governing such Project.
15. Project Entitlement is the proportion of Project Capacity, Project Energy, and the portion of the Project obligations to which an Operating Entity is currently entitled or obligated, less any part thereof, which such Operating Entity is selling pursuant to a contract and plus any part thereof which such Operating Entity is buying pursuant to a contract.
16. Project Manager is the General Manager of NCPA or the person designated by the General Manager to carry out the day-to-day responsibilities for operating the Project.
17. Replacement Energy is power scheduled by one Operating Entity to another in lieu of power delivered by the Project subject to the limitations in this Agreement.

B. Operating Criteria

1. Good Utility Practice. The Project Manager shall operate the Project in accordance with Good Utility Practice.
2. License, Regulatory, and Contractual Criteria. The Project shall be operated to comply with all of the license, regulatory, and contractual requirements of the Project.
3. Project Coordination. The Project Manager will operate the Project to meet the schedules of the Operating Entities.
4. Project Entitlement. Each Operating Entity shall have available the Operating Entity's Entitlement to Project Deliveries as follows:
  - (a) Project Capacity
  - (b) Project Energy
5. Coordinated Entities. Two or more Operating Entities may agree to coordinate the operation of their Project Entitlement as a Coordinated Entity. A Coordinated Entity may pool the Entitlement of the member Operating Entities and operate the pooled Entitlement as a single Operating Entity. The Operating Entities in a Coordinated Entity may send separate Power Purchase Schedules. The Project Manager will maintain separate Power Purchase Schedule records for each Operating Entity, but under circumstances of coordinated operation, will also combine the Power Purchase Schedules of the Operating Entities as a Coordinated Entity and prepare delivery accounts for the Coordinated Entity.

C. Scheduling

1. Scheduling Criteria. Each Operating Entity may schedule its Entitlement of Project Deliveries in any manner, provided such schedules shall be consistent with licensing, regulatory, and contractual criteria and the provisions of the Project Third Phase Agreement.

2. Planned Outages and Curtailment Scheduling Criteria. If applicable, the Project Manager will prepare a Project Planned Outages and Curtailment Schedule for approval by the Facilities Committee, prior to the beginning of each calendar year.
3. Replacement Energy. An Operating Entity may schedule Replacement Energy to another Operating Entity. The energy equivalent will be added to the Deliveries Limits Account of the Operating Entity delivering Replacement Energy and subtracted from the Deliveries Limits Account of the Operating Entity receiving Replacement Energy.

The Replacement Energy Schedule shall normally be prepared concurrently with the compilation of the daily Power Purchase Preschedule.

Replacement Energy shall normally be scheduled for periods not exceeding 24 hours.

4. Minimum Deliveries Transfers. At any time that the Project is being operated at a minimum deliveries level to meet regulatory, operating, or contractual requirements and one Operating Entity has scheduled or is willing to schedule Project Deliveries associated with such minimum deliveries, any other Operating Entity may arrange with that Operating Entity to schedule deliveries of the Project that such Operating Entity would otherwise be required to schedule, upon agreement of the Operating Entities and appropriate notification to the Project Manager.

The responsibility for all arrangements in connection with such transfers shall rest with the Operating Entities involved. Unless otherwise agreed by the Operating Entities and the Project Manager, the Project Manager shall have no obligation in connection with the transaction beyond operating the Project to meet schedules provided and authorized by the Operating Entities.

D. Project Accounting

1. General Considerations. The primary objective of Project Accounting is to record and account for each Operating Entity's use of its Project Entitlement to satisfy its Load Requirements and to ensure compliance with licensing, regulatory, and contractual criteria.
2. Criteria. A Project Deliveries Account and a Project Deliveries Limits Account will be established for each Operating Entity. The accounts will be updated daily immediately following the 2400 clock hour.

Project Deliveries Account. Deliveries accounting will track the quantities of deliveries from each Project which was allocated to each Operating Entity.

Each day the Project Manager will allocate Project Deliveries between Operating Entities based on schedules, and will transmit to each Operating Entity a Deliveries Accounting Report which will provide half-hourly accounts and a daily summary account of Project Deliveries and allocation of Project Deliveries to each Operating Entity.

Project Deliveries Limits Account. Annual or other periodic limits on Project Deliveries established by licensing, regulatory, and contractual requirements and the provisions of Project Third Phase Agreements will be allocated to each Operating Entity based on the sum of its member Project Participants' Project Entitlements during the period or year. An Operating Entity's share of the Project Deliveries Account may not exceed its Project Deliveries Limits Account share during the period or year.

The daily Project Deliveries Accounting Report will include the status of the Project Deliveries Limits Account.

NCPA Facilities Agreement  
Facilities Schedule FA 3.05

Combustion Turbine Project No.2 Operating Procedures

A. Definitions

Definitions as set forth in the General Provisions of the Agreement shall have the same meaning in this Schedule. The following additional terms, when used in this Schedule, in either the singular or plural, shall have the following meanings:

1. Combustion Turbine Project No 2 Capacity is the total Project generating capability as established by the Schedule "Combustion Turbine Project No.2 Capability."
2. Combustion Turbine Project Generation is the total amount of capacity and energy produced by the Project.
3. Combustion Turbine Test Energy is the energy resulting from Combustion Turbine Project No.2 testing.
4. Coordinated Entity(ies) is two or more Operating Entities which are scheduled and settled together to achieve flexible plant operation by sharing, at times, their Project Entitlement. The members of a Coordinated Entity are subject to special scheduling and settlements provisions, as described below.
5. Entitlement is the same as Project Entitlement.
6. Generation Preschedule is the amount of Project Generation scheduled prior to the active hour pursuant to the NCPA Scheduling Coordination Program Agreement scheduling protocols.
7. Generation Schedule is the amount of Project Generation scheduled for a given scheduling interval.



8. MSSA is the Metered Subsystem Aggregator Agreement between NCPA and the CAISO.
9. Operating Entity shall mean a Project Participant or group of Project Participants who operate and schedule their combined Project Entitlements as a single entity.
10. Project is the Combustion Turbine Project No.2, which consists of a steam injected gas turbine unit and related support and interconnection facilities. The Project is located in the City of Lodi, but not connected to Lodi's electrical system. The Project is connected to the CAISO and is an MSSA generating unit.
11. Project Entitlement is the portion of the Project Capacity, Project Energy, and the portion of the project obligations to which a Participant is currently entitled or obligated, less any part thereof, which such Participant is selling pursuant to a Unit Contract and plus any part thereof which such Participant is buying pursuant to a Unit Contract.
12. Project Generation is the total net capacity and energy produced by the Project as measured at the point of interconnection with the CAISO.
13. Project Manager is the General Manager of NCPA or the person designated by the General Manager to carry out the day-to-day responsibilities for operating the Project.

B. Operating Criteria

1. Good Utility Practice. The Project Manager shall operate the Project in accordance with Good Utility Practice.
2. License and Regulatory Criteria. The Project shall be operated to comply with all of the license and regulatory requirements of the Project.
3. Project Coordination. The Project Manager will coordinate the operation of the Project to meet the

combined schedules of the Operating Entities. The Project Manger shall ensure that the combined schedules of the Operating Entities result in the Project being operated at the most economical loading level.

4. Project Entitlements. Each Operating Entity shall have available, to the extent feasible, the Operating Entity's Entitlement to Project Resources as follows:
  - (a) Capacity
  - (b) Operating Reserves
  - (c) Energy
5. Coordinated Entities. Two or more Operating Entities may agree to coordinate the operation of their Project Entitlements as a Coordinated Entity. The purpose of scheduling as a Coordinated Entity is to achieve greater flexibility by allowing each individual Operating Entity the ability to match, to the extent possible, the output of the Project to their needs, while operating the Project in an economic manner as a whole. The specific scheduling and settlements procedures that apply to a particular Coordinated Entity depend on the characteristics of the Operating Entities. At this time there is only one Coordinated Entity in existence for this Project, the combination of NCPA Pool and the City of Roseville. NCPA Pool is an aggregation of project owners who are in the NCPA MSSA and the NCPA Pool, and Roseville is not a member of the NCPA Pool or of the MSSA.

#### C. General Scheduling Principles

1. Scheduling Criteria. Each Operating Entity may schedule its Entitlement of Project Generation, provided that such schedules shall be consistent with licensing and regulatory criteria, the provisions of the Project Third Phase Agreement, and not cause any adverse economic impact on any other Operating Entity. Project Test Generation will be allocated among the Operating Entities in proportion to their Entitlements and coordinated with the Operating Entities.

2. Scheduling Timelines. Submission of schedules by an Operating Entity to the Project Manager shall be in accordance with the NCPA Scheduling Coordination Program Agreement scheduling protocols.
3. Planned Outages and Curtailment Scheduling Criteria. Prior to the beginning of each fiscal year, the Project Manager will prepare a Project Planned Outages and Curtailment Schedule for approval by the Facilities Committee.
4. Requests for Operation by Non Participants. Requests for Project operation from non-Participants will be honored only to the extent, and under such terms and conditions, as the Operating Entity whose Project Participants' entitlements are utilized, has specifically authorized.
5. Minimum Generation Transfers. At any time that the Project is being operated at a minimum generation level to meet regulatory or operating requirements and one Operating Entity has scheduled or is willing to schedule Project Generation associated with such minimum generation, any other Operating Entity may arrange with that Operating Entity to schedule output of the Project that such Operating Entity would otherwise be required to schedule, upon agreement of the Operating Entities and appropriate notification to the Project Manager.

The responsibility for all arrangements in connection with any such transfers shall rest with the Operating Entities involved. Unless otherwise agreed by the Operating Entities and the Project Manager, the Project Manager shall have no obligation in connection with the transaction beyond operating the Project to meet schedules provided and authorized by the Operating Entities.

D. Coordinated Scheduling (NCPA Pool and non-Pool/MSSA Entities)

1. Flexible Scheduling

- a. Scheduling. This section applies to scheduling for a Coordinated Entity that is the combination of the NCPA Pool and one or more entities that are not in the NCPA Pool or the MSSA. This section describes scheduling arrangements that allow, after appropriate coordination, significant flexibility for an Operating Entity to receive energy from the Entitlement of others. Operating Entities who choose to participate in this flexibility agree, by their participation, to settle for the Project energy in accordance with the principals and methods that apply to the settlement of generation resources by the NCPA Pool.
- b. Day Ahead Prescheduling. The Project Manager shall schedule the total desired energy of the Operating Entities as a schedule for the NCPA Pool. The Project Manager shall insure such schedules recognize any Project operating constraints. Each Operating Entity shall communicate with the Project Manager their desire to take energy from the project. The Project Manager shall coordinate each Operating Entity's desired energy take to determine the total planned operation of the Project. If the Project Entitlement of an Operating Entity is not desired, the remaining Operating Entities may request the entire output of the Project. If the remaining Operating Entities desire to take energy from the Project, they must take the entire minimum economic operating output as determined by the Project Manager. An Operating Entity that did not take their Project Entitlement in the Day Ahead process cannot request their Project Entitlement in the Active Day where other Operating Entities have requested to take the entire output of the Project, unless otherwise mutually agreed. Any Operating Entity that does not take their Project Entitlement shall be compensated for their Project Entitlement by the other Operating Entities in accordance with Section E. If the Project is not scheduled for any Operating Entity, the Project is available for Active Day Scheduling for any Operating Entity.

c. Active Day Scheduling. The Project Manager shall schedule the total desired energy of the Operating Entities in the hour-ahead time frame as a schedule for the NCPA Pool. The Project Manager shall ensure such schedules recognize any Project operating constraints. Each Operating Entity shall communicate with the Project Manager their desire to take energy from the project. The Project Manager shall coordinate each Operating Entity's desired take to determine the total planned operation of the Project. If the Project Entitlement of an Operating Entity is not desired, the remaining Operating Entities may request the entire output of the Project. If the remaining Operating Entities desire to take energy from the Project, they must take the entire minimum economic operating output as determined by the Project Manager. Once an Operating Entity communicates to the Project Manager that they do not desire to take their Project Entitlement in the Active Day process, they cannot request their Project Entitlement in any hours of the Active Day where other Operating Entities have requested to take the entire output of the Project, unless otherwise mutually agreed. Any Operating Entity that does not take their Project Entitlement shall be compensated for their Project Entitlement by the other Operating Entities in accordance with Section E. If the Project is not scheduled for any Operating Entity, the Project is available for use by the Project Manager.

2. Delivery of Energy. The Operating Entities shall be credited with their Project Entitlement through the NCPA Pool process. Operating Entities that are not within the NCPA Pool shall take delivery of their Project energy through a schedule coordinator to schedule coordinator trade (SC trade) from the NCPA Pool to that Operating Entity's Scheduling Coordinator.

3. Project Operation. The Project Manager shall normally operate the Project in accordance with Day Ahead and Active Day schedules. The Project Manager may deviate from the scheduled operation due to system economics or other operating conditions, provided that such deviations shall be coordinated among the Operating Entities. If the Project generation is curtailed or off line due to economics as determined by any Operating Entity, the remaining Operating Entities may request their energy deliveries be kept whole. The Operating Entity curtailing the planned operation of the Project is obligated to deliver an equivalent energy amount through an SC trade to the other Operating Entities if so requested. If the Project is curtailed or off line due to project or system conditions, Operating Entities not within the NCPA Pool will have their SC trade curtailed in the next available scheduling interval. The Project may be utilized for MSSA load following purposes, provided that the non-MSSA Project Participants are compensated for such operation in accordance with Section E.

E. Coordinated Settlements, Cost Recovery, and Reimbursement of Margin (NCPA Pool and non-Pool/MSSA Entities)

1. General Considerations.
  - a. The objective of Settlements and Cost Recovery is to ensure that Project Participants pay actual operating costs, and provide the process that will ensure scheduling and operation by an Operating Entity does not have any adverse economic impact on another Operating Entity.
  - b. The objective of Reimbursement of Margin is to ensure that if the Project is scheduled to operate and an Operating Entity cancels their operation, due to economic conditions, such cancellation does not adversely affect another Operating Entities' ability to receive their planned energy at the expected cost of operating the Project.
2. Settlements.

- a. Whenever the Project is operated, Project Participants shall pay the variable costs of generation including any associated CAISO costs and uninstructed energy costs, according to their Project Entitlement.
- b. Associated CAISO costs and uninstructed energy costs will be allocated and settled in accordance with the NCPA Pool Billing section of Appendix B of the NCPA Scheduling Coordination Program Agreement.
- c. Project Participants shall be paid the NCPA Pool Market Clearing Price (MCP) based on the Project's Generation Schedule, where the MCP is calculated pursuant to the NCPA Pooling Agreement.
- d. For Non-Pool/MSSA Operating Entities receiving their energy through an SC trade, such Operating Entity shall pay for the SC trade at MCP.

3. Cost Recovery.

- a. An Operating Entity that is taking energy greater than their Entitlement shall compensate the other Operating Entities to ensure that those whose entitlement was consumed by others are, at a minimum, financially neutral.
- b. Financial neutrality means, if the Operating Entity scheduling less than their entitlement has a net cost for those hours of the day that their Entitlement was being used by others, taking into account the costs and payments under Paragraph E. 2 above, the Operating Entity using the Entitlement shall pay the Operating Entity whose entitlement was used an amount to ensure the net cost is zero for the Operating Entity whose Entitlement was used by others.
- c. As an MSSA generating unit, the Project may be used for load following. In this case, the NCPA Pool Operating Entity shall compensate the non-MSSA Operating Entities pursuant to Pooling Agreement Schedule 7.01.

4. Reimbursement of Margin

- a. If an Operating Entity cancels their planned operation of Project, pursuant to section D 3 Project Operation, such Operating Entity shall, if requested

by another Operating Entity, re-supply the other Operating Entity with an alternate and equivalent source of energy through an SC trade at a price that makes the other Operating Entity economically whole. This price is the NCPA Pool MCP less a Margin.

- b. Margin is the NCPA Pool MCP less the expected variable cost of operating the Project. The Margin may be positive or negative for any given hour of planned operation.
- c. The Reimbursement of Margin will be the summation of the hourly Margins for the hours in which re-supply is requested.

F. Coordinated Scheduling (NCPA Pool and MSSA Entities)

This project does not currently have Coordinated Scheduling between the NCPA Pool and an MSSA Entity who is not in the NCPA Pool. This section is here for future development, if necessary.



NCPA Facilities Agreement  
Facilities Schedule FA 3.05  
Combustion Turbine Project No. 2 Operating Procedures

Appendix A

OPERATING SCENARIOS

- A. This Appendix A is to provide examples of probable operating scenarios in order to provide clarity to scheduling and settlements for the Project. If there are any conflicts between this Appendix A and the main text of FA 3.05, the main text of FA 3.05 shall govern.
- B. CT2 Unit Characteristics
- It is scheduled with the CAISO. It is in the MSSA, part of the NCPA MSSA real-time balance, and may need to be operated at any operating level for emergency or MSSA load following reasons.
  - To be economic, it must be run at full load.
  - In addition to Members who are in the MSSA and the NCPA Pool, Project Participants of this unit consist of Roseville, a non-Pool Member who is not in the MSSA and whose load is not scheduled by NCPA. As such, Roseville's take of CT2 energy into their load is constrained by CAISO DA and HA scheduling protocols.
  - The Project Participants are organized into two Operating Entities, Roseville and the NCPA Pool. The NCPA Pool participants include Lodi, Lompoc and Alameda.
  - Both Roseville and the Pool want the flexibility to take the energy output in the DA and/or HA time-frame, including the full output of the unit if the other does not want the energy.
  - Roseville needs to participate in energy sales to the market from CT2. To simplify scheduling, Roseville needs to participate in these sales without having to take physical delivery of Roseville's share to Roseville as part of the transaction.
  - If one of the Operating Entities wants the full output of the unit, cost recovery may be due to the other Operating Entity if MCP is not sufficient to cover all the operational costs.

### C. CT2 Settlements

CT2 generation will be scheduled and settled inside the Pool, with a physical unit contingent DA or HA Pool sale scheduled to Roseville when physical delivery is desired by Roseville. Stated another way, even though Roseville is a separate Operating Entity, CT2 will be scheduled and settled as if it is entirely in the Pool, with Roseville having their proportionate share of the unit's generation. Therefore, settlement of CT2 generation is done at the Project Participant level, following Pool Billing methodology.

The following are the settlements steps that will accomplish the above.

Normal Pool Billing settlements by Project Participant:

- All Project Participants pay CT2 operating & ISO costs of generation including any uninstructed energy.
- All Project Participants get paid MCP based on scheduled generation and settle uninstructed energy at MCP according to the Pool settlements of Appendix B to the Scheduling Coordination Agreement.
- If sending power to RSVL by an SC trade, RSVL pays MCP for the energy.
- Pool consumes any power at MCP not traded to RSVL.

Additional scheduling and settlements provisions by Operating Entity:

- If one Operating Entity takes all the energy from CT2, or any amount greater than their proportionate share, that Operating Entity owes cost recovery to the other Operating Entity if MCP does not cover all the operating costs for the day.
- If CT2 has a forced outage
  - 1) RSVL, an Operating Entity taking physical delivery via an SC trade, pays any costs above MCP to balance the trade before schedules can be cut
  - 2) CT2's generation schedules and any SC trade to RSVL are zeroed out in the next available HA market.

D. Scenarios that illustrate the application of the above scheduling and settlements practices:

**Scenario 1:** RSVL & Pool each schedule their share of CT2 DA or HA to their load

Trade Mgr Participation in Sale	HA or RT change to DA schedule	Settlements and Actions
RSVL (SC trade to RSVL)	CT2 operates	Project Participants pay operating & ISO costs of generation including any uninstructed energy Project Participants get MCP based on scheduled generation RSVL satisfies trade at MCP Pool consumes the rest at MCP
	If Project Manager does not operate CT2 for economic reasons	Project Participants get MCP based on scheduled generation if schedules are in tact and pay ISO uninstructed energy The Project Manager will coordinate the change in scheduled operation with RSVL. RSVL may elect to cut or maintain their trade. If RSVL elects to maintain their trade, the trade is satisfied at MCP and Reimbursement of Margin applies. RSVL may also elect to schedule all of CT2 for them self and increase their trade (Scenario 2). If RSVL does not elect to schedule all of CT2 for them self then the unit is turned off and remains available for use by the Project Manager in real time (Scenario 4).
	If Project Manager does not operate CT2 for economic reasons at Roseville's request	Project Participants get MCP based on scheduled generation if schedules are in tact and pay ISO uninstructed energy The Project Manager will coordinate the change in scheduled operation with RSVL. The Project Manager, on behalf of the CT2 Pool Project Participants, may require RSVL to replace their portion of the generation with an energy sale from RSVL at MCP, and Reimbursement of Margin applies. Project Manager may elect to cut the trade to RSVL and schedule all of CT2 for the Pool Project Participants (Scenario 3). If CT2 is turned off and no entity schedules its output DA or HA, the unit remains available for use by the Project Manager in real time (Scenario 4).
	CT2 RT outage	Prior to next available HA market:

	(Hopefully a rare occurrence)	<p>Project Participants get MCP based on scheduled generation and pay ISO uninstructed energy  RSVL satisfies trade at MCP  RSVL pays any costs above MCP necessary to balance the trade</p> <p><u>Starting with next available HA market:</u>  Generation schedules are zeroed out  SC trade to RSVL is zeroed out</p>
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**Scenario 2:** RSVL takes all CT2 DA or HA (Pool settles financially)

Trade Mgr Participation in Sale	HA or RT change to DA schedule	Settlements and Actions
RSVL (SC trade to RSVL)	CT2 operates	<p>Project Participants pay operating &amp; ISO costs of generation including any uninstructed energy  Project Participants get MCP based on scheduled generation  RSVL satisfies trade at MCP  Cost recovery from RSVL to CT2 Pool Project Participants if operating costs not fully covered for the day at MCP</p>
	If RSVL decides to not operate and cut their trade for economic reasons	<p>RSVL must make this decision before the HA schedule time frame.  If schedules are zeroed by RSVL in the HA market, the unit becomes available to the Project Manager.</p>
	CT2 RT outage (Hopefully a rare occurrence)	<p><u>Prior to next available HA market:</u>  Project Participants get MCP based on scheduled generation and pay ISO uninstructed energy  RSVL satisfies trade at MCP  Cost recovery from RSVL to CT2 Pool Project Participants if operating costs not fully covered for the day at MCP  RSVL pays any costs of non-CT2 resources above MCP necessary to balance the trade</p> <p><u>Starting with next available HA market:</u>  Generation schedules are zeroed out, no CT2 settlements  SC trade to RSVL is zeroed out</p>

**Scenario 3:** Pool takes all CT2 DA or HA (RSVL settles financially)

Trade Mgr Participation in Sale	HA or RT change to DA schedule	Settlements and Actions
NA	CT2 operates	Project Participants pay operating & ISO costs of generation including any uninstructed energy Project Participants get MCP based on scheduled generation Pool consumes the power at MCP Cost recovery from Pool loads (based on total load) to RSVL if operating costs not fully covered for the day
	If Project Manager does not operate CT2 for economic reasons	Project Participants get MCP based on scheduled generation if schedules are in tact and pay ISO uninstructed energy The Project Manager will coordinate the change in scheduled operation with RSVL. RSVL may elect to take full output as an SC trade (Scenario 2) in the next available HA market. If RSVL does not want full output, schedules are zeroed by Project Manager in the HA market, the unit remains available to use by the Project Manager in real time (Scenario 4).
	CT2 RT outage (Hopefully a rare occurrence)	<u>Prior to next available HA market:</u> Project Participants get MCP based on scheduled generation and pay ISO uninstructed energy Cost recovery from Pool loads (based on total load) to RSVL if operating costs not fully covered for the day  <u>Starting with next available HA market:</u> Generation schedules are zeroed out, no CT2 settlements

**Scenario 4:** CT2 is turned on for MSSA load following purposes

Trade Mgr Participation in Sale	RT change	Settlements and Actions
NA	Unit is turned on in real time when there are no DA or HA schedules for load-following purposes	Project Participants pay operating & ISO costs of generation Project Participants get paid uninstructed energy at MCP PA 7.01 Energy Cost Adjustment Applies

## E. Daily Cost Recovery

Cost recovery is a daily recovery of costs. It is equal to the variable cost of operating for the applicable hours of the day less compensation at MCP, to the extent that one Operating Entity is generating using the entitlement of another Operating Entity. The variable cost of operating for the day is the sum, for those hours, of Energy Cost, variable operation and maintenance costs (VOM), ISO costs (primarily losses), and NCPA uplifts (allocation of net MSSA ISO imbalance cost or revenue).

So,

Variable Cost of Operating for the Day = Startup Costs + No Load Costs + (Heat Rate \* Natural Gas Price) + VOM + ISOCosts - ISORevenues + NCPA Uplifts.

And,

Cost Recovery = Variable Cost of Operating for the Day - Revenues for the Day at Pool MCP

This cost recovery applies to those hours of the day that one operating entity is consuming the full CT2 project on a scheduled basis.

For CT2, we would always schedule the plant in the day-ahead or hour-ahead markets if the plant is economic. The only time that the plant would be unscheduled in real-time is if the plant was not economic in the forward time frame. In this case (scenario 4 above), if the unit must be turned on for load-following purposes because of a real-time energy deficiency by the Pool, cost recovery is accomplished using the energy adjustment of PA 7.01.

So, here is a summary of the participants in daily cost recovery:

Scenario	Cost Recovery MW Quantity	Cost Recovery Paid To	Cost Recovery Paid By
Scenario 2 - All CT2 power scheduled to	Amount in excess of RSVL's share	Pool project owners	RSVL

RSVL			
Scenario 3 - All CT2 power remains scheduled in the Pool	Total actual generation	All the project owners	Pool proportioned on metered load
Scenario 4 - CT2 is unscheduled, but run for the Pool in real time	Total actual generation	All the project owners	Pool based on PA 7.01 load volatility index

#### F. Reimbursement of Margin

Reimbursement of Margin is very different than Cost Recovery, and applies in a different situation. This reimbursement is applicable only when the unit is scheduled for delivery of power to each of the Operating Entities in accordance with their project entitlements, and then one of the Operating Entities wants to cancel those schedules and not run the unit for economic reasons. In this situation, the Operating Entity that wants to cancel the planned running of the plant must, if requested, re-supply the others with an alternate source of energy, and at a price that makes the others whole.

For this purpose, let's define Margin in each hour as follows:

Margin = Pool MCP less Variable Cost of Operations

Margin may be positive or negative. If positive, then if the unit is run as originally scheduled, the CT2 Pool owners have the expectation of being paid MCP for their generation, an amount that is above their cost by the Margin. If the unit is not run, those owners should be reimbursed for the Margin. If the Margin is negative, then the 'reimbursement' is negative.

Roseville is in a similar situation. If the unit is run as originally scheduled, Roseville has the expectation that their payment for their generation from the Pool at MCP will offset their payment to the Pool for their trade, and the result is that their generation is at the



cost of the unit. If the unit is turned off but their trade is left in tact at MCP, then they need to be reimbursed for the amount the trade costs more than what their cost would have been, the Margin. Again, Margin can be positive or negative.

Since any trades of power associated with supplying CT2 power between the operating entities will be priced at MCP, a reimbursement of margin will result in the Operating Entities whose schedules were cut being made whole.

Reimbursement of Margin only applies in those hours when the Operating Entity that wants to cancel the planned running of the plant is required to re-supply the others. If the others do not elect to be re-supplied, particularly when the decision to not run the plant is mutual, then this reimbursement does not apply.

NCPA Facilities Agreement  
Facilities Schedule FA 4.00

System Control and Load Dispatch Costs  
(Plant Portion)

- A. System Control and Load Dispatch (SCALD) costs will be determined annually as part of the NCPA budget process.
- B. Initially, one-half of the SCALD costs will be assigned to scheduling of resources to meet load and allocated to the Parties of the NCPA Power Pool per the Pooling Agreement.
- C. Initially, one-half of the SCALD costs will be assigned to the monitoring and dispatching of NCPA generating Projects (plants) and allocated to the Participants of the NCPA Facilities Agreement in proportion to their share of the net maximum capability (MW) of all NCPA plants as established prior to the budget year.
- D. At the time when any new NCPA Projects become operational, or when in the opinion of the Facilities Committee, NCPA initiates significant changes in resource scheduling and dispatch requirements, or changes in NCPA Power Pooling activities, such as, but not limited to, association with other power pools or a 10% change in the proportion of the Pool's total energy load met with purchased power, the Facilities Committee will consider whether the allocation described herein should be adjusted and, as appropriate, recommend amendment(s) to this Schedule.

NCPA Facilities Agreement  
Facilities Schedule FA 5.00

Reserve Funds

Reserve Funds shall be established by the Commission for each NCPA Project as set forth in this Facilities Schedule. Reserve Funds shall be classified as either "Mandatory Reserve Funds" or "Additional Reserve Funds."

Mandatory Reserve Funds

Each NCPA Project that is financed by the issuance of notes, bonds, or other public debt (Bonds) is secured by the provisions of a Project Indenture of Trust. The Indenture of Trust (Indenture) is a contract between NCPA and the holders of the related debt instruments. Each Indenture establishes, among other things, various interrelated Reserve Funds for the protection of the holders of the Bonds.

The following Mandatory Reserve Funds are governed by the provisions of the applicable Indenture:

- A. Debt Service Reserve Fund. A reserve equal to the maximum annual debt service over the life of the outstanding debt. This Reserve may be used to pay debt service in the event that amounts in the Debt Service Fund are not sufficient.
- B. Reserve and Contingency (R & C) Fund
  - 1. The Renewal and Replacement Account is a subaccount of the R & C Fund used to pay the cost of acquisition and construction relating to any Capital Improvement. In general, a Capital Improvement is a repair, addition, improvement, modification or betterment to a Project that is: (a) consistent with Prudent Utility Practice and determined necessary by the Commission to keep the Project in good operating condition or to prevent a loss of revenue therefrom; or (b) required by any governmental agency having jurisdiction over the Project; or (c) not any generating unit in addition to those included in the Project. (See the appropriate Trust Indenture for specific definition).

2. The Reserve Account is a subaccount of the R & C Fund used to pay the cost of the following to the extent not provided for in the Annual Budget or by an Operating Reserve in the Operating Fund: (1) acquisition and construction relating to Capital Improvements to the extent amounts in the Renewal and Replacement Account are not sufficient; and, (2) items related to extraordinary operations and maintenance costs and contingencies, including payments to prevent or correct any unusual loss or damage to the Project. Any increase or decrease in the balance to be on deposit in this Account must be recommended by the Consulting Engineer as provided in the applicable Indenture.

C. General Reserve

1. The General Account is a subaccount of the General Reserve used to pay any deficiencies in any other Funds and Accounts established by the Indenture and for any other purpose related to the Project.
2. The Rate Stabilization Account is a subaccount of the General Reserve used to provide revenues so that Participant rates may be stabilized.

- D. Operating Fund. A fund used to pay current Project Operating Expenses. This fund also contains any amounts set aside as Working Capital or Operating Reserves. In its Annual Budget process, the NCPA Commission will determine and establish appropriate purposes for and levels of Operating Reserves to be held and maintained in the Operating Fund of the applicable operating project.

Such Operating Reserves have included, but are not limited to, the following:

1. The Working Capital Reserve is a reserve equal to the average amount of capital required for operating purposes to fund expenditures made prior to receipt of revenue collections.
2. The Maintenance Reserve is a reserve for anticipated periodic operating costs including, but not limited to,

scheduled and unscheduled maintenance other than ordinary repairs and replacements, e.g., overhaul, inspection, etc.

Upon completion of construction of the applicable NCPA Project, interest income on such Reserves is considered a revenue for Indenture purposes and therefore treated as an operating revenue to NCPA to be allocated back to the applicable NCPA Project.

Additional Reserve Funds.

Additional Reserve Funds may be established by the Commission from time to time, provided their establishment does not affect the funding, maintenance, or operation of any Mandatory Reserve Fund.

Funding mechanisms for all Additional Reserve Funds will be determined on a case by case basis by the Commission upon the recommendation of the Facilities Committee, but unless such Additional Reserve Fund is limited to a specific project, may not be funded under a Third Phase Agreement for a project. If the additional Reserve Fund is designated for capital improvements, the recommendation of the Finance Committee will also be requested.

NCPA shall maintain separate accounts for all Additional Reserve Funds. Unless otherwise required by an Indenture, at the time an Additional Reserve Fund is established, the NCPA Commission shall determine whether the interest accrued on the balance of the fund shall be treated and accounted for as (1) operating revenue to NCPA to be allocated back to the applicable NCPA project, or (2) an addition to the balance of the fund. NCPA shall maintain records and provide reports for each Additional Reserve Fund as provided in Article 18 of the Facilities Agreement.

**NCPA Facilities Agreement**  
**Facilities Schedule FA 6.00**

**Coordinated Operations Group**

The Coordinated Operations Group (COG) is hereby established to provide coordination and interface between Operating Entities, NCPA Projects' staff, and NCPA system control and dispatch staff. The COG will include representatives from each Operating Entity. Depending on the subject matter to be addressed, there will be representation from operations, planning, NCPA Project(s) staff and NCPA system control and load dispatch staff, as appropriate. Because the COG is intended to be a working group, representatives should not normally be members of, or alternates to, the NCPA Commission.

The COG shall meet no less frequently than once each quarter on an established schedule. The COG may meet, on the call of an Operating Entity, at other times. In any event, a copy of the notice and agenda of the COG meeting shall be sent to each member of the Facilities Committee at least five days prior to such meeting, except when operating conditions necessitate meetings on shorter notice or telephone conference meetings.

The COG shall keep the members of the Facilities Committee representing the Operating Entities and Participants informed on matters considered by COG. Any dispute that may arise in the course of COG consideration of matters relating to NCPA Projects shall be referred to the Facilities Committee. Facilities Committee members may attend any COG meeting.

The COG shall function as a working group to facilitate the coordination of operations, and the development and implementation of procedures for and between Operating Entities. Functions of the COG may include, but are not necessarily limited to the following:

- o Submission of schedules and adjustments thereto;
- o Coordination of plant and telemetry outages;
- o Coordination of emergency and non-routine operations;
- o Notification of switching orders, as appropriate;
- o Development of specifications and requirements for telemetry;
- o Development of maintenance schedules (planned outages);

- o Coordination of monthly operations plans;
- o Facilitation of energy transactions and exchanges;
- o Recommendations concerning the format and contents of operating reports;
- o Provision of technical reports and advice to the Facilities Committee (as requested);
- o Review of equipment specifications.

NCPA Facilities Agreement  
Facilities Schedule 7.00

Project Phases

Pursuant to Article 5 of the Facilities Agreement, any project undertaken by NCPA may have one or more of the Phases described in this Facilities Schedule.

- A. First Phase Projects. First Phase (Phase I) consists of all preliminary investigation work performed by NCPA on a project supported solely out of its general funds and prior to the time that the Commission declares it as an NCPA Project. Reviews and recommendations regarding Phase I activities shall be made by the NCPA Technical Committee or its successor. For the purpose of ending the First Phase, the Commission may declare a termination of investigations regarding the project or declare the project to be an NCPA Project by entering into an appropriate agreement with one or more Participants desiring to participate. First Phase resource development activity is undertaken under the authority of the Phase I general resource development budget category. Funding of the Phase I general resource development is accomplished through the NCPA budget assessment process. Members pay Phase I costs based on their proportional share of costs derived from the final Administrative and General Participation Percentages for such activity during each fiscal year. Administrative and General participation percentages in turn are based on NCPA Percentage Participation. Proportional adjustments to the Phase I Participant Percentages may be made to account for non-participating members. Each member obtains a right to participate in any project identified by Phase I activity proportional to its contribution to Phase I costs at the time a project is identified and becomes a candidate for Phase II activity (Project Participation Right).

Phase I activity includes the following typical scope of work:

1. Make general investigations and obtain currently available background, technical, economic and other preliminary data concerning the feasibility of a specific power supply or transmission project.



2. Hold initial discussions to gain sufficient understanding of data and circumstances surrounding the proposed project to enable staff to report, and/or recommend member participation in Phase II activity and execution of a Phase II agreement enabling this activity.

B. Second Phase NCPA Projects. Second Phase (Phase II) consists of all work performed after one or more of the Participants has signed an agreement with NCPA for project study, design, or development, but before the Third Phase Agreement for the Project becomes effective. Phase II resource development activity begins upon the identification of a project in substantial detail to allow proceeding with participation agreements resulting from:

1. Investigations pursuant to Phase I budget activity, or;
2. Activity pursuant to specified NCPA budget programs (examples include litigation settlements, Interconnection Agreement power purchase activity, Power Pool Agreement, or Facilities Agreement activity).

Phase II Project Participation Rights are based upon those participation percentages funding Phase I or other NCPA budget programs identifying the candidate Phase II project. In the event that a multi-year budget program identifies a Phase II project, average participation percentages may be utilized to determine Project Participation Rights. Final Phase II Project Participation Percentages will be determined by election by those parties desiring to participate. No party shall be denied participation in a Phase II project up to that party's Project Participation Right. A Phase II project must be fully subscribed to proceed with the scope of work for the project. Limitations in scope of work, off ramps or conditions of participation in Phase II projects will be addressed in the language of the associated Phase II agreements.

Funding for Phase II projects may proceed in two steps. Step 1 is optional.

## STEP 1

Step 1, sometimes called Phase IIA, is defined as the period from identification of a Phase II project, up to the final execution of a Phase II Agreement for all participants desiring participation. Step 1 funding sources will be determined at the discretion of the Project Participants. Typically, funding for Step 1 costs will be by direct assessments to participants or by withdrawals from participants' Phase IIA funds, in accordance with each member's Project Participation Percentage at the time of authorization of Step 1.

Step 1 is optional and is provided in order to maintain continuity in the project or to advance the project to some gain not otherwise obtainable without implementing Step 1.

All Step 1 costs will be included for ultimate reimbursement and accounted for in the final Phase II Agreement executed by the Project Participants. Project Participation Percentages may change from Step 1 to Step 2. In the event that the Phase II project is terminated before final execution of a Phase II Agreement, each Project Participant will absorb those costs expended, up to and including termination costs. No refunds are anticipated for Step 1 costs associated with a terminated Project.

## STEP 2

Step 2 is defined as the period beginning at final execution of a Phase II Agreement and ending either when the Third Phase Agreement for the project becomes effective, or in the case where an NCPA Project does not progress to Phase III, upon termination of the Phase II Agreement.

Step 2 costs will be funded at the discretion of the Project Participants. Typical funding for Step 2 costs will be by direct assessment, temporary financing or permanent financing, depending on the needs of the project and Project Participants.

Phase II cost will consist of all Step 1 costs (optional) and all Step 2 costs. All Phase II costs will be included for ultimate reimbursement and accounted for in the final Phase III Agreement executed by the Project Participants. Project Participation Percentages may change from Phase II to Phase III. In the event that the Phase II project is terminated prior to the final execution of a Phase III Agreement, each Project Participant will absorb those costs expended, up to and including termination costs. No refunds are anticipated for Phase II costs associated with a terminated Project.

Phase II activity includes the following typical scope of work:

- a. Licensing/permitting of generation or transmission projects.
- b. Preparation of design or turn-key specification documents for construction of generation or transmission projects.
- c. Negotiation of power supply or transmission contracts.

- C. Third Phase NCPA Projects. Third Phase (Phase III) consists of all work performed after one or more of the Participants has contracted with NCPA to participate in the financing, construction, operation, and maintenance, and/or rights to the output, of the NCPA Project.

Nothing herein prevents the combination of the Second and Third Phases if NCPA and the Participants so desire.

NCPA Facilities Agreement  
Facilities Schedule FA 8.00

Arbitration Procedures

Pursuant to Article 20 of the Facilities Agreement, a Participant or NCPA (herein "party or parties") may, after attempting to settle a dispute through the intercessions of the Facilities Committee and the Commission and the processes of discussion, negotiation, and mediation, commence binding arbitration as provided in this Facilities Schedule.

- A. Schedule. Unless otherwise agreed, if the disputing party fails to commence arbitration within ninety (90) days after the end of the thirty (30) day period for Commission resolution of the dispute provided in Article 20.2 of the Facilities Agreement, the disputing party shall be deemed to have waived all present and future claims with respect to such dispute. Notwithstanding any other agreement, the parties shall not extend the time to commence arbitration more than one hundred eighty (180) days after the end of the thirty (30) day period for Commission resolution of the dispute provided in Article 20.2 of the Facilities Agreement.
- B. Arbitration Rules. Except as otherwise provided in this Facilities Schedule, the arbitration shall be governed by the Commercial Arbitration Rules of the American Arbitration Association (AAA) from time to time in force. Notwithstanding such rules, (1) discovery shall be permitted and the provisions of California Code of Civil Procedures Section 1283.05 are incorporated by reference herein except that, the parties shall not use interrogatories as a means of discovery, and (2) if such rules and provisions as herein modified shall conflict with the laws of the State of California then in force, that law shall govern.
- C. Commencement and Notice. A party shall commence arbitration by serving written notice of its intent to commence arbitration upon the other party. Such party shall be termed the "Initiating Party".

The written notice shall express the party's intent to institute arbitration under the Facilities Agreement and this

Facilities Schedule, and shall in adequate detail set forth the nature of the dispute, the issue to be arbitrated, the party's position thereon, and the remedy sought by such arbitration.

- D. Response. Within twenty-one (21) days of the receipt of the notice commencing arbitration and statement of the dispute and proposed remedy prepared pursuant to Paragraph C above, the other party shall serve a written response upon the Initiating Party stating their understanding of the issues in dispute, their position thereon, the reasons supporting their position and their proposed remedy. The notices and statements required under Paragraph C and this Paragraph shall constitute the "Submittal Statements."
- E. Selection of Arbitrator. Within thirty (30) days after delivery of the Initiating Party's written notice to commence arbitration, the parties shall meet for the purpose of selecting a single impartial arbitrator. Unless otherwise agreed, in the event the parties are unable to agree on the selection of an arbitrator at such meeting, they shall, within fifteen (15) days of such meeting, request the American Arbitration Association (or a similar organization if the American Arbitration Association should not at that time exist) to provide a list of five impartial arbitrators from which to select the arbitrator. Within thirty, (30) days after the date of receipt of such list, the parties shall take turns striking names from said list until the arbitrator has been selected. The arbitrator selected shall be available to serve and shall be skilled and experienced in the field of the dispute and no person shall be eligible for appointment as an arbitrator who is a member of a governing board, an officer or an employee of any of the parties or is otherwise interested in the matter to be arbitrated. Within ten (10) days after such selection, the parties shall submit to the arbitrator the Submittal Statements.
- F. Arbitration Schedule. Within ten (10) days after the selection of the arbitrator, the parties shall meet with the arbitrator to establish a schedule for discovery, initial hearing, the time for the arbitrator to issue a decision after the close of hearing and the rules for consideration a presentation of the arbitrator's decision. The parties may

settle at any time before the issuance of the arbitrator's decision.

Should a party fail to comply with any schedule established under this Facilities Schedule in a timely manner, that party shall be deemed to have waived all present and future claims with respect to such dispute. Such schedule may be modified by agreement of the parties.

- G. Arbitrator's Authority and Decision. The decision of the arbitrator shall accept one party's proposal and shall include findings with respect to the issues involved in the dispute. The arbitrator shall make his/her decision in accordance with Good Utility Practice and applicable standards of law. The arbitrator may not grant any remedy or relief which is inconsistent with the Facilities Agreement and all Facilities Schedules. The arbitrator shall specify the time within which the parties shall comply with the decision. In no event shall the arbitrator's decision contain findings on issues not contained in or grant a remedy beyond that sought in the Submittal Statement.

The arbitrator shall have no authority, power or jurisdiction to alter, amend, change, modify, add to, or subtract from any of the provisions of the Facilities Agreement or any Facilities Schedule, nor to consider any issues arising other than from the language in and authority derived from the Facilities Agreement and all Facilities Schedules.

- H. Binding Arbitration. The parties agree that the decision of the arbitrator shall be binding upon all parties and that the parties shall take whatever action is required to comply with the accepted proposal. The decision of the arbitrator may be enforced by any court or agency having jurisdiction over the party against whom the decision is rendered.
- I. Arbitration and Enforcement Expenses. Any and all expenses, excluding attorney's fees and the fees and charges of expert witnesses, associated with the arbitration shall be borne by the nonprevailing party, except that if a resolution of the dispute is reached before the arbitrator issues an award, such expenses shall be borne as agreed by the parties. Each party shall bear its own attorney's fees and the fees and charges of expert witnesses.

Should any party fail to abide by the decision of the arbitrator, the other party may immediately seek relief in law or equity as may be appropriate. In such event, the prevailing party shall be entitled to damages, if any, caused by the non-prevailing party's failure to abide by the arbitrator's decision, and expenses caused by the enforcement of the arbitrator's decision, including, but not limited to, attorney's fees and the fees and charges of expert witnesses.

NCPA Facilities Agreement  
**Facilities Agreement Schedule FA 9.01**

Combustion Turbine Project No. 1 Natural Gas Fuel Supply

**A. Introduction**

Combustion Turbine Project No. 1 ("CT No. 1") consumes natural gas as a fuel in order to generate electric energy for the benefit of the various Project Participants, and the CT No. 1 Third Phase Agreement specifically defines fuel resources to be included within the "Project". The Third Phase Agreement also directs NCPA to fix rates and charges to the Participants to cover fuel supply obligations for the Project, and directs NCPA to "do all things necessary and possible to deliver or cause to be delivered to or for the Project Participants in accordance with the respective Project Entitlement Percentages, the capacity and energy of the Project in accordance with the operating principles listed in Appendix B." Further, the CT No. 1 Third Phase Agreement is a Schedule to the Member Service Agreement which provides that NCPA shall deliver or cause to be delivered, to the point of delivery, the Members' respective participation share of capacity and energy subject to Service Schedules attached to the Member Service Agreement.

This Facilities Agreement Schedule FA 9.01 describes the terms under which NCPA will procure natural gas fuel for Combustion Turbine Project No. 1.

**B. Contracts, Restrictions and Approvals**

NCPA will only procure natural gas fuel input for the CT No. 1 Project from eligible Third Parties under forms of contracts approved by the NCPA Commission. Gas supply contracts will be implemented in accordance with NCPA's Energy Risk Management Policy and Regulations as may be amended from time to time. In addition, at the direction of the NCPA's General Manager, or his designee, Project Participants may be called upon to approve the terms of a particular fuel transaction through the use of a member-executed confirmation.

**C. Economic Dispatch and Daily Fuel Requirements**

The CT No. 1 Project currently consists of 3 peaking generators, 2 of which are located in Alameda and 1 of which is located in Lodi. The capability of each generating unit is more fully described in Facilities Agreement Schedule FA 2.01,



and unless called upon to insure reliability by the California Independent System Operator, or its successor organization, each generator is economically dispatched in accordance with the operating procedures detailed in Facilities Agreement Schedule FA 3.01 and applicable agreements between the participants. In either case the fuel supply requirements of the Project are met through NCPA's contractual relationship with a supplier for index based gas delivery. The cost of gas procured for the Project will be passed through to the Project Participants in accordance with Facilities Agreement Schedule FA 1.01, this FA Schedule 9.01 and the applicable provisions of the Project Third Phase Agreement.

#### **D. Forward Gas Purchases and Financial Hedges**

In the normal course of business NCPA does not execute forward natural gas transactions for the potential fuel supply needs of the CT No.1 Project due to the inherent uncertainty in forecasting fuel supply requirements for small peaking generators. No financial hedges for fuel supply costs associated with the CT No. 1 Project will be implemented pursuant to this Schedule.

NCPA will assist any Project Participant that desires to purchase natural gas in advance for anticipated Project fuel supply needs upon written request of a Participant provided that NCPA and the requesting Participant have executed an enabling agreement for such purposes.

#### **E. Member-Supplied Fuel**

NCPA's accounting systems are not currently designed to accommodate Member-supplied fuel for use in the CT No. 1 Project and therefore Member-supplied fuel is not permitted.

#### **F. Fuel Transportation and Storage**

Natural gas fuel consumed by the CT No. 1 Project must be transported to each generator site. To obtain necessary transportation rights and services NCPA Commission may periodically authorize contracts with third parties and/or authorize subscriptions for transportation and storage services under pipeline tariffs in accordance with Agency procurement policies and procedures.

NCPA Facilities Agreement  
**Facilities Agreement Schedule FA 9.05**

Combustion Turbine Project No. 2 Natural Gas Fuel Supply

**A. Introduction**

Combustion Turbine Project No. 2 (“CT No. 2”) consumes natural gas as a fuel to generate electric energy for the benefit of the various Project Participants, and the CT No. 2 Third Phase Agreement specifically defines fuel resources to be included within the “Project”. The Third Phase Agreement also directs NCPA to fix rates and charges to the Participants to cover fuel supply obligations for the Project and directs that NCPA “will remain available to do all things necessary and practical to deliver or cause to be delivered to or for each Project Participant, such Project Participant’s Project Participation Percentage, of the capacity of the Project and the energy related thereto” and that “NCPA shall operate the Project, or cause the Project to be operated in accordance with the principles contained in the Facilities Agreement, as the same may be amended and supplemented from time to time”. Therefore, this Facilities Agreement Schedule FA 9.05 has been developed to describe the terms under which NCPA will procure natural gas fuel for CT No. 2.

**B. Contracts, Restrictions and Approvals**

NCPA will only procure natural gas fuel input for the CT No. 2 from eligible Third Parties under forms of contracts approved by the NCPA Commission. Executed gas supply contracts will be implemented in accordance with NCPA’s Energy Risk Management Policy and Regulations as may be amended from time to time. In addition, at the direction of the NCPA’s General Manager, or his designee, Project Participants may be called upon to approve the terms of a particular fuel transaction through the use of a member-executed confirmation.

**C. Economic Dispatch and Daily Fuel Requirements**

The CT No. 2 consists of one generator, the capability of which is more fully described in Facilities Agreement Schedule FA 2.05. Unless called upon by the California Independent System Operator, the CT No. 2 is economically dispatched in accordance with the operating procedures detailed in Facilities Agreement Schedule FA 3.05. In either case the fuel supply requirements of the Project are primarily met through NCPA’s contractual relationship with a

primary supplier under a gas management agreement and supplemented with NAESB agreements with various third Parties to encourage complete fuel supplies. The cost for gas procured for the Project will be passed through to the Project Participants in accordance with Facilities Agreement Schedule FA 1.05, this FA Schedule and the applicable provisions of the CT No. 2 Project Third Phase Agreement.

**D. Forward Gas Purchases and Financial Hedges**

NCPA is permitted to purchase natural gas fuel in advance of generation provided that the term of the purchase does not exceed one month and delivery would occur within the next calendar month following the transaction. Transactions of this timing and duration are functionally equivalent to Balance of Month Energy Transactions under the NCPA Pooling Agreement. For individual members contemplating longer term forward fuel purchases, NCPA will assist any CT No. 2 Project Participant that so desires upon written request of a Participant provided that NCPA and the requesting Participant have executed an enabling agreement for such purposes. No financial hedges for fuel supply costs associated with the CT No. 2 will be implemented pursuant to this Schedule.

**E. Member-Supplied Fuel**

NCPA's accounting systems are not currently designed to accommodate Member-supplied fuel for use in the CT No. 2 Project and therefore Member-supplied fuel is not permitted.

**F. Fuel Transportation and Storage**

Natural gas fuel consumed by the CT No. 2 Project must be transported to the generator site. To obtain necessary transportation rights and services the NCPA Commission may periodically authorize contracts with third parties and/or authorize subscriptions for transportation and storage services under pipeline tariffs in accordance with Agency procurement policies and procedures.

AMENDMENT NO. 1  
TO  
NORTHERN CALIFORNIA POWER AGENCY  
FACILITIES AGREEMENT

This Amendment no. 1 is made as of April 1, 2011 by and between the Northern California Power Agency, a joint powers agency ("NCPA"), certain of its member agencies, and the Turlock Irrigation District, a California Irrigation District ("TID"), with reference to the following:

A. NCPA and certain of its members, consisting of the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara and Ukiah; [the Port of Oakland]; TID; and associate NCPA member Plumas Sierra Rural Electric Cooperative have entered into a Facilities Agreement dated as of September 22, 1993.

B. The Facilities Agreement provides for the means by which NCPA provides services to the NCPA generating projects, allocates costs to and among such projects, and by which the project participants can provide direction to NCPA with respect to the governance and operation of such projects.

C. At the time of its approval, the signatories to the Facilities Agreement did not contemplate that a participant in an NCPA generating project could be a non-NCPA member. Hence, the Facilities Agreement provides in section 1.17 that a "participant" in the Facilities Agreement is a member of NCPA which is signatory to the Facilities Agreement, and in Article 4 that the Facilities Committee by which project participants in NCPA projects provide direction to NCPA is composed of participants.

D. TID has given notice to NCPA of its withdrawal from NCPA effective April 1, 2011, but will remain a project participant in the Geothermal Project no. 3. In an Amended and Restated Geothermal Operating Agreement dated as of April 1, 2011, the participants in that project, including TID, and NCPA have agreed to amend the Facilities Agreement as necessary to provide TID the ability to remain a signatory to the Facilities Agreement and to have an on-going participation on the Facilities Committee.

NOW, THEREFORE, the Parties agree as follows:

1. Section 4.9 is hereby added to Article 4 ("Facilities Committee") of the Facilities Agreement to read as follows:


"4.9 Notwithstanding any other provision of this Agreement to the contrary, Turlock Irrigation District shall be entitled to designate one member of the Facilities Committee for so long as Turlock Irrigation District shall remain a project participant in Geothermal Project No. 3, which member shall have voting rights only with respect to those matters directly relating to said project."

2. Amendments to the Facilities Agreement which do not impair the rights of TID as provided in section 1 shall not require the consent of TID, provided that TID shall be given written notice of any amendment to the Facilities Agreement.

3. In all other respects the Facilities Agreement shall remain in full force and effect.


WHEREFORE, NCPA upon authorization of its Commission, and the Facilities Agreement participants, after all due authorization by their respective governing bodies, have executed this First Amendment as evidenced by the signatures of their authorized representatives below.

**NORTHERN CALIFORNIA POWER  
AGENCY**

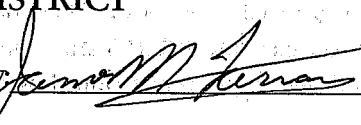
By:   
Its: General Manager

Date: 3/21/11

Approved as to form:

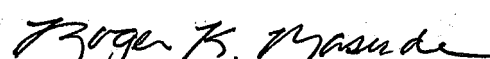
  
General Counsel

**TURLOCK IRRIGATION  
DISTRICT**

By:   
Its: Assistant General Manager

Date: 3/14/11

Approved as to form:

  
General Counsel

**ALAMEDA MUNICIPAL POWER**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF BIGGS**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

2. Amendments to the Facilities Agreement which do not impair the rights of TID as provided in section 1 shall not require the consent of TID, provided that TID shall be given written notice of any amendment to the Facilities Agreement.

3. In all other respects the Facilities Agreement shall remain in full force and effect.

WHEREFORE, NCPA upon authorization of its Commission, and the Facilities Agreement participants, after all due authorization by their respective governing bodies, have executed this First Amendment as evidenced by the signatures of their authorized representatives below.

**NORTHERN CALIFORNIA POWER  
AGENCY**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**TURLOCK IRRIGATION  
DISTRICT**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**ALAMEDA MUNICIPAL POWER**

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

Its: General Manager

Date: 3/22/11

Approved as to form:

  
Assist City Attorney

**CITY OF BIGGS**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

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3. In all other respects the Facilities Agreement shall remain in full force and effect.

WHEREFORE, NCPA upon authorization of its Commission, and the Facilities Agreement participants, after all due authorization by their respective governing bodies, have executed this First Amendment as evidenced by the signatures of their authorized representatives below.

**NORTHERN CALIFORNIA POWER  
AGENCY**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**TURLOCK IRRIGATION  
DISTRICT**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**ALAMEDA MUNICIPAL POWER**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF BIGGS**

By: *Rob Clark*

Its: City Manager

Date: 5-3-2011

Approved as to form:

*[Signature]*  
City Attorney

CITY OF GRIDLEY

By: [Signature]  
Its: City Manager

Date: 04/05/11

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF HEALDSBURG

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney



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3. In all other respects the Facilities Agreement shall remain in full force and effect.

WHEREFORE, NCPA upon authorization of its Commission, and the Facilities Agreement participants, after all due authorization by their respective governing bodies, have executed this First Amendment as evidenced by the signatures of their authorized representatives below.

**NORTHERN CALIFORNIA POWER  
AGENCY**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**CITY OF BIGGS**

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

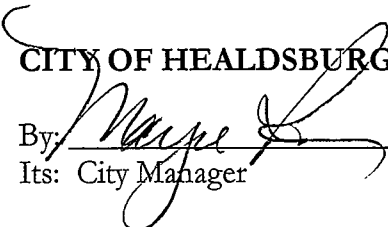
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF HEALDSBURG**

By:  \_\_\_\_\_  
Its: City Manager

**TURLOCK IRRIGATION  
DISTRICT**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**CITY OF GRIDLEY**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LODI**

By: \_\_\_\_\_  
Its: City Manager

Date: March 23, 2011

Approved as to form:

Michael Acqua  
City Attorney

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LOMPOC**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF PALO ALTO**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF ROSEVILLE**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF UKIAH**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

CITY OF GRIDLEY

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


Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

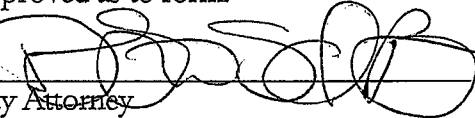
CITY OF LODI

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

Its: City Manager

Date: 3-31-11

Approved as to form:

  
\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

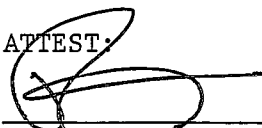
By: \_\_\_\_\_

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

ATTEST:   
\_\_\_\_\_  
City Clerk

CITY OF HEALDSBURG

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF GRIDLEY

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF HEALDSBURG

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

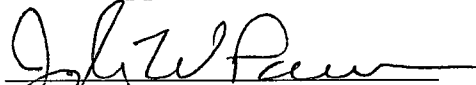
CITY OF LOMPOC

By: 

Its: Mayor

Date: 3/24/11

Approved as to form:

  
City Attorney

CITY OF ROSEVILLE

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF GRIDLEY

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

By: *[Signature]*  
Its: City Manager

Date: 3/24/11

Approved as to form:

*[Signature]*  
City Attorney

CITY OF HEALDSBURG

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF GRIDLEY

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF HEALDSBURG

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

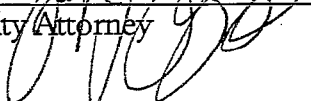
\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

By:   
Its: City Manager

Date: April 11, 2011

Approved as to form:

  
\_\_\_\_\_  
City Attorney

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LOMPOC**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF ROSEVILLE**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

By: \_\_\_\_\_  
Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF PALO ALTO**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF UKIAH**

By: *June Chubb*  
Its: City Manager

Date: 3/8/2011

Approved as to form:

*Carol Rappert*  
City Attorney

**CITY OF SANTA CLARA**

By: Jennifer Sparacino  
Its: City Manager

Date: Approved by Council: 3/15/11

Approved as to form:

Lindsay Beavers

City Attorney  
1586612.3

**ATTEST:**

[Signature]

City Clerk  
1586612.2



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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LOMPOC**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF ROSEVILLE**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

By: 

Its: General Manager

Date: 4/28/11

Approved as to form:

  
General Counsel

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF PALO ALTO**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF UKIAH**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

AMENDMENT NO. 1  
TO  
NORTHERN CALIFORNIA POWER AGENCY  
FACILITIES AGREEMENT

This Amendment no. 1 is made as of April 1, 2011 by and between the Northern California Power Agency, a joint powers agency ("NCPA"), certain of its member agencies, and the Turlock Irrigation District, a California Irrigation District ("TID"), with reference to the following:

A. NCPA and certain of its members, consisting of the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara and Ukiah; [the Port of Oakland]; TID; and associate NCPA member Plumas Sierra Rural Electric Cooperative have entered into a Facilities Agreement dated as of September 22, 1993.

B. The Facilities Agreement provides for the means by which NCPA provides services to the NCPA generating projects, allocates costs to and among such projects, and by which the project participants can provide direction to NCPA with respect to the governance and operation of such projects.

C. At the time of its approval, the signatories to the Facilities Agreement did not contemplate that a participant in an NCPA generating project could be a non-NCPA member. Hence, the Facilities Agreement provides in section 1.17 that a "participant" in the Facilities Agreement is a member of NCPA which is signatory to the Facilities Agreement, and in Article 4 that the Facilities Committee by which project participants in NCPA projects provide direction to NCPA is composed of participants.

D. TID has given notice to NCPA of its withdrawal from NCPA effective April 1, 2011, but will remain a project participant in the Geothermal Project no. 3. In an Amended and Restated Geothermal Operating Agreement dated as of April 1, 2011, the participants in that project, including TID, and NCPA have agreed to amend the Facilities Agreement as necessary to provide TID the ability to remain a signatory to the Facilities Agreement and to have an on-going participation on the Facilities Committee.

NOW, THEREFORE, the Parties agree as follows:

1. Section 4.9 is hereby added to Article 4 ("Facilities Committee") of the Facilities Agreement to read as follows:


"4.9 Notwithstanding any other provision of this Agreement to the contrary, Turlock Irrigation District shall be entitled to designate one member of the Facilities Committee for so long as Turlock Irrigation District shall remain a project participant in Geothermal Project No. 3, which member shall have voting rights only with respect to those matters directly relating to said project."

2. Amendments to the Facilities Agreement which do not impair the rights of TID as provided in section 1 shall not require the consent of TID, provided that TID shall be given written notice of any amendment to the Facilities Agreement.

3. In all other respects the Facilities Agreement shall remain in full force and effect.


WHEREFORE, NCPA upon authorization of its Commission, and the Facilities Agreement participants, after all due authorization by their respective governing bodies, have executed this First Amendment as evidenced by the signatures of their authorized representatives below.

**NORTHERN CALIFORNIA POWER  
AGENCY**

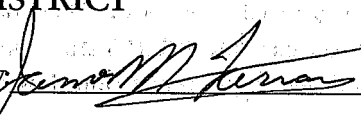
By:   
Its: General Manager

Date: 3/21/11

Approved as to form:

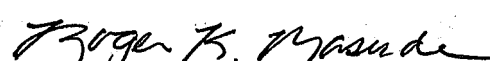
  
General Counsel

**TURLOCK IRRIGATION  
DISTRICT**

By:   
Its: Assistant General Manager

Date: 3/14/11

Approved as to form:

  
General Counsel

**ALAMEDA MUNICIPAL POWER**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF BIGGS**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

2. Amendments to the Facilities Agreement which do not impair the rights of TID as provided in section 1 shall not require the consent of TID, provided that TID shall be given written notice of any amendment to the Facilities Agreement.

3. In all other respects the Facilities Agreement shall remain in full force and effect.

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**NORTHERN CALIFORNIA POWER  
AGENCY**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**TURLOCK IRRIGATION  
DISTRICT**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**ALAMEDA MUNICIPAL POWER**

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

Its: General Manager

Date: 3/22/11

Approved as to form:

  
Assistant City Attorney

**CITY OF BIGGS**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

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**NORTHERN CALIFORNIA POWER  
AGENCY**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**TURLOCK IRRIGATION  
DISTRICT**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**ALAMEDA MUNICIPAL POWER**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF BIGGS**

By: *Rob Clark*

Its: City Manager

Date: 5-3-2011

Approved as to form:

*[Signature]*  
City Attorney

CITY OF GRIDLEY

By: [Signature]  
Its: City Manager

Date: 04/05/11

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF HEALDSBURG

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

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**NORTHERN CALIFORNIA POWER  
AGENCY**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**CITY OF BIGGS**

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

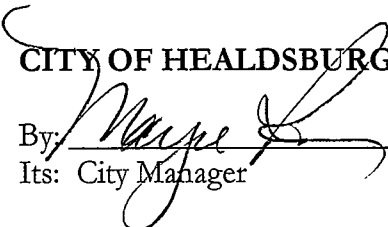
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF HEALDSBURG**

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

Its: City Manager

**TURLOCK IRRIGATION  
DISTRICT**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

**CITY OF GRIDLEY**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LODI**

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

Its: City Manager

Date: March 23, 2011

Approved as to form:

Michael Acqua  
City Attorney

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LOMPOC**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF PALO ALTO**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF ROSEVILLE**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF UKIAH**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

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

Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel



CITY OF GRIDLEY

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


Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

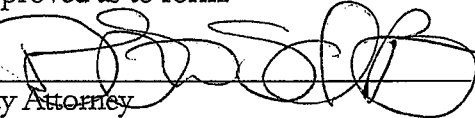
CITY OF LODI

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

Its: City Manager

Date: 3-31-11

Approved as to form:

  
\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

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


Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

ATTEST:

  
\_\_\_\_\_  
City Clerk

CITY OF HEALDSBURG

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF GRIDLEY

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF HEALDSBURG

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

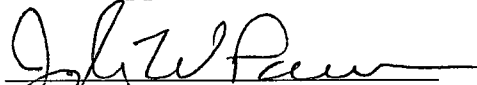
CITY OF LOMPOC

By: 

Its: Mayor

Date: 3/24/11

Approved as to form:

  
City Attorney

CITY OF ROSEVILLE

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF GRIDLEY

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

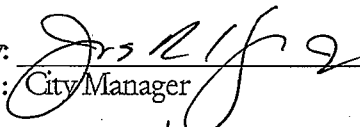
By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

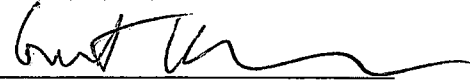
\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

By:   
Its: City Manager

Date: 3/24/11

Approved as to form:

  
City Attorney

CITY OF HEALDSBURG

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF GRIDLEY

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LODI

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF PALO ALTO

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF HEALDSBURG

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

CITY OF LOMPOC

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

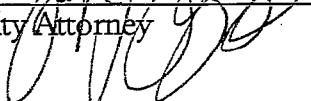
\_\_\_\_\_  
City Attorney

CITY OF ROSEVILLE

By:   
Its: City Manager

Date: April 11, 2011

Approved as to form:

  
\_\_\_\_\_  
City Attorney

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LOMPOC**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF ROSEVILLE**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

By: \_\_\_\_\_  
Its: General Manager

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

Approved as to form:

\_\_\_\_\_  
General Counsel

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF PALO ALTO**

By: \_\_\_\_\_  
Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF UKIAH**

By: *June Chubb*  
Its: City Manager

Date: 3/8/2011

Approved as to form:

*Carol Rappert*  
City Attorney

**CITY OF SANTA CLARA**

By: Jennifer Sparacino  
Its: City Manager

Date: Approved by Council: 3/15/11

Approved as to form:

Lindsay Beavers

City Attorney  
1586612.3

**ATTEST:**

[Signature]

City Clerk  
1586612.2

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF LOMPOC**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF ROSEVILLE**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE**

By: 

Its: General Manager

Date: 4/28/11

Approved as to form:

  
General Counsel

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF PALO ALTO**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**CITY OF UKIAH**

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

Its: City Manager

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

Approved as to form:

\_\_\_\_\_  
City Attorney

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**GENERAL CERTIFICATE  
AS TO MEMBERS AND OFFICERS OF THE AGENCY AND SIGNATURES**

We, Randy S. Howard, General Manager of the Northern California Power Agency (the “Agency”), and Cary A. Padgett, Assistant Secretary to the Commission of the Agency, HEREBY CERTIFY as follows:

1. The members of the Commission of the Agency were on February 22, 2018, as follows:

Mark Chandler	David Hagele
Doug Crane	Daniel Kenney
Gary Davidson	Bob Lingl
Madeline Deaton	Teresa O’Neill
Bob Ellis	Gregory Scharff
Roger Frith	Kristen Schreder
Holly Gordon	Basil Wong
Bonnie Gore	

2. The persons holding the following offices and positions and duly appointed thereto and acting therein were on February 22, 2018, and continue to hold such offices and positions to the date hereof, as follows:


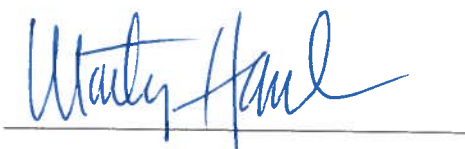

<u>Name</u>	<u>Office</u>
Bob Lingl	Chairman
Randy S. Howard	General Manager/Secretary
Monty Hanks	Assistant General Manager, Finance and Administrative Services and Chief Financial Officer
Cary A. Padgett	Assistant Secretary to the Commission

3. Randy S. Howard was on January 31, 2015, and continues to the date hereof, duly employed as and is the acting General Manager of the Agency.

4. Monty Hanks was on February 21, 2017, and continues to the date hereof, duly employed as and is the acting Assistant General Manager, Finance and Administrative Services and Chief Financial Officer of the Agency.



5. The signatures set forth opposite the respective names of the following designated officers of the Agency are manual specimens of their signature:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
Randy S. Howard	General Manager	
Monty Hanks	Assistant General Manager, Finance and Administrative Services and Chief Financial Officer	
Cary A. Padgett	Assistant Secretary to the Commission	

6. That said officers of the Agency have executed the following documents:

(a) Contract of Purchase, dated March 13, 2018, by and between Citigroup Global Markets Inc., as representative, on behalf of itself and Goldman Sachs & Co. LLC, as underwriters, and the Agency;

(b) Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee");

(c) Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Agency and the Trustee;

(d) Continuing Disclosure Agreement, dated April 4, 2018, by and between the Agency and the Trustee;

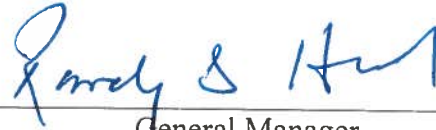
(e) Escrow Deposit Agreement, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as escrow agent; and

(f) Official Statement, dated March 13, 2018.

7. The said Randy S. Howard and the said Cary A. Padgett have caused their manual or facsimile signatures to be printed on the Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the "2018 Bonds") of the Agency, and said signatures on the 2018 Bonds constitute their true and lawful signatures. The said officers also caused a facsimile of the official seal of the Agency, an impression of which is applied to this certificate, to be printed or reproduced on the 2018 Bonds.

IN WITNESS WHEREOF, the undersigned have executed this certificate and the seal of the Agency has been affixed as of the 4th day of April, 2018.

[SEAL]

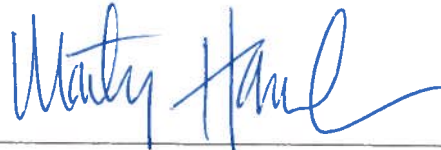


General Manager



Assistant Secretary to the Commission

The undersigned hereby certifies that the above signatures of Randy S. Howard and Cary A. Padgett are the true and lawful manual signatures of said Randy S. Howard, General Manager of the Agency, and of said Cary A. Padgett, Assistant Secretary to the Commission of the Agency.



Monty Hanks, Assistant General Manager, Finance  
and Administrative Services and Chief Financial  
Officer

The undersigned hereby certifies that the above signature of Monty Hanks is the true and lawful manual signature of said Monty Hanks, Assistant General Manager, Finance and Administrative Services and Chief Financial Officer of the Agency.



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Cary A. Padgett  
Assistant Secretary to the Commission

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**ORDER OF THE AGENCY**

April 4, 2018

U.S. Bank National Association, as successor Trustee  
100 Wall Street  
New York, New York 10005

Ladies and Gentlemen:

There has been heretofore delivered to you, duly executed, \$68,875,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) of Northern California Power Agency (the “Agency”), issued under and pursuant to the Indenture of Trust (the “Indenture”), dated as of March 1, 1985, by and between the Agency and U.S. Bank National Association, as successor trustee (the “Trustee”), as previously amended and supplemented and as amended and supplemented by the Twenty-Fourth Supplemental Indenture of Trust (the “Twenty-Fourth Supplemental Indenture”), dated as of April 1, 2018.

There has been heretofore delivered to you, duly executed, \$1,340,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and together with the 2018 Series A Bonds, the “2018 Bonds”) of the Agency, issued under and pursuant to the Indenture as previously amended and supplemented and as amended and supplemented by the Twenty-Fifth Supplemental Indenture of Trust (the “Twenty-Fifth Supplemental Indenture”), dated as of April 1, 2018.

Capitalized terms used herein not otherwise defined shall have the meanings given such terms pursuant to such Indenture, as amended and supplemented.

The following have been or are being delivered to you as Trustee simultaneously with the delivery of this order so as to meet the conditions precedent to the authentication and delivery of the 2018 Bonds set forth in Section 202 of the Indenture:

1. The Opinion of Bond Counsel as to the due execution, delivery and validity of the Twenty-Fourth Supplemental Indenture, the Twenty-Fifth Supplemental Indenture and the 2018 Bonds;
2. A written order as to the delivery of the 2018 Bonds (this letter constitutes such order);
3. A certified copy of the Twenty-Fourth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture;

4. A certificate of the Agency as to No Default under the Indenture;
5. The \$78,303,444.94 balance of the purchase price of the 2018 Bonds.
6. The proceeds of the 2018 Refunding Series A Bonds shall be applied as follows:  
(i) the sum of \$76,657,019.00 shall be deposited in the 2018 Series A and B Escrow Fund; and (ii) the sum of \$309,573.93 shall be deposited in the 2018 Series A Costs of Issuance Fund; and
7. The proceeds of the 2018 Refunding Series B Bonds shall be applied as follows: (i) the sum of \$1,326,129.03 shall be deposited in the 2018 Series A and B Escrow Fund; and (ii) the sum of \$10,722.98 shall be deposited in the 2018 Series B Cost of Issuance Fund.

Such documents and amounts constitute all of the conditions precedent to the authentication and delivery of the 2018 Bonds by you as successor Trustee under the Indenture.

You are hereby ordered to authenticate the 2018 Bonds so delivered and when so authenticated to deliver them to or upon the order of the Underwriters, as purchasers under that certain Contract of Purchase, dated March 13, 2018, by and between Citigroup Global Markets Inc., as representative, on behalf of itself and Goldman, Sachs & Co. LLC, as Underwriters, and the Agency, relating to the 2018 Bonds.

NORTHERN CALIFORNIA POWER AGENCY



Randy S. Howard General Manager

Accepted: U.S. Bank National Association,  
as successor Trustee

By: \_\_\_\_\_  
Christopher J. Grell  
Vice President

Such documents and amounts constitute all of the conditions precedent to the authentication and delivery of the 2018 Bonds by you as successor Trustee under the Indenture.

You are hereby ordered to authenticate the 2018 Bonds so delivered and when so authenticated to deliver them to or upon the order of the Underwriters, as purchasers under that certain Contract of Purchase, dated March 13, 2018, by and between Citigroup Global Markets Inc., as representative, on behalf of itself and Goldman, Sachs & Co. LLC, as Underwriters, and the Agency, relating to the 2018 Bonds.

NORTHERN CALIFORNIA POWER AGENCY

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Randy S. Howard General Manager

Accepted: U.S. Bank National Association,  
as successor Trustee

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

  
Christopher J. Grell  
Vice President

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF THE ASSISTANT GENERAL MANAGER  
AS TO DELIVERY AND PAYMENT**

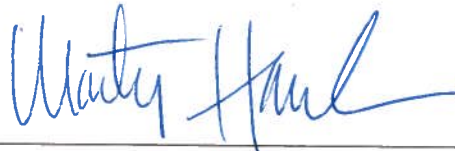
I, Monty Hanks, Assistant General Manager, Finance and Administrative Services and Chief Financial Officer of the Northern California Power Agency (the "Agency"), HEREBY CERTIFY as follows:

That on the date hereof, the Agency has caused its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the "2018 Series A Bonds"), to be delivered to Citigroup Global Markets Inc., as representative (the "Representative"), on behalf of itself and Goldman, Sachs & Co. LLC, the purchasers of the 2018 Series A Bonds (the "Underwriters"), by U.S. Bank National Association, as trustee (the "Trustee"), and has received the sum of \$76,966,592.93 (representing the \$68,875,000.00 aggregate principal amount of the 2018 Series A Bonds, plus original issue premium of \$8,253,396.95, less \$161,804.02 underwriters' discount) from said purchaser, constituting the full purchase price for the 2018 Series A Bonds under that certain Contract of Purchase, dated March 13, 2018 (the "Contract of Purchase"), by and between the Underwriters and the Agency.

That on the date hereof, the Agency has caused its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the "2018 Series B Bonds"), to be delivered to the Underwriters, as the purchasers of the 2018 Series B Bonds, by the Trustee, and has received the sum of \$1,336,852.01 (representing the \$1,340,000.00 aggregate principal amount of the 2018 Series B Bonds less \$3,147.99 underwriters' discount), constituting the full purchase price for the 2018 Series B Bonds under the Contract of Purchase.

All capitalized terms not otherwise defined herein are ascribed the meanings thereto defined in the Contract of Purchase.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the 4th day of April, 2018.



Monty Hanks, Assistant General Manager, Finance  
and Administrative Services and Chief Financial  
Officer



**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO SPECIMEN BONDS**

I, Cary A. Padgett, Assistant Secretary to the Commission of the Northern California Power Agency (the “Agency”), HEREBY CERTIFY as follows:

1. Attached hereto is a specimen of the Northern California Power Agency’s Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A, in fully registered form, which specimen is identical in all respects, except as to numbers and signatures, with said Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A, in fully registered form, this day delivered to, or upon the order of Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself and Goldman Sachs & Co. LLC, as purchaser of the 2018 Series A Bonds (the “Underwriters”), pursuant to the Contract of Purchase (the “Contract of Purchase”), dated March 13, 2018, by and between the Underwriters and the Agency.

2. Said specimen of the Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A, in fully registered form, is substantially in the form prescribed by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as successor trustee (the “Trustee”).

3. Attached hereto is a specimen of the Northern California Power Agency’s Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B, in fully registered form, which specimen is identical in all respects, except as to numbers and signatures, with said Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B, in fully registered form, this day delivered to, or upon the order of the Underwriters, as purchaser of the 2018 Series B Bonds pursuant to the Contract of Purchase.

4. Said specimen of the Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B, in fully registered form, is substantially in the form prescribed by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Agency and the Trustee.

IN WITNESS WHEREOF, the undersigned has executed this certificate and the seal of the Agency has been affixed as of the 4th day of April, 2018.



Cary A. Padgett Assistant Secretary to the  
Commission

[SEAL]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND,  
2018 REFUNDING SERIES A**

No. R-1 \$8,885,000

Interest Rate	Dated Date	Maturity Date	CUSIP No.
5.00%	April 4, 2018	July 1, 2019	664845EN0

Registered Holder: CEDE & CO.

Principal Amount: EIGHT MILLION EIGHT HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

**NORTHERN CALIFORNIA POWER AGENCY** (herein called “NCPA”), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an “Interest Payment Date”), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND,  
2018 REFUNDING SERIES A**

No. R-2 \$10,730,000

Interest Rate	Dated Date	Maturity Date	CUSIP No.
5.00%	April 4, 2018	July 1, 2020	664845EP5

Registered Holder: CEDE & CO.

Principal Amount: TEN MILLION SEVEN HUNDRED THIRTY THOUSAND DOLLARS

**NORTHERN CALIFORNIA POWER AGENCY** (herein called “NCPA”), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an “Interest Payment Date”), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND,  
2018 REFUNDING SERIES A**

No. R-3 \$11,310,000

Interest Rate	Dated Date	Maturity Date	CUSIP No.
5.00%	April 4, 2018	July 1, 2021	664845EQ3

Registered Holder: CEDE & CO.

Principal Amount: ELEVEN MILLION THREE HUNDRED TEN THOUSAND DOLLARS

**NORTHERN CALIFORNIA POWER AGENCY** (herein called "NCPA"), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an "Interest Payment Date"), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND,  
2018 REFUNDING SERIES A**

No. R-4 \$11,850,000

Interest Rate	Dated Date	Maturity Date	CUSIP No.
5.00%	April 4, 2018	July 1, 2022	664845ER1

Registered Holder: CEDE & CO.

Principal Amount: ELEVEN MILLION EIGHT HUNDRED FIFTY THOUSAND DOLLARS

**NORTHERN CALIFORNIA POWER AGENCY** (herein called “NCPA”), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an “Interest Payment Date”), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND,  
2018 REFUNDING SERIES A**

No. R-5 \$11,855,000

Interest Rate	Dated Date	Maturity Date	CUSIP No.
5.00%	April 4, 2018	July 1, 2023	664845ES9

Registered Holder: CEDE & CO.

Principal Amount: ELEVEN MILLION EIGHT HUNDRED FIFTY-FIVE THOUSAND DOLLARS

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UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND,  
2018 REFUNDING SERIES A**

No. R-6 \$14,245,000

Interest Rate	Dated Date	Maturity Date	CUSIP No.
5.00%	April 4, 2018	July 1, 2024	664845ET7

Registered Holder: CEDE & CO.

Principal Amount: FOURTEEN MILLION TWO HUNDRED FORTY-FIVE THOUSAND DOLLARS

**NORTHERN CALIFORNIA POWER AGENCY** (herein called “NCPA”), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an “Interest Payment Date”), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date.



The interest so payable on any Interest Payment Date will be paid to the person in whose name this bond is registered at the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date at his address as shown on the bond register.

This bond is one of a duly authorized issue of bonds of NCPA designated as “Hydroelectric Project Number One Revenue Bonds” (the “Bonds”) and of a series of Bonds designated as “Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A” (the “2018 Series A Bonds”). The 2018 Series A Bonds are issued pursuant to Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as amended and supplemented. The 2018 Series A Bonds have been issued in the aggregate principal amount of \$68,875,000. The 2018 Series A Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Trust Estate and entitled to the protection given by, the Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, which Indenture was duly executed and delivered by NCPA to U.S. Bank National Association, New York, New York, the successor Trustee (the term “Trustee” where used herein refers collectively to said Trustee or its successors in said Trust) (said Indenture, as amended and supplemented and as the same may be amended and supplemented, is herein called the “Indenture”).

Copies of the Indenture are on file at the office of NCPA and at the principal corporate trust office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of NCPA, the Trustee and the holders of the Bonds and the terms upon which the Bonds are or may be issued and secured under the Indenture, the rights and remedies of the holders of the Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Indenture.

This bond is a special, limited obligation of NCPA and the principal of, Redemption Price, if any, and interest on this bond and the principal of, Redemption Price, if any, and interest on the other Bonds, are payable solely from the funds specified in the Indenture and shall not constitute a charge against the general credit of NCPA. The Bonds, including this bond, are not secured by a legal or equitable pledge of, or lien or charge upon, any property of NCPA or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth therein. Neither the State of California nor any public agency (other than NCPA from the specified sources of payment) nor any member of NCPA nor any Project Participant is obligated to pay the principal of and interest on this bond. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of NCPA or any Project Participant is pledged to the payment of the principal of or interest on this bond. NCPA has no taxing power. The payment of the principal of or interest on this bond does not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of NCPA) or any member of NCPA or any Project Participant. Neither the members of the Commission of NCPA nor any officer or employee of NCPA shall be individually liable on the principal of or interest on this bond or in respect of any undertakings by NCPA under the Indenture.

The 2018 Series A Bonds were issued for the purpose of providing a portion of the funds necessary to refund Bonds issued under the Indenture and related purposes.

As provided in the Indenture, Bonds of NCPA may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture. Simultaneously with the issuance of the 2018 Series A Bonds, NCPA is issuing \$1,340,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the "2018 Taxable Refunding Series B Bonds"). At the time of issuance of the 2018 Series B Bonds, there was Outstanding under the Indenture \$338,244,320 aggregate principal amount of Bonds in addition to the 2018 Series A Bonds and the 2018 Series B Bonds, but excluding \$77,130,000 aggregate principal amount of NCPA's Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C, which are being refunded by the 2018 Series A Bonds and the 2018 Taxable Refunding Series B Bonds.

The 2018 Series A Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Under the circumstances prescribed in the Indenture, the 2018 Series A Bonds shall be available only through a Securities Depository.

The 2018 Series A Bonds are not subject to optional redemption prior to their stated maturity.

The 2018 Series A Bonds are subject to redemption prior to their stated maturity, at the option of NCPA in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of money if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a Redemption Price equal to the principal amount of the 2018 Series A Bonds being redeemed, plus unpaid accrued interest to the redemption date, without premium; provided that the option of NCPA to call the 2018 Series A Bonds for redemption from insurance or condemnation proceeds shall expire 90 days following the receipt of such insurance or condemnation proceeds.

If less than all of the 2018 Series A Bonds of a maturity are to be redeemed, the particular 2018 Series A Bonds to be redeemed shall be selected as provided in the Indenture.

The 2018 Series A Bonds are payable upon redemption at the principal corporate trust office of the Trustee, as Paying Agent. Notice of redemption, setting forth the place of payment and the redemption date, shall be mailed, postage prepaid, not less than 30 days before the Redemption Date to the registered holders of any 2018 Series A Bonds to be redeemed in whole or in part; provided, however, that receipt of such mailing shall not be a condition precedent to such redemption and failure to receive any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of the 2018 Series A Bonds. If notice of redemption shall have been given as aforesaid, the 2018 Series A Bonds or portions thereof specified in said

notice shall become due and payable on the redemption date therein fixed, and if, on the Redemption Date, moneys for the redemption of all the 2018 Series A Bonds or portions thereof to be redeemed, together with unpaid interest thereon to the Redemption Date, shall be available for such payment on said date, then from and after the Redemption Date interest on such 2018 Series A Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This bond is transferable, as provided in the Indenture, only upon the books of NCPA kept for that purpose at the principal corporate trust office of the Trustee, as bond registrar, by the registered owner hereof, or by his duly authorized attorney, upon surrender of this bond together with a written instrument of transfer satisfactory to the bond registrar duly executed by the registered owner or his duly authorized attorney, and upon payment of the charges prescribed in the Indenture a new registered 2018 Series A Bonds or Bonds, without coupons, and for the same aggregate principal amount and maturity, shall be issued to the transferee in exchange therefor as provided in the Indenture. NCPA, the Trustee and any Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by NCPA with, in certain cases, the written consent of the holders of at least sixty percent in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Series of Bonds would be affected thereby, with such consent of the owners of at least sixty percent in principal amount of the Bonds of each separate Series so affected then Outstanding; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The Indenture may also be amended or supplemented without the necessity of the consent of the Holders of the Bonds for any one or more of the purposes specified in the Indenture.

The registered owner of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the 2018 Series A Bonds, together with all other indebtedness of NCPA, comply in all respects with the applicable laws of the State of California.

This bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

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SPECIMEN

IN WITNESS WHEREOF, NORTHERN CALIFORNIA POWER AGENCY  
has caused this bond to be signed in its name and on its behalf by the manual or facsimile signature  
of its General Manager and the seal (or a facsimile thereof) to be hereunto affixed, imprinted,  
engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary  
or an Assistant Secretary, as of the Dated Date specified above.


NORTHERN CALIFORNIA POWER  
AGENCY

[SEAL]

ATTEST:

  
ASSISTANT SECRETARY

BY:

  
GENERAL MANAGER

SPECIMEN

# TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

4/4/18

BY:

[Signature]  
AUTHORIZED OFFICER

SPECIMEN

## ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

\_\_\_\_\_  
(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within Bond of the Northern California Power Agency and does hereby  
irrevocably constitute and appoint  
\_\_\_\_\_  
attorney to  
transfer the said Bond on the books kept for registration thereof with full power of substitution in  
the premises.

Dated: \_\_\_\_\_

Notice: The Signature of this assignment and  
transfer must correspond with the name  
as written upon the face of this bond in  
every particular, without alteration or  
enlargement or any change whatsoever.

Signature guaranteed by \_\_\_\_\_

Notice: [Signature must be guaranteed by a  
member of the National Association of  
Securities Dealers or a commercial bank  
or trust company.]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NORTHERN CALIFORNIA POWER AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BOND,  
2018 TAXABLE REFUNDING SERIES B**

No. R-1 \$1,340,000

Interest Rate	Dated Date	Maturity Date	CUSIP No.
2.35%	April 4, 2018	July 1, 2019	664845EU4

Registered Holder: CEDE & CO.

Principal Amount: ONE MILLION THREE HUNDRED FORTY THOUSAND DOLLARS

**NORTHERN CALIFORNIA POWER AGENCY** (herein called “NCPA”), a joint exercise of powers agency established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner specified above, or registered assigns, on the Maturity Date stated hereon, unless sooner paid as provided in the Indenture mentioned below, but solely from the funds pledged therefor, upon presentation and surrender of this bond at the principal corporate trust office of the Trustee mentioned below, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount, by check of the Trustee hereafter mentioned mailed to such owner at his address as shown on the bond register, or as otherwise provided in the Indenture referred to below, at the interest rate per annum (calculated on the basis of a 360-day year of twelve thirty-day months) stated hereon, payable on the first days of January and July in each year, commencing July 1, 2018 (each an “Interest Payment Date”), until the payment of such principal sum. Such interest shall be payable from the most recent Interest Payment Date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a January 1 or July 1 to which interest has been paid, in which case from the date of authentication hereof, or unless the date of authentication hereof is on or prior to June 15, 2018, in which case from the Dated Date, or unless the date of authentication hereof is between a Record Date and the next Interest Payment Date, in which case from such Interest Payment Date. The interest so payable on any Interest Payment Date will be paid to the person in whose name



this bond is registered at the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date at his address as shown on the bond register.

This bond is one of a duly authorized issue of bonds of NCPA designated as “Hydroelectric Project Number One Revenue Bonds” (the “Bonds”) and of a series of Bonds designated as “Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B” (the “2018 Series B Bonds”). The 2018 Series B Bonds are issued pursuant to Article 4 of the Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as amended and supplemented. The 2018 Series B Bonds have been issued in the aggregate principal amount of \$1,340,000. The 2018 Series B Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Trust Estate and entitled to the protection given by, the Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, which Indenture was duly executed and delivered by NCPA to U.S. Bank National Association, New York, New York, the successor Trustee (the term “Trustee” where used herein refers collectively to said Trustee or its successors in said Trust) (said Indenture, as amended and supplemented and as the same may be amended and supplemented, is herein called the “Indenture”).

Copies of the Indenture are on file at the office of NCPA and at the principal corporate trust office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of NCPA, the Trustee and the holders of the Bonds and the terms upon which the Bonds are or may be issued and secured under the Indenture, the rights and remedies of the holders of the Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Indenture.

This bond is a special, limited obligation of NCPA and the principal of, Redemption Price, if any, and interest on this bond and the principal of, Redemption Price, if any, and interest on the other Bonds, are payable solely from the funds specified in the Indenture and shall not constitute a charge against the general credit of NCPA. The Bonds, including this bond, are not secured by a legal or equitable pledge of, or lien or charge upon, any property of NCPA or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth therein. Neither the State of California nor any public agency (other than NCPA from the specified sources of payment) nor any member of NCPA nor any Project Participant is obligated to pay the principal of and interest on this bond. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of NCPA or any Project Participant is pledged to the payment of the principal of or interest on this bond. NCPA has no taxing power. The payment of the principal of or interest on this bond does not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of NCPA) or any member of NCPA or any Project Participant. Neither the members of the Commission of NCPA nor any officer or employee of NCPA shall be individually liable on the principal of or interest on this bond or in respect of any undertakings by NCPA under the Indenture.

The 2018 Series B Bonds were issued for the purpose of providing a portion of the funds necessary to refund Bonds issued under the Indenture and related purposes.

As provided in the Indenture, Bonds of NCPA may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture. Simultaneously with the issuance of the 2018 Series B Bonds, NCPA is issuing \$68,875,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the "2018 Refunding Series A Bonds"). At the time of issuance of the 2018 Series B Bonds, there was Outstanding under the Indenture \$338,244,320 aggregate principal amount of Bonds in addition to the 2018 Series A Bonds and the 2018 Series B Bonds, but excluding \$77,130,000 aggregate principal amount of NCPA's Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C, which are being refunded by the 2018 Refunding Series A Bonds and the 2018 Series B Bonds.

The 2018 Series B Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Under the circumstances prescribed in the Indenture, the 2018 Series B Bonds shall be available only through a Securities Depository.

The 2018 Series B Bonds are not subject to optional redemption prior to their stated maturity.

The 2018 Series B Bonds are also subject to redemption prior to their stated maturity, at the option of NCPA in whole or in part (in such amounts as may be specified by NCPA) on any date, from: (i) insurance or condemnation proceeds and (ii) from any source of money if all or substantially all of the Initial Facilities are damaged or destroyed, taken by any public entity in the exercise of its powers of eminent domain or disposed of or abandoned, at a Redemption Price equal to the principal amount of the 2018 Series B Bonds being redeemed, plus unpaid accrued interest to the redemption date, without premium; provided that the option of NCPA to call the 2018 Series B Bonds for redemption from insurance or condemnation proceeds shall expire 90 days following the receipt of such insurance or condemnation proceeds.

If less than all of the 2018 Series B Bonds of a maturity are to be redeemed, the particular 2018 Series B Bonds to be redeemed shall be selected as provided in the Indenture.

The 2018 Series B Bonds are payable upon redemption at the principal corporate trust office of the Trustee, as Paying Agent. Notice of redemption, setting forth the place of payment and the redemption date, shall be mailed, postage prepaid, not less than 30 days before the Redemption Date to the registered holders of any 2018 Series B Bonds to be redeemed in whole or in part; provided, however, that receipt of such mailing shall not be a condition precedent to such redemption and failure to receive any such notice or any defect therein shall not affect the validity of the proceedings for the redemption of the 2018 Series B Bonds. If notice of redemption shall have been given as aforesaid, the 2018 Series B Bonds or portions thereof specified in said

notice shall become due and payable on the redemption date therein fixed, and if, on the Redemption Date, moneys for the redemption of all the 2018 Series B Bonds or portions thereof to be redeemed, together with unpaid interest thereon to the Redemption Date, shall be available for such payment on said date, then from and after the Redemption Date interest on such 2018 Series B Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This bond is transferable, as provided in the Indenture, only upon the books of NCPA kept for that purpose at the principal corporate trust office of the Trustee, as bond registrar, by the registered owner hereof, or by his duly authorized attorney, upon surrender of this bond together with a written instrument of transfer satisfactory to the bond registrar duly executed by the registered owner or his duly authorized attorney, and upon payment of the charges prescribed in the Indenture a new registered 2018 Series B Bonds or Bonds, without coupons, and for the same aggregate principal amount and maturity, shall be issued to the transferee in exchange therefor as provided in the Indenture. NCPA, the Trustee and any Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by NCPA with, in certain cases, the written consent of the holders of at least sixty percent in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Series of Bonds would be affected thereby, with such consent of the owners of at least sixty percent in principal amount of the Bonds of each separate Series so affected then Outstanding; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The Indenture may also be amended or supplemented without the necessity of the consent of the Holders of the Bonds for any one or more of the purposes specified in the Indenture.

The registered owner of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the 2018 Series B Bonds, together with all other indebtedness of NCPA, comply in all respects with the applicable laws of the State of California.

This bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

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SPECIMEN

**IN WITNESS WHEREOF, NORTHERN CALIFORNIA POWER AGENCY**  
has caused this bond to be signed in its name and on its behalf by the manual or facsimile signature  
of its General Manager and the seal (or a facsimile thereof) to be hereunto affixed, imprinted,  
engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary  
or an Assistant Secretary, as of the Dated Date specified above.

**NORTHERN CALIFORNIA POWER  
AGENCY**

[SEAL]

ATTEST:

  
ASSISTANT SECRETARY

BY:

  
GENERAL MANAGER

SPECIMEN

## TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

4/4/18

BY:

[Signature]  
AUTHORIZED OFFICER

SPECIMEN

## ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

\_\_\_\_\_  
(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within Bond of the Northern California Power Agency and does hereby  
irrevocably constitute and appoint  
\_\_\_\_\_ attorney to  
transfer the said Bond on the books kept for registration thereof with full power of substitution in  
the premises.

Dated: \_\_\_\_\_

Notice: The Signature of this assignment and  
transfer must correspond with the name  
as written upon the face of this bond in  
every particular, without alteration or  
enlargement or any change whatsoever.

Signature guaranteed by \_\_\_\_\_

Notice: [Signature must be guaranteed by a  
member of the National Association of  
Securities Dealers or a commercial bank  
or trust company.]

SPECIMEN

## **TAX CERTIFICATE**

The Northern California Power Agency (the “Agency”) hereby makes the following representations of facts and expectations and covenants to comply with the requirements of this Tax Certificate (this “Tax Certificate”) in connection with its \$68,875,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “Bonds”). These representations and covenants are in part made pursuant to Treasury Regulations Section 1.148-2(b)(2) and are in furtherance of the covenants contained in Section 301 of the Twenty-Fourth Supplemental Indenture of Trust, by and between the Agency and U.S. Bank National Association, as successor trustee thereunder (the “Trustee”), dated as of April 1, 2018, and supplementing the Indenture of Trust dated as of March 1, 1985 (the “Original Indenture”), as theretofore amended and supplemented (as amended and supplemented, the “Indenture”). Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings set forth in the Indenture. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings set forth in Section 1.5 herein.

### I.

#### IN GENERAL; DEFINITIONS

1.1 Delivery. The Bonds are being delivered to Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself and Goldman Sachs & Co. LLC, as the underwriters for the Bonds (the “Underwriters”), on the date hereof in exchange for good funds.

1.2 Purpose. The Bonds are being executed and delivered pursuant to the Indenture to provide funds which will (i) refinance the acquisition and construction of certain hydroelectric facilities (the “Project”) by refunding, with other amounts, on a current basis, all remaining outstanding maturities of the Agency’s Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C (such outstanding maturities, the “Refunded Bonds”), which entire issue was originally issued on July 24, 2008 in the amount of \$128,005,000 (as issued, the “Prior Bonds”), and (ii) paying the costs of issuance of the Bonds, including underwriters’ discount.

On the date hereof, the Agency is also issuing its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “Taxable Bonds”), in the principal amount of \$1,340,000. Proceeds of the Taxable Bonds will be used to (i) refund a pro rata portion of the Refunded Bonds not being paid with proceeds of the Bonds; and (ii) pay the costs of issuance of the Taxable Bonds, including underwriter’s discount.

1.3 Background. The Prior Bonds refunded, on a current basis, a portion of all outstanding maturities of (i) the Agency’s Hydroelectric Project Number One Revenue Bonds, 2002 Refunding Series A and 2002 Refunding Series B (such outstanding maturities, the “2002 Bonds”), which were originally issued on April 18, 2002 in the aggregate principal amount of \$86,620,000, and (ii) the Agency’s Hydroelectric Project Number One Revenue Bonds, 2003



Refunding Series A (the “2003 Bonds”), which were originally issued on April 2, 2003 in the aggregate principal amount of \$49,130,000.

The 2002 Bonds had refunded, on a current basis, a portion of certain maturities of the Agency’s Hydroelectric Project Number One Revenue Bonds, 1993 Refunding Series A (the “1993 Bonds”), which 1993 Bonds refunded portions of the Agency’s Hydroelectric Project Number One Revenue Bonds, 1985 Series A (the “1985 Bonds”) and its Hydroelectric Project Number One Revenue Bonds, 1986 Refunding Series A (the “1986 Bonds”). Proceeds of the 2003 Bonds were used to refund, on a current basis, a portion of other maturities of the 1993 Bonds (different maturities than those refunded by the 2002 Bonds).

As described in more detail in the Prior Tax Certificate proceeds of the 1993 Bonds, the 1986 Bonds and the 1986 Bonds were used, at various times, to establish escrow funds (the “Excess Amounts Escrows”). Amounts used to fund the Excess Amounts Escrows and the bonds for which debt service was provided by amounts in the Excess Amounts Escrows are described in the verification reports prepared in connection with the 2002 Bonds and the 2003 Bonds. The redemption of the 2002 Bonds and the 2003 Bonds by the Refunded Bonds created “transferred proceeds” from amounts in the Excess Amounts Escrows. As shown in Exhibit B, attached hereto, certain of the amounts in the Excess Amounts Escrows will become transferred proceeds of the Bonds at the time the Refunded Bonds are redeemed. See also the Verification Report.

1.4 One Issue. The Bonds were sold on March 13, 2018. All the Bonds are being delivered at the same time, have been sold pursuant to a common plan of financing and a common plan of marketing, and will be (or will have substantially the same claim to be) paid out of substantially the same source of funds. Except for the Taxable Bonds, no other governmental obligations paid out of substantially the same source of funds (or having substantially the same claim to be paid out of substantially the same source of funds) as the Bonds are being issued at substantially the same time and sold pursuant to a common plan of financing or marketing as the Bonds. The Bonds and the Taxable Bonds are considered separate issues for federal tax purposes.

The Prior Bonds were issued at the same time, pursuant to a common plan of financing and had been (or had substantially the same claim to be) paid out of substantially the same source of funds. In addition, the Prior Bonds were sold at substantially the same time and pursuant to a common plan of marketing. No other governmental obligations were sold, issued or reissued at substantially the same time, pursuant to a common plan of financing, and had been (or had substantially the same claim to be) paid out of substantially the same source of funds as the Prior Bonds.

1.5 Definitions. Unless the context otherwise requires, the following capitalized terms have the following meanings for purposes of this Tax Certificate:

“Bond Year” means the period ending on January 1 of each year with the first Bond Year ending on January 1, 2019, and the last Bond Year ending on the date on which none of the Bonds remains Outstanding, unless the Agency selects a different one-year period in accordance with the Code.

“Closing Date” means the date of this Tax Certificate.

“Code” means the Internal Revenue Code of 1986, or any successor, and the applicable Treasury Regulations promulgated thereunder.

“Financial Advisor” means Public Financial Management Inc.

“Gross Proceeds” has the meaning used in Treasury Regulations Section 1.148-1(b), and generally means all proceeds derived from or relating to the Bonds, including Sale Proceeds, Investment Proceeds, and amounts pledged or to be used to pay debt service on the Bonds.

“Investment Proceeds” means the earnings from the investment and reinvestment of all Sale Proceeds and all earnings from the investment and reinvestment of such earnings.

“Investment Property” means any security or obligation (other than a Tax-Exempt Bond), any annuity contract, or any other investment-type property.

“New Money Prior Bonds” means, each or all three of the following issues of obligations: the Agency’s (a) Hydroelectric Project Number One Adjustable Rate Revenue Bonds, 1985 Series B; (b) Hydroelectric Project Number One Adjustable Rate Revenue Bonds, 1985 Series C; and (c) Hydroelectric Project Number One Adjustable Rate Revenue Bonds, 1985 Series D.

“Nongovernmental Person” means any person or entity other than a Governmental Unit.

“Nonpurpose Investment” means any Investment Property in which Gross Proceeds are invested.

“Opinion of Counsel” means a written opinion of nationally recognized bond counsel delivered to the Trustee to the effect that interest on the Bonds will not be included in gross income for federal income tax purposes.

“Prior Tax Certificate” means the Tax Certificate executed by the Agency in connection with the Prior Bonds.

“Rebate Requirement” means the amount of rebatable arbitrage earned with respect to any Gross Proceeds which do not qualify for an exception from the requirements of Section 148(f)(2) of the Code as described in Section 4.4 of this Tax Certificate, computed as of the last day of any Bond Year pursuant to Treasury Regulations Section 1.148-3. For purposes of this Tax Certificate, the Rebate Requirement may also be satisfied by a yield reduction payment under some circumstances as set forth in Treasury Regulations Section 1.148-5(c).

“Sale Proceeds” means the amount of \$77,128,396.95, which is the principal amount of the Bonds, plus original issue premium thereon (\$8,253,396.95).

“Tax-Exempt Bonds” means any obligation the interest on which is excluded from federal gross income pursuant to the provisions of Section 103 of the Code, unless such obligation is a “specified private activity bond” within the meaning of Section 57(a)(5)(C) of the Code.

“2018 Series A and B Escrow Fund,” except as provided otherwise, means the escrow fund established pursuant to the Escrow Deposit Agreement, dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, as escrow agent thereunder, relating to the Refunded Bonds.

“Verification Report” means the Verification Report issued by Grant Thornton LLP, with respect to the Bonds and the Refunded Bonds.

Yield” means that discount rate described in Section 3.20 of this Tax Certificate.

## II.

### GENERAL TAX LIMITATIONS

2.1 Cross Reference. Part III below refers to the expectations and limitations relating to arbitrage; Part IV refers to the expectations and limitations relating to rebate.

2.2 Governmental Bond Status. The Agency has not loaned and will not loan more than 5% of the proceeds of the Bonds or the Prior Bonds to one or more Nongovernmental Persons. The Agency has not allowed and will not allow more than 25% of the proceeds of the Bonds or the Prior Bonds or the Project or the output thereof, to be used directly or indirectly by any Nongovernmental Person in any trade or business, other than as a member of the general public. Absent an Opinion of Counsel, for purposes of this Section 2.2, a Nongovernmental Person is be treated as “using” proceeds of the Bonds or the Prior Bonds to the extent the Nongovernmental Person:

- (i) borrows such proceeds,
- (ii) uses the Project (e.g., as owner, lessee, service provider, operator or manager), or
- (iii) acquires the output of the Project.

The Agency expects to use the Project for governmental, and not private, purposes during the period the Bonds are outstanding. See Section 2.11 relating to transition relief under the Code.

2.3 Registered Form. The Bonds are being issued in registered form.

2.4 No Federal Guarantee. The Agency will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Agency or take or omit to take any action that would cause the Bonds to be obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code. In furtherance of this covenant, the Agency will not allow the payment of the principal of or interest on the Bonds to be guaranteed (directly

or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. The Agency also will not, except as provided in the next sentence, use 5% or more of the proceeds of the Bonds to make loans the payment of the principal or interest with respect to which are guaranteed in whole or in part by the United States or any agency or instrumentality thereof, nor will it invest 5% or more of the proceeds in federally insured deposits or accounts. The preceding sentence shall not apply to (i) investments of proceeds of the Bonds during the temporary period described in this Tax Certificate with respect to the Bona Fide Debt Service Funds, (ii) amounts invested in the 2018 Series A and B Escrow Fund, (iii) amounts held in the Revenue Fund and all of the Other Operating Funds (as defined in Section 3.15 herein) and (iv) investments in obligations issued by the United States Treasury.

2.5 Information Reporting. The Agency shall cause Form 8038-G to be filed with respect to the Bonds no later than August 15, 2018.

2.6 No Pooling. The Agency will not use the proceeds of the Bonds directly or indirectly to make or finance loans to two or more ultimate borrowers.

2.7 No Hedge Bonds. As of the date each issue of the New Money Prior Bonds was issued, the Agency reasonably expected to spend at least 85% of the “spendable proceeds” of each issue of the New Money Prior Bonds on the facilities financed by such bonds no later than five years of such date. As used herein, the term “spendable proceeds” means with respect to each issue of the New Money Prior Bonds, proceeds from the sale of each issue of obligations, less the sum of (i) 15% of the face amount of each issue of obligations and (ii) the amount of the proceeds from the sale of each issue of obligations expended to pay the costs of issuing each issue of obligations and to pay debt service accruing on each issue of obligations within five years of the date each series of obligations was issued.

2.8 Refunding Bonds. No Sale Proceeds or Investment Proceeds will be used to pay principal of or interest on any obligations other than the Refunded Bonds and the Bonds.

2.9 Current Refunding. The Bonds are being issued to currently refund the Refunded Bonds by paying the principal, interest or redemption premium allocable to the Refunded Bonds. The Refunded Bonds will be redeemed on July 1, 2018, which is no more than 90 days after the Closing Date.

2.10 Change in Use. The Agency reasonably expects to use all Bond proceeds and all improvements that are being refinanced with Bond proceeds as set forth in Section 2.2 of this Tax Certificate for the entire stated term to maturity of the Bonds. Absent an Opinion of Counsel, the Agency in fact will use all Bond proceeds and each facility refinanced with Bond proceeds as set forth in Section 2.2 of this Tax Certificate.

2.11 Transition Relief. As described herein, the Bonds are being issued to refinance the costs of the Project by currently refunding the Refunded Bonds. The proceeds of the Bonds, together with other moneys, will be used on July 1, 2018 (i.e., no more than 90 days after the Closing Date) to redeem the outstanding amount of the Refunded Bonds. The issue price of the Bonds does not exceed the outstanding amount of the Refunded Bonds, as set forth in the Verification Report, and the calculations attached hereto as Exhibit B, prepared by the

Representative. Further, the weighted average maturity of the Bonds does not exceed 120% of the remaining average reasonable expected economic life of the Project inasmuch as the final maturity of the Bonds is no later than the current license period for the Project, which itself is expected to be operational thereafter.

2.12 Prior Tax Covenants; Final Rebate. In connection with the issuance of the Prior Bonds, the Agency previously executed tax certificates and other documents representing certain facts and containing certain covenants relating to the use of the proceeds of the Prior Bonds and the Project, including the Prior Tax Certificates. The Agency hereby reaffirms that such representations continue to be true in all material respects and that it will continue to observe such covenants. In addition, the Agency certifies that it (and all related parties thereto) has materially complied with all covenants, certifications, warranties and representations set forth in the legal and closing documents for the Prior Bonds and relating to the exclusion of interest evidenced by the Prior Bonds from gross income for federal tax purposes. The Agency has not taken or omitted to take any action reasonably within its control since the dates of execution and delivery of the Prior Bonds that would cause interest on the Prior Bonds to be included in gross income for purposes of federal income taxation.

Final rebate on the Prior Bonds, if any, will be due within 60 days of the last maturity date of such issue of the Prior Bonds.

2.13 Retention of Records. The Agency covenants to maintain all records relating to the requirements of the Code and the representations, certifications and covenants set forth in this Tax Certificate until the date three years after the last outstanding Bond has been retired. If any of the Bonds are refunded by Tax-Exempt Bonds (the “Refunding Obligations”), the Agency covenants to maintain all records required to be retained by this Section until the later of the date three years after the last outstanding Bond has been retired or the date three years after the last Refunding Obligations have been retired. The Agency previously adopted written procedures relating to retention of records and tax compliances, a copy of which is attached as Exhibit C. The records that must be retained include, but are not limited to:

- (a) Basic records and documents relating to the Bonds (including the Indenture, this Tax Certificate and the opinion of Bond Counsel);
- (b) Documentation evidencing the expenditure of Bond proceeds;
- (c) Documentation evidencing the use of the Project by public and private sources (i.e., copies of management contracts, research agreements, leases, etc.);
- (d) Documentation evidencing all sources of payment or security for the Bonds; and
- (e) Documentation pertaining to any investment of Bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations).

### III.

#### ARBITRAGE

3.1 Reasonable Expectations; Reliance on Others. This Part III states the reasonable expectations of the Agency with respect to the amounts and uses of Bond proceeds and certain other funds. The expectations of the Agency concerning certain uses of Bond proceeds and certain other moneys described herein and other matters are based in whole or in part upon representations of other parties as set forth in this Tax Certificate or exhibits hereto. The Agency is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representations made in this Tax Certificate, including exhibits attached to this Tax Certificate.

3.2 Offering Price. The Agency is delivering the Bonds to the Underwriters on the date hereof in exchange for payment of the Sale Proceeds. Based upon advice of the Representative (attached hereto as Exhibit A), all of the Bonds have been reoffered to the general public (excluding any bondhouse, broker or other intermediary) at the prices described in Exhibit A and such initial offering prices of the Bonds are reasonable under customary standards in the applicable tax-exempt market.

3.3 Allocation of Sale Proceeds and Other Amounts. The sources of the Bond proceeds, proceeds of the Taxable Bonds and other amounts are set forth in Exhibit B attached hereto.

All of the amounts identified as “Other Sources of Funds” on Exhibit B, will be deposited into the 2018 Series A and B Escrow Fund and will be used to pay a portion of the interest on the Refunded Bonds. Sale Proceeds of both the Bonds and the Taxable Bonds will be used to fund the balance of the deposit to the 2018 Series A and B Escrow Fund and to pay Costs of Issuance and Underwriter’s Discount.

3.4 Investment Proceeds. Investment Proceeds earned with respect to the Funds and Accounts established with respect to the Bonds and the Refunded Bonds will be retained in such Funds and Accounts.

3.5 Funds and Accounts. Pursuant to the Indenture, the Agency has established or will establish a series of funds and accounts with regard to parity bonds issued under the Indenture, such as the Revenue Fund, the Debt Service Account, the Operating Reserve Fund, the Debt Service Reserve Fund and certain “other operating funds” (as described in Section 3.15 herein). Additionally, the following funds and accounts are being established especially for the Bonds:

2018 Series A and B Escrow Fund  
2018 Series A Costs of Issuance Fund

Neither the Agency nor any other person benefiting from the issuance of the Bonds will use moneys in any fund or account, other than the Bona Fide Debt Service Funds (detailed hereafter), directly or indirectly, to pay principal of, redemption premium or interest on the Bonds; nor is any other fund or account, however established, so pledged as security for the

Bonds that there is a reasonable assurance that amounts held in such other fund or account will be available if needed to pay debt service with respect to the Bonds.

3.6 No Other Replacement Proceeds. Neither the Agency nor any related persons will use any proceeds of the Bonds directly or indirectly to replace funds of the Agency or any related persons that are used directly or indirectly to acquire investment property reasonably expected to produce a yield materially higher than the yield on the Bonds. As stated in Section 2.11 hereof, the weighted average maturity of the Bonds does not exceed 120% of the remaining expected weighted average economic useful life of the Project.

3.7 Remaining Proceeds. As of the Closing Date, the only remaining proceeds of, or other amounts relating to, the Refunded Bonds are amounts that have been taken into account as part of the transferred proceeds penalty calculation (set forth in Section 3.8 herein). Such transferred proceeds penalty calculation relates to certain proceeds allocable to the Refunded Bonds that are in the Excess Amounts Escrows and are expected to become “Transferred Proceeds” (as defined in Section 3.8 herein), as set forth in Exhibit B attached hereto. Except as provided herein, no other amounts allocable to the Refunded Bonds, or to obligations that are refunded by the Refunded Bonds, remain.

3.8 Transferred Proceeds. On the date that Sale Proceeds, Investment Proceeds or Transferred Proceeds are used to pay principal of the Refunded Bonds, unexpended proceeds of the Refunded Bonds will become transferred proceeds of the Bonds (“Transferred Proceeds”). Transferred Proceeds are treated as proceeds of the Bonds and not as proceeds of the Prior Bonds. On the date hereof, Transferred Proceeds in the Excess Amounts Escrows remain as set forth in Exhibit B attached hereto and in the Verification Report.

On the redemption date of the Refunded Bonds (July 1, 2018), amounts allocable to the Refunded Bonds from the Excess Amounts Escrows will become Transferred Proceeds and subject to the limitation that such amounts may not be invested at a yield in excess of the yield on the Bonds. Such Transferred Proceeds may result in a “transferred proceeds penalty.” However, as shown in Exhibit B and the Verification Report, the transferred proceeds penalty is more than offset by the negative arbitrage in the portion of 2018 Series A and B Escrow Fund (see Section 3.10 herein) allocable to Sale Proceeds. Accordingly, no transferred proceeds penalty will be required to be paid by the Agency.

3.9 No Overissuance. Proceeds from the sale of the Bonds, taking into account anticipated investment income thereon until expended, and the other amounts described in this Tax Certificate, do not exceed the amount necessary to pay for the governmental purpose of the Bonds.

3.10 2018 Series A and B Escrow Fund; Waiver of Temporary Period. All of the Sale Proceeds deposited in the 2018 Series A and B Escrow Fund and all Investment Proceeds thereon will be used, together with other amounts deposited in the 2018 Series A and B Escrow Fund, on April 4, 2018, to effectuate a defeasance of the Refunded Bonds. Sale Proceeds are only allocated to a portion of the principal due on the Refunded Bonds. As set forth in Exhibit B, amounts on deposit in the Refunded Bonds’ Debt Service Fund and amounts from the Taxable Bonds will be deposited into the 2018 Series A and B Escrow Fund to be used to

refund the Refunded Bonds. Amounts deposited in the 2018 Series A and B Escrow Fund will be invested as described in Exhibit B at a yield which is below the yield on the Bonds. All such amounts will be fully expended to pay the principal, interest and redemption premium due on the Refunded Bonds no later than July 1, 2018 as more fully described in Exhibit B. Sale Proceeds deposited in the 2018 Series A and B Escrow Fund are expected to be used to purchase United States Treasury Securities – State and Local Government Series (the “Securities”), as set forth in Exhibit B having a coupon of 1.640%. Pursuant to Treasury Regulation Section 1.148-9(g), the applicable temporary period for Bond proceeds in the 2018 Series A and B Escrow Fund is hereby waived by the Agency.

### 3.11 Bona Fide Debt Service Funds.

3.11.1 The Bonds are an obligation of the Agency payable from NCPA Revenues.

3.11.2 Under the Indenture, certain revenues of the Agency accumulate in the Revenue Fund and are used to make periodic payments to the Debt Service Account.

3.11.3 The Revenue Fund (to the extent of transfers to the Debt Service Account) and the Debt Service Account (collectively, the “Bona Fide Debt Service Funds”) will be used primarily to achieve a proper matching of revenues and debt service within each Bond Year. Such Funds and Accounts will be depleted at least once a year except for a carryover amount not to exceed the greater of one year’s earnings on such Funds and Accounts or 1/12th of annual debt service on the Bonds and the other bonds outstanding under the Indenture. Amounts contributed to such Funds and Accounts will be spent within 13 months after the date of such contribution, and any amounts received from the investment or reinvestment of moneys held in such Funds will be expended within one year after the accumulation therein in such Funds. To the extent the requirements set forth herein are satisfied, amounts in the Bona Fide Debt Service Funds shall be invested without regard to yield.

3.12 No Debt Service Reserve Account. The Indenture establishes the Debt Service Reserve Account, within the Debt Service Reserve Fund, with respect to other bonds outstanding under the Indenture. No Debt Service Reserve Account will be established to secure the Bonds. Amounts held in or credited to any other Debt Service Reserve Account established in connection with any other series of bonds outstanding under the Indenture.

3.13 Cost of Issuance Fund. There is established under the Indenture a Cost of Issuance Fund to pay for costs of issuing the Bonds. As of the Closing Date, Sales Proceeds in the amount of \$309,573.93 are being deposited in the 2018 Series A Cost of Issuance Fund. Amounts deposited in the 2018 Series A Cost of Issuance Fund will be invested without regard to yield through 13 months after the Closing Date.

3.14 Other Operating Funds. The Indenture establishes a variety of funds and accounts for the benefit of all obligations issued thereunder. Amounts held in the Revenue Fund (excluding amounts to be transferred to the Debt Service Account), Operating Reserve Fund, Operating Fund, Subordinated Indebtedness Fund, Note Fund, General Reserve Fund, or Reserve and Contingency Fund (to the extent not allocated to Gross Proceeds of the Bonds or the Prior



Bonds) (collectively, the “Other Operating Funds”) are not expected to be used to pay debt service on the Bonds and, while those Other Operating Funds held by the Trustee are pledged to the payment of debt service on the Bonds, there is no reasonable assurance that amounts held in the Other Operating Funds will be available if needed to pay debt service on the Bonds. Accordingly, amounts held in the Other Operating Funds may be invested without regard to yield.

3.15 No Artifice or Device. The Bonds are not and will not be part of a transaction or series of transactions (i) that attempts to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the regulations promulgated thereunder or under any predecessor thereto, enabling the Agency or any related person to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (ii) that increases the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling bonds that would not otherwise be sold, or selling more bonds, or issuing bonds sooner, or allowing bonds to remain outstanding longer, than otherwise would be necessary.

3.16 No Expected Sale. It is not expected that the Project refinanced with the Bonds will be sold or otherwise disposed of before July 1, 2024, the last scheduled maturity of the Bonds.

3.17 Yield. For purposes of this Tax Certificate, yield is calculated as set forth in Section 148(b) of the Code, Treasury Regulations Sections 1.148-4 and 1.148-5. Thus, yield on the Bonds or yield on Investment Property generally means that discount rate which, when used in computing the present value of all unconditionally payable payments representing principal adjusted, as required, for any substantial discounts, interest, and costs of qualified guarantees produces an amount equal to the issue price of the Bonds or the purchase price of the Investment Property, as appropriate. The issue price of the Bonds is \$77,128,396.95, which represents the price at which the Bonds were offered to the ultimate purchaser(s), as represented by the Representative in Exhibit A attached hereto. For purposes hereof, yield shall be calculated on a 360-day year basis with interest compounded semiannually. The yield on the Bonds has been calculated to be at least 2.682184% which takes into account certain unamortized swap termination payments as more fully described in the Prior Bonds Tax Certificate. The calculations showing this adjustment is included in Exhibit B.

3.18 No Qualified Guarantee. On the Closing Date, there are no qualified guarantees that have been obtained in connection with the Bonds.

3.19 Yield Restriction. Absent an Opinion of Counsel, if the sum of (A) any amounts held in the Bona Fide Debt Service Funds and remaining unexpended after 13 months from the date of accumulation in any such account, plus (B) any Restricted Amount, plus (C) any Sale Proceeds or Investment Proceeds to pay costs of issuing the Bonds (if any) 13 months after the Closing Date, plus (D) any Sale Proceeds or Investment Proceeds held in the Rebate Fund, plus (E) any Investment Proceeds that are held in any fund or account more than one year after the date on which such Investment Proceeds are received or accrued, at any time in the aggregate exceeds \$100,000, such excess will be invested either (i) in Investment Property with a yield not exceeding the yield on the Bonds, (ii) in assets that are not treated as Investment Property (e.g.,

Tax-Exempt Bonds), or (iii) in assets that satisfy the requirements for qualified yield reduction payments set forth in Treasury Regulations Section 1.148-5(c), subject to the limitation set forth in Section 1.148-10(b)(1)(ii).

3.20 No Qualified Hedges. No contract has been, and (absent an Opinion of Counsel) no contract will be, entered into such that failure to take the contract into account would distort the yield on the Bonds or otherwise would fail clearly to reflect the economic substance of the transaction.

#### IV.

#### REBATE/TRANSFERRED PROCEEDS PENALTY

4.1 Undertakings. The Agency, pursuant to the Indenture, has covenanted to comply with certain requirements of the Code. The Agency acknowledges that the United States Department of the Treasury has issued regulations with respect only to certain of these undertakings, including the proper method for computing whether any rebate amount, including by way of yield reduction payment, is due the federal government under Section 148(f) of the Code. The Agency further acknowledges that the United States Department of the Treasury has not yet issued regulations with respect to certain other of these undertakings. The Agency covenants that it will undertake to determine precisely what is required with respect to the rebate provisions contained in Section 148(f) of the Code and said regulations from time to time and will comply with any requirements that may be applicable to the Bonds. Except to the extent inconsistent with any requirements of the Code or the recently issued regulations or future regulations, the Agency will undertake the methodology described in this Tax Certificate.

4.2 Recordkeeping. The Agency shall maintain or cause to be maintained detailed records with respect to each Nonpurpose Investment attributable to Gross Proceeds of the Bonds, including: (i) purchase date, (ii) purchase price, (iii) information establishing fair market value on the date such investment became a Nonpurpose Investment, (iv) any accrued interest paid, (v) face amount, (vi) coupon rate, (vii) periodicity of interest payments, (viii) disposition price, (ix) any accrued interest received, and (x) disposition date. Such detailed record keeping is required to facilitate the calculation of the Rebate Requirement.

#### 4.3 Exceptions to Rebate Requirement.

(a) Bona Fide Debt Service Funds. To the extent the provisions of Section 3.12 herein are satisfied, no rebate calculations will need to be made with respect to any moneys in the Bona Fide Debt Service Funds.

(b) Six-Month Expenditure Exception. The “adjusted Gross Proceeds” of the Bonds will be exempt from the Rebate Requirement if all of such adjusted Gross Proceeds of the Bonds are allocated to expenditures within six months after the Closing Date. As used herein, “adjusted Gross Proceeds” has the meaning set forth in Treasury Regulations Section 1.148-7(c), which generally means Gross Proceeds, less the amount of Sale Proceeds deposited in a reasonably required reserve fund.

4.4 Rebate Requirement Calculation and Payment. The Agency will rebate any arbitrage profits earned on the investment of Gross Proceeds which do not qualify for an exception from the requirements of Section 148(f)(2) of the Code to the United States pursuant to the following procedures:

(a) The Agency will prepare or have prepared calculations of the Rebate Requirement (including calculations of the transferred proceeds penalty described in Section 3.8 hereof) consistent with the rules described in this Section 4.5. The rebate calculations should be made as of the end of each fifth Bond Year beginning with the Bond Year ending on January 1, 2018; however, interim calculations may be made as of other dates more convenient to the Agency. The Agency will prepare or have prepared a completed copy of the calculations of the Rebate Requirement within 55 days after the close of each fifth Bond Year and within 55 days after the first date on which there are no outstanding Bonds. Concurrent with the preparation of such calculations, the Agency shall deposit in the 2018 Series A Rebate Fund an amount which, when added to amounts already on deposit therein, will equal the Rebate Requirement. If an amount in excess of the amount of the Rebate Requirement is held in the 2018 Series A Rebate Fund, the Agency may remove such excess and use it for any lawful purpose consistent with this Tax Certificate.

(b) For purposes of calculating the Rebate Requirement (i) the aggregate amount earned with respect to a Nonpurpose Investment shall be determined by assuming that the Nonpurpose Investment was acquired for an amount equal to its fair market value at the time it becomes a Nonpurpose Investment, and (ii) the aggregate amount earned with respect to any Nonpurpose Investment shall include any unrealized gain or loss with respect to the Nonpurpose Investment (based on the assumed purchase price at fair market value and adjusted to take into account amounts received with respect to the Nonpurpose Investment and earned original issue discount or premium) on the first date when there are no outstanding Bonds or when the investment ceases to be a Nonpurpose Investment.

(c) The Agency shall pay to the United States Department of the Treasury (A) not later than 60 days after the end of each five-year period, a payment, taking into account all prior payments, equal to 90% of the aggregate Rebate Requirement with respect to the Bonds, calculated as of the date of such payment; and (B) not later than 60 days after the first date when there are no outstanding Bonds, an amount equal to 100% of the Rebate Requirement (determined as of the first date when there are no outstanding Bonds).

(d) Each payment required to be made pursuant hereto shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by Form 8038-T. The Agency must retain records of the calculations required by this Section 4.5 until three years after the retirement of the last of the Bonds.

#### 4.5 Prohibited Investments and Dispositions.

(a) General Rule. No Investment Property may be acquired with Gross Proceeds for an amount in excess of the fair market value of such Investment Property. No Investment Property may be sold or otherwise disposed of for an amount less than the fair market value of the Investment Property.

(b) Fair Market Value. In general, the fair market value of any Investment Property is the price which a willing buyer would pay to a willing seller to acquire the Investment Property, with no amounts paid to artificially reduce or increase the yield on such Investment Property.

(i) If Investment Property is acquired pursuant to an arm's length transaction without regard to any amount paid to reduce the yield on the Investment Property, the fair market value of the Investment Property shall be the amount paid for the Investment Property.

(ii) If Investment Property is sold or otherwise disposed of in an arm's length transaction without regard to any reduction in the disposition price to reduce the Rebate Requirement, the fair market value of the Investment Property shall be the amount realized from the sale or other disposition of the Investment Property.

(iii) If a United States Treasury obligation is acquired directly from or disposed of directly to the United States Department of the Treasury (as in the case of United States Treasury Securities - State and Local Government Series ("SLGs") obligations), such acquisition or disposition shall be treated as establishing a market for the obligation and as establishing the fair market value of the obligation.

(c) Investment Contracts. The purchase price of any Investment Property acquired pursuant to a guaranteed investment contract (within the meaning of Section 1.148-1(b) of the Treasury Regulations) shall be determined as provided in Section 1.148-5 of the Treasury Regulations. No investment contract shall be acquired with Gross Proceeds unless the requirements of Section 1.148-5 of the Treasury Regulations and this Section 4.6(c) are satisfied. With respect to any investment contract, the Agency will obtain from the provider of the investment contract, broker thereof or other party, such information, certification or representation as will enable the Agency to determine that these requirements are satisfied.

The purchase price of an investment contract will be considered to be fair market value if:

(i) the Agency has made (or has had made on its behalf) a bona fide solicitation for the investment contract; the solicitation must have specified the material terms of the investment contract (i.e., all the terms that could directly or indirectly affect the yield or the cost of the investment including the collateral security requirements for the investment contract) and, unless the moneys invested pursuant to such investment contract will be held in a reasonably required reserve fund or the Bona Fide Debt Service Funds, the Agency's reasonably expected drawdown schedule for the moneys to be invested; the solicitation has a legitimate business purpose (i.e., a purpose other than to increase the purchase price or reduce the yield) for every term of the bid specification;

(ii) all bidders have an equal opportunity to bid so that, for example, no bidder is given the opportunity to review other bids (a last look) before bidding;

(iii) the Agency solicits bids from at least three (3) investment contract providers with established industry reputations as competitive providers of investment contracts;

(iv) the Agency includes in the bid specifications a statement to potential bidders that by submitting a bid, the provider is making certain representations that the bid is bona fide, and specifically that 1) the bidder did not consult with any other potential provider about its bid, 2) the bid was determined without regard to any other formal or informal agreement that the potential provider had with the issuer or any other person, and 3) the bid was not submitted solely as a courtesy to the issuer or any other person for purposes of satisfying the requirements of Section 1.148-5 of the Treasury Regulations;

(v) at least three bids meeting the qualification requirements of the bid solicitation (as set forth in (1) above) have been received from different providers of investment contracts that have no material financial interest in the Bonds (the following investment contract providers are considered to have a material financial interest in the issue: 1) a lead underwriter in a negotiated underwriting, but only until 15 days after the issue date of the issue, 2) an entity acting as a financial advisor with respect to the purchase of the investment contract at the time the bid specifications were forwarded to potential providers; and 3) any related party to a provider that is disqualified for one of the two preceding reasons);

(vi) at least one of the bids received by the Agency that meets the requirements of the preceding paragraph is from an investment contract provider with an established industry reputation as a competitive provider of investment contracts;

(vii) the investment contract has a yield (net of any broker's fees) at least equal to the highest yielding of the qualifying bids received from the bidders that have no material financial interest in the Bonds; if the investment contract is not the highest-yielding of the qualifying bids, the Agency must have significant non-tax reasons, such as creditworthiness of the bidder, for failure to purchase the highest-yielding investment contract offered;

(viii) if an agent for the Agency conducts the bidding process, the agent does not bid;

(ix) the provider of the investment contract certifies as to all administrative costs to be paid on behalf of the Agency, including any fees paid as broker commissions in connection with the investment contract.

(d) Certificates of Deposit. The fair market value of a certificate of deposit issued by a commercial bank that has a fixed interest rate, a fixed principal payment schedule, a fixed maturity and a substantial penalty for early withdrawal shall be determined as provided in this subsection (d). The fair market value of a certificate of deposit which does not have the foregoing attributes may be determined by reference to the bona fide bid price quoted by a dealer who maintains an active secondary market in such certificate of deposit. The purchase price of a certificate of deposit will be considered to be fair market value if:

(i) the yield on the certificate of deposit is not less than the yield on reasonably comparable direct obligations of the United States; and

(ii) the yield on the certificate of deposit is not less than the highest published yield of the provider thereof which is currently available on comparable certificates of deposit offered to the public.

(e) Broker Compensation. For purposes of computing the yield on any investment contract acquired through a broker, reasonable compensation received by such broker, whether payable by or on behalf of the obligor or obligee of such investment contract, may be taken into account in determining the cost of the investment contract (as provided in Section 1.148-5(e)(2)(iii) of the Treasury Regulations). For the calendar year 2018, compensation is deemed reasonable if does not exceed the lesser of i) \$40,000 or ii) 0.2% of the amount reasonably expected, as of the date of acquisition of the investment contract, to be invested under the investment contract over its term, or \$4,000 (if 0.2% of such amount reasonably expected to be invested under the investment contract over its term is less than \$4,000). In addition, the total fees received by the broker with respect to the investment of any proceeds of the Bonds that are taken into account with respect to all investment contracts, at any time, may not exceed \$113,000. All amounts referenced are to be adjusted for inflation after the Closing Date.

4.6 Segregation of Proceeds. In order to perform the calculations required by the Code, it is necessary to track separately all of the Gross Proceeds. To that end, the Agency shall establish or have established separate sub-accounts or take other accounting measures in order to account fully for all Gross Proceeds.

4.7 Filing Requirements. The Agency shall file or cause to be filed such reports or other documents with the Internal Revenue Service as is required by the Code in accordance with an Opinion of Counsel.

4.8 Retention of Firm. The Agency hereby undertakes to satisfy its obligation to perform the rebate calculations that may be required to be made from time to time with respect to the Bonds as follows: The Agency expects to retain the firm of Bond Logistix LLC to perform rebate and yield reduction payments calculations that may be required to be made from time to time with respect to the Bonds.

V.

OTHER MATTERS

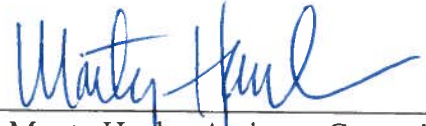
5.1 The undersigned is an authorized representative of the Agency, and is acting for and on behalf of the Agency in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

5.2 Notwithstanding any other provision in this Tax Certificate, the Agency may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is signed by an authorized officer and is supported by an Opinion of Counsel to the effect that such action (or inaction) will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

5.3 Notwithstanding any provision in this Tax Certificate, the Indenture or to the contrary, the obligation to remit the Rebate Requirement, if any, to the United States Department of the Treasury and to comply with all other requirements contained in this Tax Certificate shall survive the defeasance of the Bonds.

Dated: April 4, 2018.

**NORTHERN CALIFORNIA POWER  
AGENCY**

By:   
Monty Hanks, Assistant General  
Manager, Finance and Administrative  
Services and Chief Financial Officer



## **EXHIBIT A**

**\$68,875,000**

**NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A**

### **ISSUE PRICE CERTIFICATE**

The undersigned, Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself and Goldman Sachs & Co. LLC, as Underwriters (as defined below) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Northern California Power Agency (the “Issuer”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1 hereto.

2. Defined Terms.

(a) General Rule Maturities means those Maturities of the Bonds listed in Schedule 1 hereto as the “General Rule Maturities.” As set forth in Schedule 1 all of the Maturities of the Bonds are General Rule Maturities.

(b) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March 13, 2018.

(e) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the undersigned’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the

Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this 4th day of April, 2018.

**CITIGROUP GLOBAL MARKETS  
INC., as representative, on behalf of itself  
and Goldman Sachs & Co. LLC**

By: 

Authorized Representative  
Steve Dworkin, Managing Director

SCHEDULE 1

**NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds**

**\$68,875,000  
2018 Refunding Series A**

<u>Maturity Date (July 1)*</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
2019	\$ 8,885,000	5.00%	1.420%	104.388
2020	10,730,000	5.00	1.550	107.569
2021	11,310,000	5.00	1.650	110.529
2022	11,850,000	5.00	1.790	113.052
2023	11,855,000	5.00	1.910	115.339
2024	14,245,000	5.00	2.000	117.518

\* All of the maturities are General Rule Maturities.

## **EXHIBIT B**

### **TRANSFERRED PROCEEDS AND AMOUNT TO AMOUNT CALCULATIONS AND PRICING NUMBERS**

[See attached.]

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NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018

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**SOURCES AND USES OF FUNDS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Sources:	NCPA Hydro 2018 Refunding Series A	NCPA Hydro 2018 Taxable Refunding Series B	Total
Bond Proceeds:			
Par Amount	68,875,000.00	1,340,000.00	70,215,000.00
Premium	8,253,396.95		8,253,396.95
	<u>77,128,396.95</u>	<u>1,340,000.00</u>	<u>78,468,396.95</u>
Other Sources of Funds:			
Transfer from 2008C Debt Service Account	947,687.50	16,437.50	964,125.00
	<u>78,076,084.45</u>	<u>1,356,437.50</u>	<u>79,432,521.95</u>
<hr/>			
Uses:	NCPA Hydro 2018 Refunding Series A	NCPA Hydro 2018 Taxable Refunding Series B	Total
Refunding Escrow Deposits:			
Cash Deposit	0.50	0.53	1.03
SLGS Purchases	<u>77,604,706.00</u>	<u>1,342,566.00</u>	<u>78,947,272.00</u>
	<u>77,604,706.50</u>	<u>1,342,566.53</u>	<u>78,947,273.03</u>
Delivery Date Expenses:			
Cost of Issuance	307,997.73	5,992.27	313,990.00
Underwriter's Discount	<u>161,804.02</u>	<u>3,147.99</u>	<u>164,952.01</u>
	<u>469,801.75</u>	<u>9,140.26</u>	<u>478,942.01</u>
Other Uses of Funds:			
Additional Proceeds	1,576.20	4,730.71	6,306.91
	<u>78,076,084.45</u>	<u>1,356,437.50</u>	<u>79,432,521.95</u>

Notes:  
Assumes  
Delivery Date of 4/4/18  
Ratings of Aa3 / AA-  
SLGS as of 3/13/18

Preliminary, subject to change.

**SUMMARY OF REFUNDING RESULTS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Dated Date	04/04/2018
Delivery Date	04/04/2018
Arbitrage yield	2.682184%
Escrow yield	2.682169%
Value of Negative Arbitrage	4,646.90
Bond Par Amount	70,215,000.00
True Interest Cost	1.894444%
Net Interest Cost	2.039793%
All-In TIC	2.006070%
Average Coupon	4.983951%
Average Life	3.913
Weighted Average Maturity	4.031
Par amount of refunded bonds	77,130,000.00
Average coupon of refunded bonds	5.000000%
Average life of refunded bonds	3.911
Remaining weighted average maturity of refunded bonds	3.895
PV of prior debt to 04/04/2018 @ 2.006070%	86,706,443.77
Net PV Savings	7,759,170.74
Percentage savings of refunded bonds	10.059861%
Percentage savings of refunding bonds	11.050589%

Note: Preliminary, subject to change.



**SAVINGS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 04/04/2018 @ 2.0060703%
07/01/2018	1,928,250.00	964,125.00	964,125.00	839,849.66	124,275.34	119,037.70
07/01/2019	15,066,500.00		15,066,500.00	13,700,240.00	1,366,260.00	1,334,679.24
07/01/2020	15,101,000.00		15,101,000.00	13,729,500.00	1,371,500.00	1,312,906.37
07/01/2021	15,140,750.00		15,140,750.00	13,773,000.00	1,367,750.00	1,283,191.86
07/01/2022	15,119,000.00		15,119,000.00	13,747,500.00	1,371,500.00	1,261,018.68
07/01/2023	14,527,250.00		14,527,250.00	13,160,000.00	1,367,250.00	1,232,001.90
07/01/2024	16,327,500.00		16,327,500.00	14,957,250.00	1,370,250.00	1,210,028.08
	93,210,250.00	964,125.00	92,246,125.00	83,907,339.66	8,338,785.34	7,752,863.83

**Savings Summary**

PV of savings from cash flow	7,752,863.83
Plus: Refunding funds on hand	6,306.91
Net PV Savings	7,759,170.74

Note: Preliminary, subject to change.

**SAVINGS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Annual Savings	Present Value to 04/04/2018 @ 2.0060703%
04/04/2018		964,125.00	-964,125.00		-964,125.00		-964,125.00
07/01/2018	1,928,250.00		1,928,250.00	839,849.66	1,088,400.34	124,275.34	1,083,162.70
01/01/2019	1,928,250.00		1,928,250.00	1,737,620.00	190,630.00		187,828.66
07/01/2019	13,138,250.00		13,138,250.00	11,962,620.00	1,175,630.00	1,366,260.00	1,146,850.58
01/01/2020	1,648,000.00		1,648,000.00	1,499,750.00	148,250.00		143,184.65
07/01/2020	13,453,000.00		13,453,000.00	12,229,750.00	1,223,250.00	1,371,500.00	1,169,721.72
01/01/2021	1,352,875.00		1,352,875.00	1,231,500.00	121,375.00		114,911.14
07/01/2021	13,787,875.00		13,787,875.00	12,541,500.00	1,246,375.00	1,367,750.00	1,168,280.72
01/01/2022	1,042,000.00		1,042,000.00	948,750.00	93,250.00		86,539.20
07/01/2022	14,077,000.00		14,077,000.00	12,798,750.00	1,278,250.00	1,371,500.00	1,174,479.48
01/01/2023	716,125.00		716,125.00	652,500.00	63,625.00		57,879.26
07/01/2023	13,811,125.00		13,811,125.00	12,507,500.00	1,303,625.00	1,367,250.00	1,174,122.64
01/01/2024	388,750.00		388,750.00	356,125.00	32,625.00		29,092.22
07/01/2024	15,938,750.00		15,938,750.00	14,601,125.00	1,337,625.00	1,370,250.00	1,180,935.86
	93,210,250.00	964,125.00	92,246,125.00	83,907,339.66	8,338,785.34	8,338,785.34	7,752,863.83

**Savings Summary**

PV of savings from cash flow	7,752,863.83
Plus: Refunding funds on hand	6,306.91
Net PV Savings	7,759,170.74

Note: Preliminary, subject to change.

**BOND DEBT SERVICE**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Dated Date 04/04/2018  
Delivery Date 04/04/2018

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
07/01/2018			839,849.66	839,849.66	839,849.66
01/01/2019			1,737,620.00	1,737,620.00	
07/01/2019	10,225,000	** %	1,737,620.00	11,962,620.00	13,700,240.00
01/01/2020			1,499,750.00	1,499,750.00	
07/01/2020	10,730,000	5.000%	1,499,750.00	12,229,750.00	13,729,500.00
01/01/2021			1,231,500.00	1,231,500.00	
07/01/2021	11,310,000	5.000%	1,231,500.00	12,541,500.00	13,773,000.00
01/01/2022			948,750.00	948,750.00	
07/01/2022	11,850,000	5.000%	948,750.00	12,798,750.00	13,747,500.00
01/01/2023			652,500.00	652,500.00	
07/01/2023	11,855,000	5.000%	652,500.00	12,507,500.00	13,160,000.00
01/01/2024			356,125.00	356,125.00	
07/01/2024	14,245,000	5.000%	356,125.00	14,601,125.00	14,957,250.00
	70,215,000		13,692,339.66	83,907,339.66	83,907,339.66

Note: Preliminary, subject to change.

**DETAILED BOND DEBT SERVICE****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

Dated Date 04/04/2018  
 Delivery Date 04/04/2018

**2018 Refunding Series A (2018A)**

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
07/01/2018			832,239.58	832,239.58	832,239.58
01/01/2019			1,721,875.00	1,721,875.00	
07/01/2019	8,885,000	5.000%	1,721,875.00	10,606,875.00	12,328,750.00
01/01/2020			1,499,750.00	1,499,750.00	
07/01/2020	10,730,000	5.000%	1,499,750.00	12,229,750.00	13,729,500.00
01/01/2021			1,231,500.00	1,231,500.00	
07/01/2021	11,310,000	5.000%	1,231,500.00	12,541,500.00	13,773,000.00
01/01/2022			948,750.00	948,750.00	
07/01/2022	11,850,000	5.000%	948,750.00	12,798,750.00	13,747,500.00
01/01/2023			652,500.00	652,500.00	
07/01/2023	11,855,000	5.000%	652,500.00	12,507,500.00	13,160,000.00
01/01/2024			356,125.00	356,125.00	
07/01/2024	14,245,000	5.000%	356,125.00	14,601,125.00	14,957,250.00
	68,875,000		13,653,239.58	82,528,239.58	82,528,239.58

Note: Preliminary, subject to change.

**DETAILED BOND DEBT SERVICE****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

Dated Date 04/04/2018  
 Delivery Date 04/04/2018

**2018 Taxable Refunding Series B (2018B)**

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
07/01/2018			7,610.08	7,610.08	7,610.08
01/01/2019			15,745.00	15,745.00	
07/01/2019	1,340,000	2.350%	15,745.00	1,355,745.00	1,371,490.00
	1,340,000		39,100.08	1,379,100.08	1,379,100.08

Note: Preliminary, subject to change.

**BOND PRICING**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)	Takedown
NCPA Hydro 2018 Refunding Series A, 2018 Refunding Series A:							
	07/01/2019	8,885,000	5.000%	1.420%	104.388	389,873.80	1.500
	07/01/2020	10,730,000	5.000%	1.550%	107.569	812,153.70	1.500
	07/01/2021	11,310,000	5.000%	1.650%	110.529	1,190,829.90	1.500
	07/01/2022	11,850,000	5.000%	1.790%	113.052	1,546,662.00	1.500
	07/01/2023	11,855,000	5.000%	1.910%	115.339	1,818,438.45	1.500
	07/01/2024	14,245,000	5.000%	2.000%	117.518	2,495,439.10	1.500
		<u>68,875,000</u>				<u>8,253,396.95</u>	
NCPA Hydro 2018 Taxable Refunding Series B, 2018 Taxable Refunding Series B:							
	07/01/2019	1,340,000	2.350%	2.350%	100.000		1.500
		<u>70,215,000</u>				<u>8,253,396.95</u>	

Dated Date	04/04/2018	
Delivery Date	04/04/2018	
First Coupon	07/01/2018	
Par Amount	70,215,000.00	
Premium	8,253,396.95	
Production	78,468,396.95	111.754464%
Underwriter's Discount	-164,952.01	-0.234924%
Purchase Price	78,303,444.94	111.519540%
Accrued Interest		
Net Proceeds	78,303,444.94	

Note: Preliminary, subject to change.

**BOND SUMMARY STATISTICS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Dated Date	04/04/2018
Delivery Date	04/04/2018
Last Maturity	07/01/2024
Arbitrage Yield	2.682184%
True Interest Cost (TIC)	1.894444%
Net Interest Cost (NIC)	2.039793%
All-In TIC	2.006070%
Average Coupon	4.983951%
Average Life (years)	3.913
Weighted Average Maturity (years)	4.031
Duration of Issue (years)	3.636
Par Amount	70,215,000.00
Bond Proceeds	78,468,396.95
Total Interest	13,692,339.66
Net Interest	5,603,894.72
Total Debt Service	83,907,339.66
Maximum Annual Debt Service	14,957,250.00
Average Annual Debt Service	13,443,098.48

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
2018 Taxable Refunding Series B	1,340,000.00	100.000	2.350%	1.242	160.80
2018 Refunding Series A	68,875,000.00	111.983	5.000%	3.965	27,969.25
	70,215,000.00			3.913	28,130.05

	TIC	All-In TIC	Arbitrage Yield
Par Value	70,215,000.00	70,215,000.00	68,875,000.00
+ Accrued Interest			
+ Premium (Discount)	8,253,396.95	8,253,396.95	8,253,396.95
- Underwriter's Discount	-164,952.01	-164,952.01	
- Cost of Issuance Expense		-313,990.00	
- Other Amounts			-2,338,847.07
Target Value	78,303,444.94	77,989,454.94	74,789,549.88
Target Date	04/04/2018	04/04/2018	04/04/2018
Yield	1.894444%	2.006070%	2.682184%

Note: Preliminary, subject to change.

**COST OF ISSUANCE**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Cost of Issuance	\$/1000	Amount
Bond & Disclosure Counsel (Orrick)	1.70904	120,000.00
PFM	1.06815	75,000.00
Moody's	0.76195	53,500.00
Fitch	0.49847	35,000.00
Verification Agent - Grant Thornton	0.07121	5,000.00
Trustee - US Bancorp	0.13530	9,500.00
Trustee Counsel - Anderson Aquino	0.12818	9,000.00
Printing - ImageMaster	0.02834	1,990.00
Contingency	0.07121	5,000.00
	4.47184	313,990.00

Note: Preliminary, subject to change.



**AVERAGE TAKEDOWN**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Dated Date 04/04/2018  
Delivery Date 04/04/2018

Bond Component	Maturity Date	Par Amount	Takedown \$/Bond	Takedown Amount
2018 Refunding Series A:				
	07/01/2019	8,885,000	1.5000	13,327.50
	07/01/2020	10,730,000	1.5000	16,095.00
	07/01/2021	11,310,000	1.5000	16,965.00
	07/01/2022	11,850,000	1.5000	17,775.00
	07/01/2023	11,855,000	1.5000	17,782.50
	07/01/2024	14,245,000	1.5000	21,367.50
		68,875,000	1.5000	103,312.50
2018 Taxable Refunding Series B:				
	07/01/2019	1,340,000	1.5000	2,010.00
		70,215,000	1.5000	105,322.50

Note: Preliminary, subject to change.

**UNDERWRITER'S DISCOUNT**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Underwriter's Discount	\$/1000	Amount
Average Takedown	1.50000	105,322.50
Underwriter's Counsel	0.53407	37,500.00
CDIAC	0.07121	5,000.00
DAC	0.03560	2,500.00
DTC	0.01139	800.00
Day Loan	0.01549	1,087.55
Travel / Out-of-Pocket	0.07121	5,000.00
CUSIP	0.00985	691.50
IPREO	0.10041	7,050.46
	2.34924	164,952.01

Note: Preliminary, subject to change.

**FORM 8038 STATISTICS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Dated Date 04/04/2018  
Delivery Date 04/04/2018

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
2018 Refunding Series A:						
	07/01/2019	8,885,000.00	5.000%	104.388	9,274,873.80	8,885,000.00
	07/01/2020	10,730,000.00	5.000%	107.569	11,542,153.70	10,730,000.00
	07/01/2021	11,310,000.00	5.000%	110.529	12,500,829.90	11,310,000.00
	07/01/2022	11,850,000.00	5.000%	113.052	13,396,662.00	11,850,000.00
	07/01/2023	11,855,000.00	5.000%	115.339	13,673,438.45	11,855,000.00
	07/01/2024	14,245,000.00	5.000%	117.518	16,740,439.10	14,245,000.00
		68,875,000.00			77,128,396.95	68,875,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	07/01/2024	5.000%	16,740,439.10	14,245,000.00		
Entire Issue			77,128,396.95	68,875,000.00	4.0309	2.6822%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	469,801.75
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	76,657,019.00
Proceeds used to advance refund prior issues	0.00
Remaining weighted average maturity of the bonds to be currently refunded	3.8953
Remaining weighted average maturity of the bonds to be advance refunded	0.0000

Note: Preliminary, subject to change.

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Bond Component	Date	Principal	Coupon	Price	Issue Price
Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C:					
SERIAL	07/01/2019	11,015,000.00	5.000%	107.113	11,798,496.95
SERIAL	07/01/2020	11,605,000.00	5.000%	106.191	12,323,465.55
SERIAL	07/01/2021	12,225,000.00	5.000%	105.526	12,900,553.50
SERIAL	07/01/2022	12,815,000.00	5.000%	105.031	13,459,722.65
SERIAL	07/01/2023	12,870,000.00	5.000%	104.538	13,454,040.60
SERIAL	07/01/2024	15,285,000.00	5.000%	104.130	15,916,270.50
		75,815,000.00			79,852,549.75

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C	07/01/2018	07/24/2008	3.8953
All Refunded Issues	07/01/2018		3.8953

**PROOF OF ARBITRAGE YIELD**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Date	Debt Service	Total	Present Value to 04/04/2018 @ 2.6821844845%
07/01/2018	832,239.58	832,239.58	826,898.12
01/01/2019	1,721,875.00	1,721,875.00	1,688,183.60
07/01/2019	10,606,875.00	10,606,875.00	10,261,714.44
01/01/2020	1,499,750.00	1,499,750.00	1,431,745.29
07/01/2020	12,229,750.00	12,229,750.00	11,520,700.65
01/01/2021	1,231,500.00	1,231,500.00	1,144,748.67
07/01/2021	12,541,500.00	12,541,500.00	11,503,755.27
01/01/2022	948,750.00	948,750.00	858,729.45
07/01/2022	12,798,750.00	12,798,750.00	11,431,061.10
01/01/2023	652,500.00	652,500.00	575,061.01
07/01/2023	12,507,500.00	12,507,500.00	10,877,230.71
01/01/2024	356,125.00	356,125.00	305,607.99
07/01/2024	14,601,125.00	14,601,125.00	12,364,113.58
	82,528,239.58	82,528,239.58	74,789,549.88

**Proceeds Summary**

Delivery date	04/04/2018
Par Value	68,875,000.00
Premium (Discount)	8,253,396.95
Other adjustments	-2,338,847.07
Target for yield calculation	74,789,549.88

Note: Preliminary, subject to change.

**SUMMARY OF BONDS REFUNDED**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C, 2008CH:					
SERIAL	07/01/2019	5.000%	11,210,000.00	07/01/2018	100.000
	07/01/2020	5.000%	11,805,000.00	07/01/2018	100.000
	07/01/2021	5.000%	12,435,000.00	07/01/2018	100.000
	07/01/2022	5.000%	13,035,000.00	07/01/2018	100.000
	07/01/2023	5.000%	13,095,000.00	07/01/2018	100.000
	07/01/2024	5.000%	15,550,000.00	07/01/2018	100.000
			77,130,000.00		

Note: Preliminary, subject to change.

**PRIOR BOND DEBT SERVICE**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Dated Date 04/04/2018  
Delivery Date 04/04/2018

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Present Value to 04/04/2018 @ 2.0060703%
07/01/2018			1,928,250	1,928,250	1,928,250	1,918,970.81
01/01/2019			1,928,250	1,928,250		1,899,914.00
07/01/2019	11,210,000	5.000%	1,928,250	13,138,250	15,066,500	12,816,625.67
01/01/2020			1,648,000	1,648,000		1,591,691.74
07/01/2020	11,805,000	5.000%	1,648,000	13,453,000	15,101,000	12,864,309.25
01/01/2021			1,352,875	1,352,875		1,280,827.30
07/01/2021	12,435,000	5.000%	1,352,875	13,787,875	15,140,750	12,923,966.32
01/01/2022			1,042,000	1,042,000		967,011.80
07/01/2022	13,035,000	5.000%	1,042,000	14,077,000	15,119,000	12,934,205.05
01/01/2023			716,125	716,125		651,454.43
07/01/2023	13,095,000	5.000%	716,125	13,811,125	14,527,250	12,439,125.16
01/01/2024			388,750	388,750		346,654.43
07/01/2024	15,550,000	5.000%	388,750	15,938,750	16,327,500	14,071,687.80
	77,130,000		16,080,250	93,210,250	93,210,250	86,706,443.77

Note: Preliminary, subject to change.

**ESCROW REQUIREMENTS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Period Ending	Interest	Principal Redeemed	Total
07/01/2018	1,928,250.00	77,130,000.00	79,058,250.00
	1,928,250.00	77,130,000.00	79,058,250.00

Note: Preliminary, subject to change.



**ESCROW DESCRIPTIONS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Apr 4, 2018:							
	SLGS	Certificate	07/01/2018	07/01/2018	28,067,294	1.640%	1.640%
	SLGS	Certificate	07/01/2018		50,879,978		1.640%
					78,947,272		

**SLGS Summary**

SLGS Rates File	13MAR18
Total Certificates of Indebtedness	78,947,272.00

**ESCROW DESCRIPTIONS DETAIL****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
PRIORDSF, Apr 4, 2018: SLGS	Certificate	07/01/2018	07/01/2018	947,687	1.640%	1.640%
PROCEEDS, Apr 4, 2018: SLGS	Certificate	07/01/2018	07/01/2018	25,777,041	1.640%	1.640%
	SLGS	07/01/2018		50,879,978		1.640%
				76,657,019		
				77,604,706		

**SLGS Summary**

SLGS Rates File	13MAR18
Total Certificates of Indebtedness	77,604,706.00

**ESCROW DESCRIPTIONS DETAIL****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
PRIORDSF, Apr 4, 2018:	SLGS	Certificate	07/01/2018	07/01/2018	16,437	1.640%	1.640%
PROCEEDS, Apr 4, 2018:	SLGS	Certificate	07/01/2018	07/01/2018	1,326,129	1.640%	1.640%
					1,342,566		

**SLGS Summary**

SLGS Rates File	13MAR18
Total Certificates of Indebtedness	1,342,566.00

**ESCROW COST**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	07/01/2018	28,067,294	1.640%	28,067,294.00
SLGS	07/01/2018	50,879,978		50,879,978.00
		78,947,272		78,947,272.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
04/04/2018	78,947,272	1.03	78,947,273.03
	78,947,272	1.03	78,947,273.03

Note: Preliminary, subject to change.

**ESCROW COST DETAIL****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
PRIORDSF: SLGS	07/01/2018	947,687	1.640%	947,687.00
PROCEEDS: SLGS	07/01/2018	25,777,041	1.640%	25,777,041.00
SLGS	07/01/2018	50,879,978		50,879,978.00
		76,657,019		76,657,019.00
		77,604,706		77,604,706.00

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield	Adjusted Yield
PRIORDSF	04/04/2018	947,687	0.50	947,687.50	1.639585%	1.639585%
PROCEEDS	04/04/2018	76,657,019		76,657,019.00	0.550562%	2.682169%
		77,604,706	0.50	77,604,706.50		

Note: Preliminary, subject to change.

**ESCROW COST DETAIL****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
PRIORDSF: SLGS	07/01/2018	16,437	1.640%	16,437.00
PROCEEDS: SLGS	07/01/2018	1,326,129	1.640%	1,326,129.00
		1,342,566		1,342,566.00

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
PRIORDSF	04/04/2018	16,437	0.50	16,437.50	1.639548%
PROCEEDS	04/04/2018	1,326,129	0.03	1,326,129.03	1.639585%
		1,342,566	0.53	1,342,566.53	

Note: Preliminary, subject to change.

**ESCROW CASH FLOW**

**Northern California Power Agency**  
**NCPA Hydro 2018 Refunding Series A & B**  
**Final Verified Cashflows**  
**March 13, 2018**

Date	Principal	Interest	Net Escrow Receipts
07/01/2018	78,947,272.00	110,977.31	79,058,249.31
	78,947,272.00	110,977.31	79,058,249.31

**Escrow Cost Summary**

Purchase date	04/04/2018
Purchase cost of securities	78,947,272.00

**ESCROW CASH FLOW****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - PRIORDSF**

Date	Principal	Interest	Net Escrow Receipts	Present Value to 04/04/2018 @ 1.6395853%
07/01/2018	947,687.00	3,747.13	951,434.13	947,687.00
	947,687.00	3,747.13	951,434.13	947,687.00

**Escrow Cost Summary**

Purchase date	04/04/2018
Purchase cost of securities	947,687.00
Target for yield calculation	947,687.00



**ESCROW CASH FLOW****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - PROCEEDS**

Date	Principal	Interest	Net Escrow Receipts	Present Value to 04/04/2018 @ 2.6821691%
07/01/2018	76,657,019.00	101,921.71	76,758,940.71	76,266,290.73
	76,657,019.00	101,921.71	76,758,940.71	76,266,290.73

**Escrow Cost Summary**

Purchase date	04/04/2018
Purchase cost of securities	76,657,019.00
Transferred proceeds adjustment	-390,728.27
Target for yield calculation	76,266,290.73

**ESCROW CASH FLOW****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B****Prior Debt (PRI) - PRIORDSF**

Date	Principal	Interest	Net Escrow Receipts	Present Value to 04/04/2018 @ 1.6395480%
07/01/2018	16,437.00	64.99	16,501.99	16,437.00
	16,437.00	64.99	16,501.99	16,437.00

**Escrow Cost Summary**

Purchase date	04/04/2018
Purchase cost of securities	16,437.00
Target for yield calculation	16,437.00

**ESCROW CASH FLOW****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B****Prior Debt (PRI) - PROCEEDS**

Date	Principal	Interest	Net Escrow Receipts	Present Value to 04/04/2018 @ 1.6395853%
07/01/2018	1,326,129.00	5,243.48	1,331,372.48	1,326,129.00
	1,326,129.00	5,243.48	1,331,372.48	1,326,129.00

**Escrow Cost Summary**

Purchase date	04/04/2018
Purchase cost of securities	1,326,129.00
Target for yield calculation	1,326,129.00

**ESCROW SUFFICIENCY****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
04/04/2018		1.03	1.03	1.03
07/01/2018	79,058,250.00	79,058,249.31	-0.69	0.34
	79,058,250.00	79,058,250.34	0.34	

Note: Preliminary, subject to change.

**ESCROW SUFFICIENCY****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI)**

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
04/04/2018		0.50	0.50	0.50
07/01/2018	77,710,375.00	77,710,374.84	-0.16	0.34
	77,710,375.00	77,710,375.34	0.34	

Note: Preliminary, subject to change.

**ESCROW SUFFICIENCY****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B****Prior Debt (PRI)**

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
04/04/2018		0.53	0.53	0.53
07/01/2018	1,347,875.00	1,347,874.47	-0.53	
	1,347,875.00	1,347,875.00	0.00	

Note: Preliminary, subject to change.

# ESCROW STATISTICS

## Northern California Power Agency NCPA Hydro 2018 Refunding Series A & B Final Verified Cashflows March 13, 2018

Escrow	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Adjusted Yield To Receipt Date	Adjusted Yield To Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage
NCPA Hydro 2018 Refunding Series A:									
PRIORDSF	947,687.50	0.240	22.72	1.639585%	1.639585%	1.639585%	1.639585%	945,328.15	2,359.35
PROCEEDS	76,657,019.00	0.241	1,847.39	0.550562%	0.550562%	2.682169%	2.682169%	76,657,016.20	2.80
NCPA Hydro 2018 Taxable Refunding Series B:									
PRIORDSF	16,437.50	0.240	0.39	1.639548%	1.639548%	1.639548%	1.639548%	16,409.52	27.97
PROCEEDS	1,326,129.03	0.240	31.79	1.639585%	1.639585%	1.639585%	1.639585%	1,323,872.25	2,256.78
	78,947,273.03		1,902.29					78,942,626.12	4,646.90

ESCROW STATISTICS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018

Cost of  
Dead Time

NCPA Hydro 2018 Refunding Series A:

NCPA Hydro 2018 Taxable Refunding Series B:  
0.01

0.01

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**ESCROW STATISTICS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Delivery date	04/04/2018
Arbitrage yield	2.682184%

**Notes:**

Value of Negative Arbitrage for issues excluded from the arbitrage yield is based on the yield of the related issue.  
Preliminary, subject to change.

# ESCROW STATISTICS

## Northern California Power Agency NCPA Hydro 2018 Refunding Series A & B Final Verified Cashflows March 13, 2018

Escrow	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Adjusted Yield To Receipt Date	Adjusted Yield To Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage
NCPA Hydro 2018 Refunding Series A:									
PRIORDSF	947,687.50	0.240	22.72	1.639585%	1.639585%	1.639585%	1.639585%	945,328.15	2,359.35
PROCEEDS	76,657,019.00	0.241	1,847.39	0.550562%	0.550562%	2.682169%	2.682169%	76,657,016.20	2.80
NCPA Hydro 2018 Taxable Refunding Series B:									
PRIORDSF	16,437.50	0.240	0.39	1.639548%	1.639548%	1.639548%	1.639548%	16,409.52	27.97
PROCEEDS	1,326,129.03	0.240	31.79	1.639585%	1.639585%	1.639585%	1.639585%	1,323,872.25	2,256.78
	78,947,273.03		1,902.29					78,942,626.12	4,646.90

ESCROW STATISTICS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018

Cost of  
Dead Time

NCPA Hydro 2018 Refunding Series A:

NCPA Hydro 2018 Taxable Refunding Series B:  
0.01

0.01

**ESCROW STATISTICS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Delivery date	04/04/2018
Arbitrage yield	2.682184%

**Notes:**

Value of Negative Arbitrage for issues excluded from the arbitrage yield is based on the yield of the related issue.

Preliminary, subject to change.

**PROOF OF COMPOSITE ESCROW YIELD**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

**All restricted escrows funded by bond proceeds**

Date	Security Receipts	Present Value to 04/04/2018 @ 2.6821690944%
07/01/2018	76,758,940.71	76,266,290.73
	76,758,940.71	76,266,290.73

**Escrow Cost Summary**

Purchase date	04/04/2018
Purchase cost of securities	76,657,019.00
Transferred proceeds adjustment	-390,728.27
Target for yield calculation	76,266,290.73

**UNIVERSAL FORMULA VERIFICATION**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Component	Formula	Value
UCOI	120,000	120,000.00
UCOI	75,000	75,000.00
UCOI	53,500	53,500.00
UCOI	35,000	35,000.00
UCOI	5,000	5,000.00
UCOI	9,500	9,500.00
UCOI	9,000	9,000.00
UCOI	1,990	1,990.00
UCOI	5,000	5,000.00
UCOI	37,500	37,500.00
UCOI	5,000	5,000.00
UCOI	2,500	2,500.00
UCOI	800	800.00
UCOI	( Par Amount + Premium - Underwriters discount ) * ( .005 / 360 )	1,087.55
UCOI	5,000	5,000.00
UCOI	150% of ( \$173 * 2 + \$22 * 5 ) + \$5	691.50
UCOI	( ( \$.0918 per bond ) + ( \$30 * 1 ) ) * 1.08875	7,050.46
UAMT	2,384,350.58909173	2,384,350.59
UAMT	Unamortized Swap Termination Payment	2,384,350.59

Note: Preliminary, subject to change.

**UNIVERSAL BOND SOLUTION**

**Northern California Power Agency**  
**NCPA Hydro 2018 Refunding Series A & B**  
**Final Verified Cashflows**  
**March 13, 2018**  
**Universal Bond Solution Component**

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints	Unused Revenues	Debt Serv Coverage
07/01/2018		839,850	839,850	964,125	124,275	114.79733%
07/01/2019	10,225,000	13,700,240	13,700,240	15,066,500	1,366,260	109.97253%
07/01/2020	10,730,000	13,729,500	13,729,500	15,101,000	1,371,500	109.98944%
07/01/2021	11,310,000	13,773,000	13,773,000	15,140,750	1,367,750	109.93066%
07/01/2022	11,850,000	13,747,500	13,747,500	15,119,000	1,371,500	109.97636%
07/01/2023	11,855,000	13,160,000	13,160,000	14,527,250	1,367,250	110.38944%
07/01/2024	14,245,000	14,957,250	14,957,250	16,327,500	1,370,250	109.16111%
	70,215,000	83,907,340	83,907,340	92,246,125	8,338,785	

Note: Preliminary, subject to change.

**BOND DEBT SERVICE BREAKDOWN**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Date	NCPA Hydro 2018 Refunding Series A	NCPA Hydro 2018 Taxable Refunding Series B	Total	Annual Total
07/01/2018	832,239.58	7,610.08	839,849.66	839,849.66
01/01/2019	1,721,875.00	15,745.00	1,737,620.00	
07/01/2019	10,606,875.00	1,355,745.00	11,962,620.00	13,700,240.00
01/01/2020	1,499,750.00		1,499,750.00	
07/01/2020	12,229,750.00		12,229,750.00	13,729,500.00
01/01/2021	1,231,500.00		1,231,500.00	
07/01/2021	12,541,500.00		12,541,500.00	13,773,000.00
01/01/2022	948,750.00		948,750.00	
07/01/2022	12,798,750.00		12,798,750.00	13,747,500.00
01/01/2023	652,500.00		652,500.00	
07/01/2023	12,507,500.00		12,507,500.00	13,160,000.00
01/01/2024	356,125.00		356,125.00	
07/01/2024	14,601,125.00		14,601,125.00	14,957,250.00
	82,528,239.58	1,379,100.08	83,907,339.66	83,907,339.66

Note: Preliminary, subject to change.



**BOND PRICING**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A & B  
Final Verified Cashflows  
March 13, 2018**

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)	Takedown
NCPA Hydro 2018 Refunding Series A, 2018 Refunding Series A:							
	07/01/2019	8,885,000	5.000%	1.420%	104.388	389,873.80	1.500
	07/01/2020	10,730,000	5.000%	1.550%	107.569	812,153.70	1.500
	07/01/2021	11,310,000	5.000%	1.650%	110.529	1,190,829.90	1.500
	07/01/2022	11,850,000	5.000%	1.790%	113.052	1,546,662.00	1.500
	07/01/2023	11,855,000	5.000%	1.910%	115.339	1,818,438.45	1.500
	07/01/2024	14,245,000	5.000%	2.000%	117.518	2,495,439.10	1.500
		<u>68,875,000</u>				<u>8,253,396.95</u>	
NCPA Hydro 2018 Taxable Refunding Series B, 2018 Taxable Refunding Series B:							
	07/01/2019	1,340,000	2.350%	2.350%	100.000		1.500
		<u>70,215,000</u>				<u>8,253,396.95</u>	

Dated Date	04/04/2018	
Delivery Date	04/04/2018	
First Coupon	07/01/2018	
Par Amount	70,215,000.00	
Premium	8,253,396.95	
Production	78,468,396.95	111.754464%
Underwriter's Discount	-164,952.01	-0.234924%
Purchase Price	78,303,444.94	111.519540%
Accrued Interest		
Net Proceeds	78,303,444.94	

Note: Preliminary, subject to change.

**BOND SUMMARY STATISTICS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

Dated Date	04/04/2018
Delivery Date	04/04/2018
Last Maturity	07/01/2024
Arbitrage Yield	2.682184%
True Interest Cost (TIC)	1.890656%
Net Interest Cost (NIC)	2.036750%
All-In TIC	2.000770%
Average Coupon	5.000000%
Average Life (years)	3.965
Weighted Average Maturity (years)	4.031
Duration of Issue (years)	3.679
Par Amount	68,875,000.00
Bond Proceeds	77,128,396.95
Total Interest	13,653,239.58
Net Interest	5,561,646.65
Total Debt Service	82,528,239.58
Maximum Annual Debt Service	14,957,250.00
Average Annual Debt Service	13,222,147.86

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
2018 Refunding Series A	68,875,000.00	111.983	5.000%	3.965	27,969.25
	68,875,000.00			3.965	27,969.25

	TIC	All-In TIC	Arbitrage Yield
Par Value	68,875,000.00	68,875,000.00	68,875,000.00
+ Accrued Interest			
+ Premium (Discount)	8,253,396.95	8,253,396.95	8,253,396.95
- Underwriter's Discount	-161,804.02	-161,804.02	
- Cost of Issuance Expense		-307,997.73	
- Other Amounts			-2,338,847.07
Target Value	76,966,592.93	76,658,595.20	74,789,549.88
Target Date	04/04/2018	04/04/2018	04/04/2018
Yield	1.890656%	2.000770%	2.682184%

Note: Preliminary, subject to change.

**BOND SUMMARY STATISTICS****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

Dated Date	04/04/2018
Delivery Date	04/04/2018
Last Maturity	07/01/2019
Arbitrage Yield	2.351401%
True Interest Cost (TIC)	2.544925%
Net Interest Cost (NIC)	2.539201%
All-In TIC	2.915086%
Average Coupon	2.350000%
Average Life (years)	1.242
Weighted Average Maturity (years)	1.242
Duration of Issue (years)	1.230
Par Amount	1,340,000.00
Bond Proceeds	1,340,000.00
Total Interest	39,100.08
Net Interest	42,248.07
Total Debt Service	1,379,100.08
Maximum Annual Debt Service	1,371,490.00
Average Annual Debt Service	1,110,684.63

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
2018 Taxable Refunding Series B	1,340,000.00	100.000	2.350%	1.242	160.80
	1,340,000.00			1.242	160.80

	TIC	All-In TIC	Arbitrage Yield
Par Value	1,340,000.00	1,340,000.00	1,340,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-3,147.99	-3,147.99	
- Cost of Issuance Expense		-5,992.27	
- Other Amounts			
Target Value	1,336,852.01	1,330,859.74	1,340,000.00
Target Date	04/04/2018	04/04/2018	04/04/2018
Yield	2.544925%	2.915086%	2.351401%

Note: Preliminary, subject to change.

**TRANSFERRED PROCEEDS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI)**

Date	Prior Principal Paid by Bond Proceeds	Prior Principal Value	Transfer Factor	Adjusted Difference	Adjusted Cascade Difference	Total Transfer Difference	PV of Diff. to 04/04/2018 @ 2.682184%
07/01/2018	74,863,565.37	75,815,000.00	98.745058%	392,259.41		392,259.41	-389,741.82
07/01/2019					634.32	634.32	-613.68
07/01/2020					395.71	395.71	-372.77
	74,863,565.37						-390,728.27

Note: Preliminary, subject to change.

**TRANSFERRED PROCEEDS**

**Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

**Prior Debt (PRI)**

Date

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**TRANSFERRED PROCEEDS PRINCIPAL DEFEASANCE****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI)**

Date	Escrow Requirement	Prior Principal Defeasance	Paid by PRIORDSF	Paid by Bond Proceeds	Other
07/01/2018	77,710,375.00	75,815,000.00	928,228.91	74,863,565.37	23,205.72
	77,710,375.00	75,815,000.00	928,228.91	74,863,565.37	23,205.72

Note: Preliminary, subject to change.

**TRANSFERRED ASSETS SUMMARY****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI)**

Date	Remaining % of Assets Subject to Transfer	Total Value of Assets Subject to Transfer
07/01/2018	100.000000%	8,934,483.84

Note: Preliminary, subject to change.

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/24/2008 Transfer (02 08)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ 4.481460% Yield	PV of Prior Escrow @ 2.682184% Refund Yield	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			5,221,550.83	5,480,564.85	259,014.02	98.745058%	98.745058%	98.745058%	255,763.54
12/27/2018	195,963.08	192,622.07							
06/27/2019	195,920.98	192,580.69							
12/26/2019	195,975.03	192,633.82							
06/25/2020	195,957.99	192,617.07							
12/31/2020	196,028.91	192,686.78							
07/01/2021	5,019,318.01	4,933,742.88							
	5,999,164.00	5,896,883.32							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).



**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/01/2014 Transfer (02 14)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ 4.481460% Yield	PV of Prior Escrow @ 2.682184% Refund Yield	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			22,664.86	23,789.15	1,124.29	98.745058%	98.745058%	98.745058%	1,110.18
12/27/2018	850.60	836.10							
06/27/2019	850.42	835.92							
12/26/2019	850.66	836.16							
06/25/2020	850.59	836.09							
12/31/2020	850.89	836.38							
07/01/2021	21,787.04	21,415.59							
	26,040.20	25,596.24							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/01/2015 Transfer (02 15)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ 4.481460% Yield	PV of Prior Escrow @ 2.682184% Refund Yield	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			24,973.15	26,211.94	1,238.79	98.745058%	98.745058%	98.745058%	1,223.24
12/27/2018	937.24	921.26							
06/27/2019	937.03	921.05							
12/26/2019	937.29	921.31							
06/25/2020	937.21	921.23							
12/31/2020	937.55	921.57							
07/01/2021	24,005.93	23,596.65							
	28,692.25	28,203.07							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 1/01/2016 Transfer (02 16)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.481460%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			26,952.15	28,289.11	1,336.96	98.745058%	98.745058%	98.745058%	1,320.18
12/27/2018	1,011.51	994.26							
06/27/2019	1,011.28	994.04							
12/26/2019	1,011.57	994.32							
06/25/2020	1,011.48	994.24							
12/31/2020	1,011.85	994.60							
07/01/2021	25,908.28	25,466.57							
	30,965.97	30,438.03							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/01/2017 Transfer (02 17)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.481460%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			49,843.53	52,316.01	2,472.48	98.745058%	98.745058%	98.745058%	2,441.45
12/27/2018	1,870.61	1,838.72							
06/27/2019	1,870.21	1,838.32							
12/26/2019	1,870.73	1,838.84							
06/25/2020	1,870.56	1,838.67							
12/31/2020	1,871.24	1,839.34							
07/01/2021	47,913.07	47,096.19							
	57,266.42	56,290.08							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/01/2018 Transfer (02 18)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.481460%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			10,833.45	11,370.84	537.39	98.745058%	98.745058%	98.745058%	530.65
12/27/2018	406.57	399.64							
06/27/2019	406.49	399.56							
12/26/2019	406.60	399.67							
06/25/2020	406.56	399.63							
12/31/2020	406.71	399.78							
07/01/2021	10,413.88	10,236.33							
	12,446.81	12,234.60							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

## TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series APrior Debt (PRI) - 7/01/2019 Transfer (02 19)

Date	Cascade Escrow Receipts	Cascade Escrow Receipts Subject to Transfer	PV of Cascade Escrow @ Escrow Yield of 4.481460%	PV of Cascade Escrow @ Refund Yield of 2.682184%	Cascade Difference	Cascade Transfer Factor	Cumulative Cascade Transfer Factor	Transfer Factor	Cumulative Transfer Factor	Required Cumulative Transfer Percent
07/01/2018			12,108.77	12,743.41	634.63			98.745058%	98.745058%	
07/01/2019			12,657.50	13,087.50	430.00	100.000000%	100.000000%		98.745058%	98.745058%
12/26/2019	489.41	481.07								
06/25/2020	489.37	481.03								
07/01/2020			12,257.57	12,471.95	214.38		100.000000%		98.745058%	98.745058%
12/31/2020	489.54	481.19								
07/01/2021	12,534.77	12,321.06								
	14,003.09	13,764.35								

TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A

Prior Debt (PRI) - 7/01/2019 Transfer (02 19)

Date	Percent of Cascade Escrow to Transfer	Adjusted Cascade Difference
07/01/2018		
07/01/2019	98.745058%	424.60
12/26/2019		
06/25/2020		
07/01/2020		
12/31/2020		
07/01/2021		

**TRANSFERRED ESCROWS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).



## TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series APrior Debt (PRI) - 7/01/2020 Transfer (02 20)

Date	Cascade Escrow Receipts	Cascade Escrow Receipts Subject to Transfer	PV of Cascade Escrow @ Escrow Yield of 4.481460%	PV of Cascade Escrow @ Refund Yield of 2.682184%	Cascade Difference	Cascade Transfer Factor	Cumulative Cascade Transfer Factor	Transfer Factor	Cumulative Transfer Factor	Required Cumulative Transfer Percent
07/01/2018			14,046.44	14,806.40	759.97			98.745058%	98.745058%	
07/01/2019			14,682.98	15,206.20	523.23				98.745058%	
07/01/2020			15,348.36	15,616.80	268.44	100.000000%	100.000000%		98.745058%	98.745058%
12/31/2020	612.99	602.54								
07/01/2021	15,695.45	15,427.86								
	16,308.44	16,030.39								

TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A

Prior Debt (PRI) - 7/01/2020 Transfer (02 20)

Date	Percent of Cascade Escrow to Transfer	Adjusted Cascade Difference
07/01/2018		
07/01/2019		
07/01/2020	98.745058%	265.07
12/31/2020		
07/01/2021		

**TRANSFERRED ESCROWS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/24/08 Transfer (85A Pays 85A DS) (03 08 1)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			497,837.93	516,889.26	19,051.33	98.745058%	98.745058%	98.745058%	18,812.25
12/27/2018	14,323.50	14,079.30							
06/27/2019	3,350.76	3,293.63							
12/26/2019	16,329.04	16,050.64							
06/25/2020	3,256.19	3,200.67							
12/31/2020	19,228.08	18,900.26							
07/01/2021	510,929.60	502,218.68							
	567,417.17	557,743.19							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/24/08 Transfer (85A Pays 86A DS) (03 08 2)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			694,200.43	718,970.32	24,769.89	98.745058%	98.745058%	98.745058%	24,459.05
12/27/2018	29,865.89	29,356.70							
06/27/2019	40,829.14	40,133.04							
12/26/2019	27,863.05	27,388.01							
06/25/2020	40,932.06	40,234.20							
12/31/2020	24,976.16	24,550.34							
07/01/2021	620,919.49	610,333.34							
	785,385.79	771,995.63							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/03 Transfer (86A Pays 85A DS) (03 03 1)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ 4.021930% Yield	PV of Prior Escrow @ 2.682184% Refund Yield	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			958,593.95	995,277.56	36,683.61	98.745058%	98.745058%	98.745058%	36,223.25
12/27/2018	27,580.11	27,109.89							
06/27/2019	6,451.94	6,341.94							
12/26/2019	31,441.80	30,905.74							
06/25/2020	6,269.84	6,162.94							
12/31/2020	37,023.94	36,392.71							
07/01/2021	983,802.12	967,029.12							
	1,092,569.75	1,073,942.36							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/14 Transfer (86A Pays 85A DS) (03 14 1)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			6,321.79	6,563.71	241.92	98.745058%	98.745058%	98.745058%	238.89
12/27/2018	181.89	178.79							
06/27/2019	42.55	41.82							
12/26/2019	207.35	203.81							
06/25/2020	41.35	40.65							
12/31/2020	244.17	240.01							
07/01/2021	6,488.03	6,377.41							
	7,205.34	7,082.50							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/15 Transfer (86A Pays 85A DS) (03 15 1)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			6,965.64	7,232.20	266.56	98.745058%	98.745058%	98.745058%	263.22
12/27/2018	200.41	196.99							
06/27/2019	46.88	46.08							
12/26/2019	228.47	224.57							
06/25/2020	45.56	44.78							
12/31/2020	269.04	264.45							
07/01/2021	7,148.82	7,026.94							
	7,939.18	7,803.82							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).



**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 01/1/16 Transfer (86A Pays 85A DS) (03 16 1)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			7,517.65	7,805.34	287.69	98.745058%	98.745058%	98.745058%	284.08
12/27/2018	216.29	212.60							
06/27/2019	50.60	49.74							
12/26/2019	246.58	242.38							
06/25/2020	49.17	48.33							
12/31/2020	290.36	285.41							
07/01/2021	7,715.34	7,583.80							
	8,568.34	8,422.26							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/17 Transfer (86A Pays 85A DS) (03 17 1)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ 4.021930% Yield	PV of Prior Escrow @ 2.682184% Refund Yield	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			13,902.74	14,434.78	532.03	98.745058%	98.745058%	98.745058%	525.36
12/27/2018	400.00	393.18							
06/27/2019	93.57	91.97							
12/26/2019	456.01	448.24							
06/25/2020	90.93	89.38							
12/31/2020	536.97	527.82							
07/01/2021	14,268.35	14,025.09							
	15,845.83	15,575.67							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/18 Transfer (86A Pays 85A DS) (03 18 1)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			3,021.76	3,137.40	115.64	98.745058%	98.745058%	98.745058%	114.19
12/27/2018	86.94	85.46							
06/27/2019	20.34	19.99							
12/26/2019	99.11	97.42							
06/25/2020	19.76	19.42							
12/31/2020	116.71	114.72							
07/01/2021	3,101.23	3,048.36							
	3,444.09	3,385.37							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

## TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series APrior Debt (PRI) - 7/01/2019 Transfer (86A Pays 85A DS) (03 19 1)

Date	Cascade Escrow Receipts	Cascade Escrow Receipts Subject to Transfer	PV of Cascade Escrow @ Escrow Yield of 4.021930%	PV of Cascade Escrow @ Refund Yield of 2.682184%	Cascade Difference	Cascade Transfer Factor	Cumulative Cascade Transfer Factor	Transfer Factor	Cumulative Transfer Factor	Required Cumulative Transfer Percent
07/01/2018			3,513.14	3,651.37	138.23			98.745058%	98.745058%	
07/01/2019			3,655.85	3,749.96	94.11	100.000000%	100.000000%		98.745058%	98.745058%
12/26/2019	119.30	117.27								
06/25/2020	23.79	23.38								
07/01/2020			3,661.28	3,708.94	47.66		100.000000%		98.745058%	98.745058%
12/31/2020	140.48	138.08								
07/01/2021	3,732.79	3,669.15								
	4,016.36	3,947.88								

TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A

Prior Debt (PRI) - 7/01/2019 Transfer (86A Pays 85A DS) (03 19 1)

Date	Percent of Cascade Escrow to Transfer	Adjusted Cascade Difference
07/01/2018		
07/01/2019	98.745058%	92.93
12/26/2019		
06/25/2020		
07/01/2020		
12/31/2020		
07/01/2021		

**TRANSFERRED ESCROWS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

## TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series APrior Debt (PRI) - 7/01/2020 Transfer (86A Pays 85A DS) (03 20 1)

Date	Cascade Escrow Receipts	Cascade Escrow Receipts Subject to Transfer	PV of Cascade Escrow @ Escrow Yield of 4.021930%	PV of Cascade Escrow @ Refund Yield of 2.682184%	Cascade Difference	Cascade Transfer Factor	Cumulative Cascade Transfer Factor	Transfer Factor	Cumulative Transfer Factor	Required Cumulative Transfer Percent
07/01/2018			4,233.51	4,403.15	169.63			98.745058%	98.745058%	
07/01/2019			4,405.49	4,522.04	116.54				98.745058%	
07/01/2020			4,584.46	4,644.14	59.68	100.000000%	100.000000%		98.745058%	98.745058%
12/31/2020	175.90	172.90								
07/01/2021	4,674.01	4,594.32								
	4,849.91	4,767.22								

TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A

Prior Debt (PRI) - 7/01/2020 Transfer (86A Pays 85A DS) (03 20 1)

Date	Percent of Cascade Escrow to Transfer	Adjusted Cascade Difference
07/01/2018		
07/01/2019		
07/01/2020	98.745058%	58.93
12/31/2020		
07/01/2021		



**TRANSFERRED ESCROWS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/03 Transfer (86A Pays 86A DS) (03 03 2)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ 4.021930% Yield	PV of Prior Escrow @ 2.682184% Refund Yield	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			1,336,692.68	1,384,387.46	47,694.78	98.745058%	98.745058%	98.745058%	47,096.23
12/27/2018	57,507.20	56,526.75							
06/27/2019	78,617.09	77,276.74							
12/26/2019	53,650.69	52,735.99							
06/25/2020	78,815.26	77,471.53							
12/31/2020	48,091.95	47,272.02							
07/01/2021	1,195,589.18	1,175,205.39							
	1,512,271.37	1,486,488.42							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/14 Transfer (86A Pays 86A DS) (03 14 2)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			8,815.30	9,129.84	314.54	98.745058%	98.745058%	98.745058%	310.59
12/27/2018	379.25	372.78							
06/27/2019	518.47	509.63							
12/26/2019	353.82	347.79							
06/25/2020	519.78	510.92							
12/31/2020	317.16	311.75							
07/01/2021	7,884.74	7,750.31							
	9,973.22	9,803.19							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/15 Transfer (86A Pays 86A DS) (03 15 2)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			9,713.09	10,059.67	346.57	98.745058%	98.745058%	98.745058%	342.23
12/27/2018	417.88	410.76							
06/27/2019	571.27	561.53							
12/26/2019	389.85	383.20							
06/25/2020	572.71	562.95							
12/31/2020	349.46	343.50							
07/01/2021	8,687.77	8,539.65							
	10,988.94	10,801.59							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/16 Transfer (86A Pays 86A DS) (03 16 2)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ 4.021930% Yield	PV of Prior Escrow @ 2.682184% Refund Yield	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			10,482.83	10,856.87	374.04	98.745058%	98.745058%	98.745058%	369.35
12/27/2018	450.99	443.30							
06/27/2019	616.54	606.03							
12/26/2019	420.75	413.58							
06/25/2020	618.10	607.56							
12/31/2020	377.15	370.72							
07/01/2021	9,376.25	9,216.39							
	11,859.78	11,657.58							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/17 Transfer (86A Pays 86A DS) (03 17 2)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			19,386.42	20,078.15	691.73	98.745058%	98.745058%	98.745058%	683.05
12/27/2018	834.04	819.82							
06/27/2019	1,140.21	1,120.77							
12/26/2019	778.11	764.84							
06/25/2020	1,143.08	1,123.59							
12/31/2020	697.49	685.60							
07/01/2021	17,339.96	17,044.33							
	21,932.89	21,558.95							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 07/1/18 Transfer (86A Pays 86A DS) (03 18 2)**

Date	Prior Escrow Receipts	Prior Escrow Receipts Subject to Transfer	PV of Prior Escrow @ Escrow Yield of 4.021930%	PV of Prior Escrow @ Refund Yield of 2.682184%	Difference	Transfer Factor	Cumulative Transfer Factor	Percent of Escrow to Transfer	Adjusted Difference
07/01/2018			4,213.64	4,363.98	150.35	98.745058%	98.745058%	98.745058%	148.46
12/27/2018	181.28	178.19							
06/27/2019	247.82	243.59							
12/26/2019	169.12	166.24							
06/25/2020	248.45	244.21							
12/31/2020	151.60	149.02							
07/01/2021	3,768.84	3,704.58							
	4,767.11	4,685.83							

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

## TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series APrior Debt (PRI) - 7/01/2019 Transfer (86A Pays 85A DS) (03 19 2)

Date	Cascade Escrow Receipts	Cascade Escrow Receipts Subject to Transfer	PV of Cascade Escrow @ Escrow Yield of 4.021930%	PV of Cascade Escrow @ Refund Yield of 2.682184%	Cascade Difference	Cascade Transfer Factor	Cumulative Cascade Transfer Factor	Transfer Factor	Cumulative Transfer Factor	Required Cumulative Transfer Percent
07/01/2018			4,579.50	4,755.41	175.91			98.745058%	98.745058%	
07/01/2019			4,765.54	4,883.82	118.28	100.000000%	100.000000%		98.745058%	98.745058%
12/26/2019	203.56	200.09								
06/25/2020	299.04	293.94								
07/01/2020			4,460.77	4,518.77	58.00		100.000000%		98.745058%	98.745058%
12/31/2020	182.47	179.36								
07/01/2021	4,536.36	4,459.02								
	5,221.43	5,132.41								



**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/01/2019 Transfer (86A Pays 85A DS) (03 19 2)**

Date	Percent of Cascade Escrow to Transfer	Adjusted Cascade Difference
07/01/2018		
07/01/2019	98.745058%	116.79
12/26/2019		
06/25/2020		
07/01/2020		
12/31/2020		
07/01/2021		

**TRANSFERRED ESCROWS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

## TRANSFERRED ESCROWS

Northern California Power Agency  
NCPA Hydro 2018 Refunding Series APrior Debt (PRI) - 7/01/2020 Transfer (86A Pays 86A DS) (03 20 2)

Date	Cascade Escrow Receipts	Cascade Escrow Receipts Subject to Transfer	PV of Cascade Escrow @ Escrow Yield of 4.021930%	PV of Cascade Escrow @ Refund Yield of 2.682184%	Cascade Difference	Cascade Transfer Factor	Cumulative Cascade Transfer Factor	Transfer Factor	Cumulative Transfer Factor	Required Cumulative Transfer Percent
07/01/2018			5,157.97	5,364.56	206.59			98.745058%	98.745058%	
07/01/2019			5,367.50	5,509.41	141.91				98.745058%	
07/01/2020			5,585.55	5,658.17	72.62	100.000000%	100.000000%		98.745058%	98.745058%
12/31/2020	228.48	224.58								
07/01/2021	5,680.20	5,583.36								
	5,908.68	5,807.94								

**TRANSFERRED ESCROWS****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A****Prior Debt (PRI) - 7/01/2020 Transfer (86A Pays 86A DS) (03 20 2)**

Date	Percent of Cascade Escrow to Transfer	Adjusted Cascade Difference
07/01/2018		
07/01/2019		
07/01/2020	98.745058%	71.71
12/31/2020		
07/01/2021		

**TRANSFERRED ESCROWS**

**Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

**Notes:**

Preliminary, subject to change.

Prior escrow receipts have been adjusted by a factor of 98.295084% (76,909,003.74 / 78,242,980.48).

**COST OF ISSUANCE****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

Cost of Issuance	\$/1000	Amount
Bond & Disclosure Counsel (Orrick)	1.70904	117,709.89
PFM	1.06815	73,568.68
Moody's	0.76195	52,478.99
Fitch	0.49847	34,332.05
Verification Agent - Grant Thornton	0.07121	4,904.58
Trustee - US Bancorp	0.13530	9,318.70
Trustee Counsel - Anderson Aquino	0.12818	8,828.24
Printing - ImageMaster	0.02834	1,952.02
Contingency	0.07121	4,904.58
	4.47184	307,997.73

Note: Preliminary, subject to change.

**COST OF ISSUANCE****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

Cost of Issuance	\$/1000	Amount
Bond & Disclosure Counsel (Orrick)	1.70904	2,290.11
PFM	1.06815	1,431.32
Moody's	0.76195	1,021.01
Fitch	0.49847	667.95
Verification Agent - Grant Thornton	0.07121	95.42
Trustee - US Bancorp	0.13530	181.30
Trustee Counsel - Anderson Aquino	0.12818	171.76
Printing - ImageMaster	0.02834	37.98
Contingency	0.07121	95.42
	4.47184	5,992.27

Note: Preliminary, subject to change.

**AVERAGE TAKEDOWN****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

Dated Date 04/04/2018  
Delivery Date 04/04/2018

Bond Component	Maturity Date	Par Amount	Takedown \$/Bond	Takedown Amount
2018 Refunding Series A:				
	07/01/2019	8,885,000	1.5000	13,327.50
	07/01/2020	10,730,000	1.5000	16,095.00
	07/01/2021	11,310,000	1.5000	16,965.00
	07/01/2022	11,850,000	1.5000	17,775.00
	07/01/2023	11,855,000	1.5000	17,782.50
	07/01/2024	14,245,000	1.5000	21,367.50
		68,875,000	1.5000	103,312.50

Note: Preliminary, subject to change.



**AVERAGE TAKEDOWN****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

Dated Date 04/04/2018  
 Delivery Date 04/04/2018

Bond Component	Maturity Date	Par Amount	Takedown \$/Bond	Takedown Amount
<hr/>				
2018 Taxable Refunding Series B:	07/01/2019	1,340,000	1.5000	2,010
<hr/>				
		1,340,000	1.5000	2,010
<hr/>				

Note: Preliminary, subject to change.

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**UNDERWRITER'S DISCOUNT****Northern California Power Agency  
NCPA Hydro 2018 Refunding Series A**

Underwriter's Discount	\$/1000	Amount
Average Takedown	1.50000	103,312.50
Underwriter's Counsel	0.53407	36,784.34
CDIAC	0.07121	4,904.58
DAC	0.03560	2,452.29
DTC	0.01139	784.73
Day Loan	0.01549	1,066.79
Travel / Out-of-Pocket	0.07121	4,904.58
CUSIP	0.00985	678.30
IPREO	0.10041	6,915.91
	2.34924	161,804.02

Note: Preliminary, subject to change.

**UNDERWRITER'S DISCOUNT****Northern California Power Agency  
NCPA Hydro 2018 Taxable Refunding Series B**

Underwriter's Discount	\$/1000	Amount
Average Takedown	1.50000	2,010.00
Underwriter's Counsel	0.53407	715.66
CDIAC	0.07121	95.42
DAC	0.03560	47.71
DTC	0.01140	15.27
Day Loan	0.01549	20.76
Travel / Out-of-Pocket	0.07121	95.42
CUSIP	0.00985	13.20
IPREO	0.10041	134.55
	2.34925	3,147.99

Note: Preliminary, subject to change.

**Northern California Power Agency — Hydroelectric Project Number 1**  
**Unamortized Swap Termination Payment**  
**2002A Fixed Payer Swap (Salomon Brothers/Citi)**

Original 2002A Fixed Payer Swap			2002A FXP Swap Termination Payment — \$3,827,000					Unamortized Portion of Swap Termination for 2002A FXP						
	Citi	Citi		Citi	Citi	Fixed Payment @	Nominal	PV of Citi		Citi	Citi	Fixed Payment @	Nominal	PV of Citi
Date	Notional	Fixed Payment @ 4.071%	Date	Notional Amount	Fixed Payment @ 4.071%	Termination Rate of 3.012%	Cashflow Difference	Nominal Diff. @ 3.012%	Date	Notional Amount	Fixed Payment @ 4.071%	Termination Rate of 3.012%	Cashflow Difference	Nominal Diff @ 3.012%
							Total	3,827,000						
							Diff. from Termination Payment	-						
4/18/2002	43,310,000													
7/1/2002	43,310,000	357,528												
1/1/2003	43,310,000	881,575												
7/1/2003	43,310,000	881,575												
1/1/2004	43,310,000	881,575												
7/1/2004	43,310,000	881,575												
1/1/2005	43,310,000	881,575												
7/1/2005	43,310,000	881,575												
1/1/2006	43,310,000	881,575												
7/1/2006	43,310,000	881,575												
1/1/2007	43,310,000	881,575												
7/1/2007	43,310,000	881,575												
1/1/2008	43,310,000	881,575												
7/1/2008	43,310,000	881,575	7/9/2008											
1/1/2009	43,310,000	881,575	1/1/2009	43,310,000	842,394	623,343	219,051	215,944						
7/1/2009	43,310,000	881,575	7/1/2009	43,310,000	881,575	652,335	229,240	222,635						
1/1/2010	43,310,000	881,575	1/1/2010	43,310,000	881,575	652,335	229,240	219,331						
7/1/2010	43,310,000	881,575	7/1/2010	43,310,000	881,575	652,335	229,240	216,077						
1/1/2011	39,430,000	802,598	1/1/2011	39,430,000	802,598	593,895	208,703	193,800						
7/1/2011	39,430,000	802,598	7/1/2011	39,430,000	802,598	593,895	208,703	190,925						
1/1/2012	35,065,000	713,748	1/1/2012	35,065,000	713,748	528,149	185,599	167,269						
7/1/2012	35,065,000	713,748	7/1/2012	35,065,000	713,748	528,149	185,599	164,787						
1/1/2013	30,510,000	621,031	1/1/2013	30,510,000	621,031	459,542	161,489	141,254						
7/1/2013	30,510,000	621,031	7/1/2013	30,510,000	621,031	459,542	161,489	139,158						
1/1/2014	30,510,000	621,031	1/1/2014	30,510,000	621,031	459,542	161,489	137,093						
7/1/2014	30,510,000	621,031	7/1/2014	30,510,000	621,031	459,542	161,489	135,058						
1/1/2015	30,510,000	621,031	1/1/2015	30,510,000	621,031	459,542	161,489	133,054						
7/1/2015	30,510,000	621,031	7/1/2015	30,510,000	621,031	459,542	161,489	131,080						
1/1/2016	30,510,000	621,031	1/1/2016	30,510,000	621,031	459,542	161,489	129,135						
7/1/2016	30,510,000	621,031	7/1/2016	30,510,000	621,031	459,542	161,489	127,219						
1/1/2017	30,510,000	621,031	1/1/2017	30,510,000	621,031	459,542	161,489	125,331						
7/1/2017	30,510,000	621,031	7/1/2017	30,510,000	621,031	459,542	161,489	123,471						
1/1/2018	30,510,000	621,031	1/1/2018	30,510,000	621,031	459,542	161,489	121,639	4/4/2018					
7/1/2018	30,510,000	621,031	7/1/2018	30,510,000	621,031	459,542	161,489	119,834	7/1/2018	30,510,000	300,165	222,112	78,053	77,491
1/1/2019	30,510,000	621,031	1/1/2019	30,510,000	621,031	459,542	161,489	118,056	1/1/2019	30,510,000	621,031	459,542	161,489	157,948
7/1/2019	30,510,000	621,031	7/1/2019	30,510,000	621,031	459,542	161,489	116,304	7/1/2019	30,510,000	621,031	459,542	161,489	155,604
1/1/2020	24,620,000	501,140	1/1/2020	24,620,000	501,140	370,826	130,314	92,459	1/1/2020	24,620,000	501,140	370,826	130,314	123,701
7/1/2020	24,620,000	501,140	7/1/2020	24,620,000	501,140	370,826	130,314	91,087	7/1/2020	24,620,000	501,140	370,826	130,314	121,866
1/1/2021	18,470,000	375,957	1/1/2021	18,470,000	375,957	278,195	97,762	67,320	1/1/2021	18,470,000	375,957	278,195	97,762	90,067
7/1/2021	18,470,000	375,957	7/1/2021	18,470,000	375,957	278,195	97,762	66,321	7/1/2021	18,470,000	375,957	278,195	97,762	88,731
1/1/2022	12,055,000	245,380	1/1/2022	12,055,000	245,380	181,572	63,807	42,644	1/1/2022	12,055,000	245,380	181,572	63,807	57,054
7/1/2022	12,055,000	245,380	7/1/2022	12,055,000	245,380	181,572	63,807	42,011	7/1/2022	12,055,000	245,380	181,572	63,807	56,207
1/1/2023	5,385,000	109,612	1/1/2023	5,385,000	109,612	81,109	28,503	18,488	1/1/2023	5,385,000	109,612	81,109	28,503	24,735
7/1/2023	5,385,000	109,612	7/1/2023	5,385,000	109,612	81,109	28,503	18,214	7/1/2023	5,385,000	109,612	81,109	28,503	24,368
1/1/2024	-	-	1/1/2024	-	-	-	-	-	1/1/2024	-	-	-	-	-
7/1/2024	-	-	7/1/2024	-	-	-	-	-	7/1/2024	-	-	-	-	-
27,414,928			Total		17,678,422	13,081,425	4,596,997	3,827,000			4,006,403	2,964,601	1,041,802	977,772

**Northern California Power Agency — Hydroelectric Project Number 1**  
**Unamortized Swap Termination Payment**  
**2002B Fixed Payer Swap (UBS)**

*Original 2002B Fixed Payer Swap*

**2002B FXP Swap Termination Payment — \$3,835,000**

*Unamortized Portion of Swap Termination for 2002B FXP*

Date	UBS Notional	UBS Fixed Payment @ 4.071%	Date	UBS Notional Amount	UBS Fixed Payment @ 4.071%	UBS Fixed Payment @ Termination Rate of 3.010%	Nominal Cashflow Difference	PV of UBS Nominal Diff. @ 3.010%	Date	UBS Notional Amount	UBS Fixed Payment @ 4.071%	UBS Fixed Payment @ Termination Rate of 3.010%	Nominal Cashflow Difference	PV of UBS Nominal Diff. @ 3.010%
Total							3,835,000							
Diff. from Termination Payment							-							
4/18/2002	43,310,000													
7/1/2002	43,310,000	357,528												
1/1/2003	43,310,000	881,575												
7/1/2003	43,310,000	881,575												
1/1/2004	43,310,000	881,575												
7/1/2004	43,310,000	881,575												
1/1/2005	43,310,000	881,575												
7/1/2005	43,310,000	881,575												
1/1/2006	43,310,000	881,575												
7/1/2006	43,310,000	881,575												
1/1/2007	43,310,000	881,575												
7/1/2007	43,310,000	881,575												
1/1/2008	43,310,000	881,575												
7/1/2008	43,310,000	881,575	7/9/2008											
1/1/2009	43,310,000	881,575	1/1/2009	43,310,000	842,394	622,911	219,483	216,372						
7/1/2009	43,310,000	881,575	7/1/2009	43,310,000	881,575	651,884	229,691	223,078						
1/1/2010	43,310,000	881,575	1/1/2010	43,310,000	881,575	651,884	229,691	219,770						
7/1/2010	43,310,000	881,575	7/1/2010	43,310,000	881,575	651,884	229,691	216,511						
1/1/2011	39,430,000	802,598	1/1/2011	39,430,000	802,598	593,484	209,114	194,192						
7/1/2011	39,430,000	802,598	7/1/2011	39,430,000	802,598	593,484	209,114	191,312						
1/1/2012	35,065,000	713,748	1/1/2012	35,065,000	713,748	527,784	185,964	167,611						
7/1/2012	35,065,000	713,748	7/1/2012	35,065,000	713,748	527,784	185,964	165,125						
1/1/2013	30,510,000	621,031	1/1/2013	30,510,000	621,031	459,224	161,807	141,545						
7/1/2013	30,510,000	621,031	7/1/2013	30,510,000	621,031	459,224	161,807	139,446						
1/1/2014	30,510,000	621,031	1/1/2014	30,510,000	621,031	459,224	161,807	137,378						
7/1/2014	30,510,000	621,031	7/1/2014	30,510,000	621,031	459,224	161,807	135,341						
1/1/2015	30,510,000	621,031	1/1/2015	30,510,000	621,031	459,224	161,807	133,334						
7/1/2015	30,510,000	621,031	7/1/2015	30,510,000	621,031	459,224	161,807	131,357						
1/1/2016	30,510,000	621,031	1/1/2016	30,510,000	621,031	459,224	161,807	129,409						
7/1/2016	30,510,000	621,031	7/1/2016	30,510,000	621,031	459,224	161,807	127,490						
1/1/2017	30,510,000	621,031	1/1/2017	30,510,000	621,031	459,224	161,807	125,600						
7/1/2017	30,510,000	621,031	7/1/2017	30,510,000	621,031	459,224	161,807	123,737						
1/1/2018	30,510,000	621,031	1/1/2018	30,510,000	621,031	459,224	161,807	121,902	4/4/2018					
7/1/2018	30,510,000	621,031	7/1/2018	30,510,000	621,031	459,224	161,807	120,095	7/1/2018	30,510,000	300,165	221,958	78,207	77,644
1/1/2019	30,510,000	621,031	1/1/2019	30,510,000	621,031	459,224	161,807	118,314	1/1/2019	30,510,000	621,031	459,224	161,807	158,261
7/1/2019	30,510,000	621,031	7/1/2019	30,510,000	621,031	459,224	161,807	116,560	7/1/2019	30,510,000	621,031	459,224	161,807	155,914
1/1/2020	24,620,000	501,140	1/1/2020	24,620,000	501,140	370,570	130,570	92,663	1/1/2020	24,620,000	501,140	370,570	130,570	123,949
7/1/2020	24,620,000	501,140	7/1/2020	24,620,000	501,140	370,570	130,570	91,289	7/1/2020	24,620,000	501,140	370,570	130,570	122,111
1/1/2021	18,470,000	375,957	1/1/2021	18,470,000	375,957	278,003	97,954	67,470	1/1/2021	18,470,000	375,957	278,003	97,954	90,250
7/1/2021	18,470,000	375,957	7/1/2021	18,470,000	375,957	278,003	97,954	66,469	7/1/2021	18,470,000	375,957	278,003	97,954	88,912
1/1/2022	12,055,000	245,380	1/1/2022	12,055,000	245,380	181,447	63,933	42,740	1/1/2022	12,055,000	245,380	181,447	63,933	57,170
7/1/2022	12,055,000	245,380	7/1/2022	12,055,000	245,380	181,447	63,933	42,106	7/1/2022	12,055,000	245,380	181,447	63,933	56,323
1/1/2023	5,385,000	109,612	1/1/2023	5,385,000	109,612	81,053	28,559	18,530	1/1/2023	5,385,000	109,612	81,053	28,559	24,786
7/1/2023	5,385,000	109,612	7/1/2023	5,385,000	109,612	81,053	28,559	18,255	7/1/2023	5,385,000	109,612	81,053	28,559	24,419
1/1/2024	-	-	1/1/2024	-	-	-	-	-	1/1/2024	-	-	-	-	-
7/1/2024	-	-	7/1/2024	-	-	-	-	-	7/1/2024	-	-	-	-	-
27,414,928			<b>Total</b>		17,678,422	13,072,374	4,606,048	<b>3,835,000</b>			4,006,403	2,962,550	1,043,854	979,740

**Northern California Power Agency — Hydroelectric Project Number 1**  
**Unamortized Swap Termination Payment**  
**2003A Fixed Payer Swap (Bank One/JPM)**

Original 2003A Fixed Payer Swap			2003A FXP Swap Termination Payment — \$1,893,000					Unamortized Portion of Swap Termination for 2003A FXP									
	Bank One	Bank One		Bank One	Bank One	Fixed Payment @	Nominal	PV of Bank One		Bank One	Bank One	Fixed Payment @	Nominal	PV of Bank One			
Date	Notional	Fixed Payment @ 3.418%	Date	Notional Amount	Fixed Payment @ 3.418%	Termination Rate of 2.961%	Cashflow Difference	Nominal Diff. @ 2.961%	Date	Notional Amount	Fixed Payment @ 3.418%	Termination Rate of 2.961%	Cashflow Difference	Nominal Diff. @ 2.961%			
							Total	1,893,000									
							Diff. from Termination Payment	-									
4/2/2003																	
7/1/2003	49,130,000	173,808,427															
1/1/2004	49,130,000	839,632															
7/1/2004	49,130,000	839,632															
1/1/2005	49,130,000	839,632															
7/1/2005	49,130,000	839,632															
1/1/2006	49,130,000	839,632															
7/1/2006	49,130,000	839,632															
1/1/2007	49,130,000	839,632															
7/1/2007	49,130,000	839,632															
1/1/2008	49,130,000	839,632															
7/1/2008	49,130,000	839,632	7/9/2008														
1/1/2009	49,130,000	839,632	1/1/2009	49,130,000	802,315	695,074	107,241	105,746									
7/1/2009	49,130,000	839,632	7/1/2009	49,130,000	839,632	727,403	112,229	109,049									
1/1/2010	49,130,000	839,632	1/1/2010	49,130,000	839,632	727,403	112,229	107,458									
7/1/2010	49,130,000	839,632	7/1/2010	49,130,000	839,632	727,403	112,229	105,891									
1/1/2011	49,130,000	839,632	1/1/2011	49,130,000	839,632	727,403	112,229	104,346									
7/1/2011	49,130,000	839,632	7/1/2011	49,130,000	839,632	727,403	112,229	102,823									
1/1/2012	49,130,000	839,632	1/1/2012	49,130,000	839,632	727,403	112,229	101,323									
7/1/2012	49,130,000	839,632	7/1/2012	49,130,000	839,632	727,403	112,229	99,845									
1/1/2013	49,130,000	839,632	1/1/2013	49,130,000	839,632	727,403	112,229	98,388									
7/1/2013	49,130,000	839,632	7/1/2013	49,130,000	839,632	727,403	112,229	96,953									
1/1/2014	49,130,000	839,632	1/1/2014	49,130,000	839,632	727,403	112,229	95,538									
7/1/2014	49,130,000	839,632	7/1/2014	49,130,000	839,632	727,403	112,229	94,144									
1/1/2015	38,750,000	662,238	1/1/2015	38,750,000	662,238	573,720	88,518	73,171									
7/1/2015	38,750,000	662,238	7/1/2015	38,750,000	662,238	573,720	88,518	72,103									
1/1/2016	28,000,000	478,520	1/1/2016	28,000,000	478,520	414,559	63,961	51,340									
7/1/2016	28,000,000	478,520	7/1/2016	28,000,000	478,520	414,559	63,961	50,591									
1/1/2017	16,875,000	288,394	1/1/2017	16,875,000	288,394	249,846	38,548	30,045									
7/1/2017	16,875,000	288,394	7/1/2017	16,875,000	288,394	249,846	38,548	29,607									
1/1/2018	16,875,000	288,394	1/1/2018	16,875,000	288,394	249,846	38,548	29,175	4/4/2018								
7/1/2018	16,875,000	288,394	7/1/2018	16,875,000	288,394	249,846	38,548	28,749	7/1/2018	16,875,000	139,390	120,759	18,632	18,500			
1/1/2019	16,875,000	288,394	1/1/2019	16,875,000	288,394	249,846	38,548	28,330	1/1/2019	16,875,000	288,394	249,846	38,548	37,717			
7/1/2019	16,875,000	288,394	7/1/2019	16,875,000	288,394	249,846	38,548	27,917	7/1/2019	16,875,000	288,394	249,846	38,548	37,167			
1/1/2020	16,875,000	288,394	1/1/2020	16,875,000	288,394	249,846	38,548	27,509	1/1/2020	16,875,000	288,394	249,846	38,548	36,624			
7/1/2020	16,875,000	288,394	7/1/2020	16,875,000	288,394	249,846	38,548	27,108	7/1/2020	16,875,000	288,394	249,846	38,548	36,090			
1/1/2021	16,875,000	288,394	1/1/2021	16,875,000	288,394	249,846	38,548	26,712	1/1/2021	16,875,000	288,394	249,846	38,548	35,563			
7/1/2021	16,875,000	288,394	7/1/2021	16,875,000	288,394	249,846	38,548	26,323	7/1/2021	16,875,000	288,394	249,846	38,548	35,045			
1/1/2022	16,875,000	288,394	1/1/2022	16,875,000	288,394	249,846	38,548	25,939	1/1/2022	16,875,000	288,394	249,846	38,548	34,533			
7/1/2022	16,875,000	288,394	7/1/2022	16,875,000	288,394	249,846	38,548	25,560	7/1/2022	16,875,000	288,394	249,846	38,548	34,029			
1/1/2023	16,875,000	288,394	1/1/2023	16,875,000	288,394	249,846	38,548	25,187	1/1/2023	16,875,000	288,394	249,846	38,548	33,533			
7/1/2023	16,875,000	288,394	7/1/2023	16,875,000	288,394	249,846	38,548	24,820	7/1/2023	16,875,000	288,394	249,846	38,548	33,044			
1/1/2024	14,355,000	245,327	1/1/2024	14,355,000	245,327	212,535	32,792	20,805	1/1/2024	14,355,000	245,327	212,535	32,792	27,699			
7/1/2024	14,355,000	245,327	7/1/2024	14,355,000	245,327	212,535	32,792	20,502	7/1/2024	14,355,000	245,327	212,535	32,792	27,295			
199,090,005			Total					16,847,945	14,595,969	2,251,976	1,893,000	3,513,982			3,044,286	469,695	426,838

**Northern California Power Agency — Hydroelectric Project Number 1**  
**Unamortized Swap Termination Payment**  
**Aribtrage Adjustment Calculation**

*Combined Cashflows of 2002A FXP, 2002B FXP, 2003A FXP*

Date	2002A FXP (Salomon Brothers/Citi)					2002B FXP (UBS)					2003A FXP (Bank One/JPM)				
	Citi	Citi	Fixed Payment @	Nominal	PV of Citi	UBS	UBS	Fixed Payment @	Nominal	PV of UBS	Bank One	Bank One	Fixed Payment @	Nominal	PV of Bank One
	Notional	Fixed Payment @	Termination Rate of	Cashflow	Nominal Diff @	Notional	Fixed Payment @	Termination Rate of	Cashflow	Nominal Diff @	Notional	Fixed Payment @	Termination Rate of	Cashflow	Nominal Diff @
	Amount	4.071%	3.012%	Difference	3.012%	Amount	4.071%	3.010%	Difference	3.010%	Amount	3.418%	2.961%	Difference	2.961%
4/4/2018															
7/1/2018	30,510,000	300,165	222,112	78,053	77,491	30,510,000	300,165	221,958	78,207	77,644	16,875,000	139,390	120,759	18,632	18,500
1/1/2019	30,510,000	621,031	459,542	161,489	157,948	30,510,000	621,031	459,224	161,807	158,261	16,875,000	288,394	249,846	38,548	37,717
7/1/2019	30,510,000	621,031	459,542	161,489	155,604	30,510,000	621,031	459,224	161,807	155,914	16,875,000	288,394	249,846	38,548	37,167
1/1/2020	24,620,000	501,140	370,826	130,314	123,701	24,620,000	501,140	370,570	130,570	123,949	16,875,000	288,394	249,846	38,548	36,624
7/1/2020	24,620,000	501,140	370,826	130,314	121,866	24,620,000	501,140	370,570	130,570	122,111	16,875,000	288,394	249,846	38,548	36,090
1/1/2021	18,470,000	375,957	278,195	97,762	90,067	18,470,000	375,957	278,003	97,954	90,250	16,875,000	288,394	249,846	38,548	35,563
7/1/2021	18,470,000	375,957	278,195	97,762	88,731	18,470,000	375,957	278,003	97,954	88,912	16,875,000	288,394	249,846	38,548	35,045
1/1/2022	12,055,000	245,380	181,572	63,807	57,054	12,055,000	245,380	181,447	63,933	57,170	16,875,000	288,394	249,846	38,548	34,533
7/1/2022	12,055,000	245,380	181,572	63,807	56,207	12,055,000	245,380	181,447	63,933	56,323	16,875,000	288,394	249,846	38,548	34,029
1/1/2023	5,385,000	109,612	81,109	28,503	24,735	5,385,000	109,612	81,053	28,559	24,786	16,875,000	288,394	249,846	38,548	33,533
7/1/2023	5,385,000	109,612	81,109	28,503	24,368	5,385,000	109,612	81,053	28,559	24,419	16,875,000	288,394	249,846	38,548	33,044
1/1/2024	-	-	-	-	-	-	-	-	-	-	14,355,000	245,327	212,535	32,792	27,699
7/1/2024	-	-	-	-	-	-	-	-	-	-	14,355,000	245,327	212,535	32,792	27,295
<b>Total</b>		4,006,403	2,964,601	1,041,802	<b>977,772</b>		4,006,403	2,962,550	1,043,854	<b>979,740</b>		3,513,982	3,044,286	469,695	<b>426,838</b>

Sum of Unamortized Termination Payments

**\$2,384,351**

## **EXHIBIT C**

### **ISSUER'S TAX PROCEDURES**

#### **Northern California Power Agency's Post-Issuance Tax Compliance Procedures For Tax-Exempt Bonds**

The purpose of these Post-Issuance Tax Compliance Procedures is to establish policies and procedures in connection with tax-exempt bonds ("Bonds") issued by the Northern California Power Agency (the "Agency") so as to ensure that the Agency complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the Bonds.

#### **GENERAL**

Ultimate responsibility for all matters relating to the Agency's financings and re-financings rests with the Agency's Chief Financial Officer (the "CFO").

#### **POST-ISSUANCE COMPLIANCE REQUIREMENTS**

##### **External Advisors / Documentation**

The CFO and other appropriate Agency personnel shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented in an Agency resolution(s), Tax Certificate(s) and / or other documents finalized at or before issuance of the Bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds.

The CFO and other appropriate Agency personnel also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of Bond-financed assets and future contracts with respect to the use of output or throughput of Bond-financed assets.

Whenever necessary or appropriate, the Agency shall engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds.



## **Role of the Agency as Bond Issuer**

Unless otherwise provided by Agency resolutions, unexpended Bond proceeds shall be held by the Agency, and the investment of Bond proceeds shall be managed by the CFO or his or her appointee. The CFO or appointee shall maintain records and shall prepare regular, periodic statements to the Agency regarding the investments and transactions involving Bond proceeds.

If a Agency resolution provides for Bond proceeds to be administered by a trustee, the trustee shall provide regular, periodic (monthly) statements regarding the investments and transactions involving Bond proceeds.

## **Arbitrage Rebate and Yield**

Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to an issue of Bonds:

- the Agency shall engage the services of a Rebate Service Provider, and the Agency or the Bond trustee shall deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider on a prompt basis;
- upon request, the CFO and other appropriate Agency personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- the CFO and other appropriate Agency personnel shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed; and
- during the construction period of each capital project financed in whole or in part by Bonds, the CFO and other appropriate Agency personnel shall monitor the investment and expenditure of Bond proceeds and shall consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds.

The Agency shall retain copies of all arbitrage reports and trustee statements as described below under “Record Keeping Requirements”.

## **Use of Bond Proceeds**

The CFO and other appropriate Agency personnel shall:

- monitor the use of Bond proceeds, the use of Bond-financed assets (e.g., facilities, furnishings or equipment) and the use of output or throughput of Bond-financed assets throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and restrictions set forth in applicable Agency resolutions and Tax Certificates;
- maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds;
- consult with Bond Counsel and other professional expert advisers in the review of any contracts or arrangements involving use of Bond-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable Agency resolutions and Tax Certificates;
- maintain records for any contracts or arrangements involving the use of Bond-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable Agency resolutions and Tax Certificates;
- meet at least annually with personnel responsible for Bond-financed assets to identify and discuss any existing or planned use of Bond-financed assets or output or throughput of Bond-financed assets, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable Agency resolutions and Tax Certificates.

All relevant records and contracts shall be maintained as described below.

## **RECORD KEEPING REQUIREMENTS**

Unless otherwise specified in applicable Agency resolutions or Tax Certificates, the Agency shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the Agency at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds;
- a copy of all contracts and arrangements involving private use of Bond-financed assets or for the private use of output or throughput of Bond-financed assets; and

- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF ASSISTANT GENERAL MANAGER OF THE AGENCY  
REQUIRED BY PARAGRAPH 5(E)(2) OF THE CONTRACT OF PURCHASE**

I, Monty Hanks, Assistant General Manager, Finance and Administrative Services and Chief Financial Officer of the Northern California Power Agency (the “Agency”), HEREBY CERTIFY as follows:

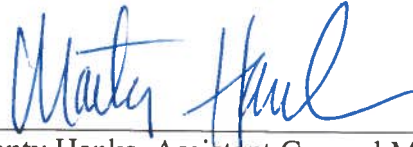
1. On March 13, 2018 and on the date hereof, (a) the descriptions and statements of or pertaining to the Agency and the Project contained in the Official Statement, dated March 13, 2018 (the “Official Statement”), related to the above-referenced bonds, were and are true and correct in all material respects; (b) insofar as the Agency and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement are concerned, such descriptions, statements and data have been obtained from sources which the Agency believes to be reliable and the Agency has no reason to believe that they are untrue in any material respect (provided that no representation is made regarding DTC and its book-entry only system).

2. During the five-day period immediately preceding the date hereof, I spoke by telephone with the Mayor or other appropriate official of the Significant Share Project Participants and asked each such individual the questions listed on Exhibit A attached hereto, and communicated orally the substance of these conversations to representatives of Citigroup Global Markets Inc., as representative, on behalf of itself and Goldman Sachs & Co. LLC, as underwriters (the “Underwriters”), and Norton Rose Fulbright US LLP, as Underwriters’ Counsel, in the course of which conversations no facts came to my attention that would lead me to believe that either the ability of any Significant Share Project Participant to comply with its obligations under the Third Phase Agreement has been materially and adversely affected or that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. The representations of the Agency in the Contract of Purchase, dated March 13, 2018 (the “Contract of Purchase”), by and between the Underwriters and the Agency, are true and correct as of the date made are true and correct on the date hereof as if made on and as of the date hereof, and the Agency has complied with and performed all of its covenants and agreements in the Contract of Purchase to be complied with and performed at or prior to the date hereof.

All capitalized terms not otherwise defined herein are ascribed the meanings thereto defined in the Contract of Purchase.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the 4th day of April, 2018.



---

Monty Hanks, Assistant General Manager, Finance  
and Administrative Services and Chief Financial  
Officer

**EXHIBIT A**

**TO**

**CERTIFICATE OF THE ASSISTANT GENERAL MANAGER OF THE  
AGENCY AND OF GENERAL COUNSEL TO THE  
AGENCY REQUIRED BY PARAGRAPH 5(E)(2)  
OF THE CONTRACT OF PURCHASE**

Questions asked of Mayor or other appropriate official of the Significant Share Project Participant:

1. Has the [name of appropriate Participant] undergone or experienced any material and adverse change in its financial position since the date of its last audited financial statements, including its ability to comply with the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended, to which it is a party?
2. Do you know of any litigation which has been filed concerning such [name of appropriate Participant] participation in Hydroelectric Project Number One, the Agreement mentioned in question 1 above or the Official Statement, dated March 13, 2018 of NCPA covering bonds for the financing of Hydroelectric Project Number One?
3. Do you know of any facts or have any incidents occurred to your knowledge which would cause the above-mentioned Preliminary Official Statement or Official Statement to contain any incorrect information about the [name of appropriate Participant] or fail to state material information about the [name of appropriate Participant]?

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF THE ASSISTANT GENERAL MANAGER OF THE AGENCY  
AND OF GENERAL COUNSEL TO THE AGENCY  
REQUIRED BY PARAGRAPH 5(E)(3) OF THE CONTRACT OF PURCHASE**

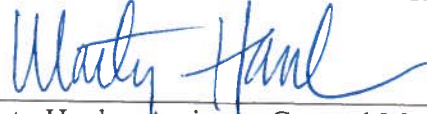
We, Monty Hanks, Assistant General Manager, Finance and Administrative Services and Chief Financial Officer of the Northern California Power Agency (the “Agency”), and Jane Luckhardt, Esq., General Counsel to the Agency, HEREBY CERTIFY in connection with the issuance by the Agency of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Refunding Series A Bonds”) and Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Refunding Series B Bonds” and together with the 2018 Refunding Series A Bonds, the “2018 Bonds”), as follows:

1. Other than as described in the Preliminary Official Statement, dated March 2, 2018 (the “Preliminary Official Statement”), and the Official Statement, dated March 13, 2018 (the “Official Statement”), relating to the Agency’s issuance of the 2018 Bonds, no litigation is pending (with the Agency having received service of process) or, to our knowledge, threatened in any court (a) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (b) seeking to restrain or enjoin the delivery of the 2018 Bonds, or the collection of revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on such 2018 Bonds; (c) in any way contesting or affecting the validity of the 2018 Bonds, the Indenture, the Escrow Deposit Agreement, the Third Phase Agreement, the Continuing Disclosure Agreement or the Contract of Purchase, dated March 13, 2018 (the “Contract of Purchase”), by and between Citigroup Global Markets Inc., as representative, on behalf of itself and Goldman Sachs & Co. LLC, as underwriters, and the Agency; (d) in any way contesting or affecting the collection of said revenues or the pledge thereof, or contesting the powers of the Agency or any authority for the issuance and delivery of the 2018 Bonds and the performance by the Agency of its obligations contained therein or the execution and delivery of the Indenture, the Escrow Deposit Agreement, the Third Phase Agreement, the Continuing Disclosure Agreement or the Contract of Purchase, and the performance of its obligations contained therein; (e) which may result in any material adverse change in the business, properties, assets or the financial condition of the Agency relating to the Project or which may have a material adverse affect on the ability of the Agency to meet its obligations under the Indenture, the Escrow Deposit Agreement, the Third Phase Agreement or the Continuing Disclosure Agreement; or (f) asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Capitalized terms used herein and not otherwise defined shall have the respective meanings herein as are given such terms in the Contract of Purchase.

IN WITNESS WHEREOF, the undersigned have executed this certificate as of the 4th day of April, 2018.

NORTHERN CALIFORNIA POWER AGENCY



Monty Hanks, Assistant General Manager, Finance  
and Administrative Services and Chief Financial  
Officer



Jane Luckhardt, Esq., General Counsel



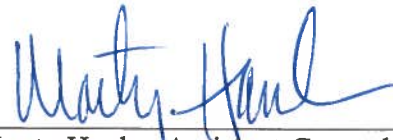
**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF THE ASSISTANT GENERAL MANAGER  
AS TO REFUNDING NET PRESENT VALUE SAVINGS**

The undersigned, Monty Hanks, hereby certifies that I am the duly appointed and qualified Assistant General Manager, Finance and Administrative Services and Chief Financial Officer of the Northern California Power Agency ("NCPA") and as such I am authorized to execute this Certificate on behalf of NCPA.

On the date hereof, NCPA has executed that certain Contract of Purchase, by and between Citigroup Global Markets Inc., as representative of itself and Goldman Sachs & Co. LLC, as underwriters (the "Purchase Contract"), providing for the purchase by the Underwriters of the above-referenced bonds (the "Refunding Bonds") on the terms and conditions provided therein. Pursuant to Section 17 of Resolution No. 18-08 adopted by the Commission of NCPA on February 22, 2018, based on numerical calculations prepared by Citigroup Global Markets Inc., as representative of the Underwriters, and independently reviewed by PFM Financial Advisors LLC, as NCPA's financial advisor, the undersigned certifies that the net present value savings to be realized by the issuance of the Refunding Bonds with the maturity dates, principal amounts, interest rates and prices or yield as set forth in Schedule I to the Purchase Contract is not less than five (5%) percent of the principal amount of the Refunded Bonds.

Dated as of: March 13, 2018



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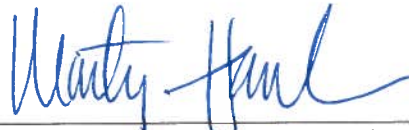
Monty Hanks, Assistant General Manager, Finance  
and Administrative Services and Chief Financial  
Officer

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF AGENCY AS TO NO DEFAULT  
UNDER THE INDENTURE OF TRUST**

I, Monty Hanks, Assistant General Manager, Finance and Administrative Services and Chief Financial Officer of the Northern California Power Agency (the "Agency"), HEREBY CERTIFY that the Agency is not in default in the performance of any of the covenants, conditions, agreements or provisions applicable to the Agency contained in the Indenture of Trust, dated as of March 1, 1985, by and between the Agency and U.S. Bank National Association, as successor trustee, as amended and supplemented to the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the 4th day of April, 2018.



---

Monty Hanks, Assistant General Manager, Finance  
and Administrative Services and Chief Financial  
Officer

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF SIGNIFICANT SHARE PROJECT PARTICIPANT**

I, Nicolas Procos, General Manager of the Bureau of Electricity of the City of Alameda (doing business as "Alameda Municipal Power"), on behalf of the City of Alameda, do hereby certify on this 4th day of April, 2018, as follows:

1. The information concerning the Bureau of Electricity of the City of Alameda (the "Participant Information") in Appendix A to the Preliminary Official Statement, dated March 2, 2018 (the "Preliminary Official Statement") and the Official Statement, dated March 13, 2018 (the "Official Statement") of Northern California Power Agency ("NCPA") relating to the bonds described above (the "Bonds") was as of the dates thereof, and is as of the date hereof, true and correct in all material respects and did not and does not omit to state any material fact which is necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

2. Since the date of the Participant Information, except as referred to in or as contemplated by the Preliminary Official Statement and the Official Statement, with respect to its electric system, the Bureau of Electricity of the City of Alameda has not incurred any material liabilities, direct or contingent, or entered into any transactions, nor has there been any adverse change in the condition, financial or physical, of the electric system of the Bureau of Electricity of the City of Alameda, in each case that would materially and adversely affect the ability of the Bureau of Electricity of the City of Alameda to meet its obligations under the Third Phase Agreement (as defined in the Preliminary Official Statement and the Official Statement) to which it is a party;

3. The Continuing Disclosure Agreement relating to the Bonds to which the Bureau of Electricity of the City of Alameda is a party has been duly authorized, executed and delivered by the Bureau of Electricity of the City of Alameda, and, except as disclosed in the Preliminary Official Statement and the Official Statement, the City of Alameda has not in the last five years failed in any material respect to comply with any continuing disclosure undertaking entered into by it under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934; and

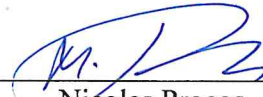
4. Other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to my knowledge, threatened (a) in any way contesting or affecting the validity of the Third Phase Agreement, or (b) against the Bureau of Electricity of the City of Alameda or involving any of the property or assets which comprise the electric system of the Bureau of Electricity of the City of Alameda that could materially and adversely affect the ability of the Bureau of Electricity of the City of Alameda to meet its obligations under such Third Phase Agreement.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Contract of Purchase, dated April 13, 2018, by and between NCPA and Citigroup Global Markets Inc., as Representative of the underwriters of the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Significant Share Project Participant to be effective as of the date set forth above.

**BUREAU OF ELECTRICITY OF THE  
CITY OF ALAMEDA (doing business as  
"Alameda Municipal Power")**

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



Nicolas Procos  
General Manager

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES OF THE CITY COUNCIL  
OF THE CITY OF ALAMEDA**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances of the City Council of the City of Alameda described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances to be effective as of the date set forth above.

**CITY OF ALAMEDA**

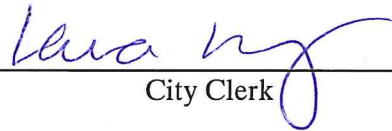
By:   
City Clerk

Exhibit A

**ORDINANCES OF THE CITY COUNCIL OF THE CITY OF ALAMEDA**

1. Ordinance No. 2071, adopted on November 17, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 2072, adopted on November 17, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 2104, adopted on September 27, 1982, authorizing officers of the City Council of the City of Alameda to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 2162, adopted on October 4, 1983, authorizing officers of the City Council of the City of Alameda to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
RESOLUTIONS OF THE PUBLIC UTILITIES BOARD  
OF THE CITY OF ALAMEDA**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the resolutions of the Public Utilities Board of the City of Alameda described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]



IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Resolutions to be effective as of the date set forth above.

**CITY OF ALAMEDA**

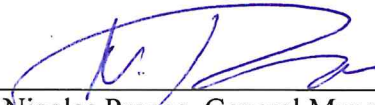
By:   
\_\_\_\_\_  
Nicolas Procos, General Manager  
of the Bureau of Electricity  
of the City of Alameda

Exhibit A

**RESOLUTIONS OF THE PUBLIC UTILITIES BOARD OF THE CITY OF ALAMEDA**

1. Resolution No. 3653, adopted on March 4, 1985, authorizing officers of the City, acting through its Public Utilities Board, to execute and deliver the Agreement for Transfer of Rights to Capacity and Energy of the North Fork Stanislaus River Hydroelectric Project, dated as of February 1, 1985.
2. Resolution No. 3654, adopted on March 4, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Project, dated as of February 1, 1985.
3. Resolution No. 4265, adopted on November 27, 1995, authorizing and approving the execution and delivery of one or more agreements to provide certain information as required under Rule 15c2-12 of the Securities and Exchange Commission; and authorizing certain other matters relating thereto.



## City of Alameda • California

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Alameda (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the City Charter, other governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a municipal corporation, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.
2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

Northern California Power Agency  
Roseville, California

April 4, 2018  
Page 2

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

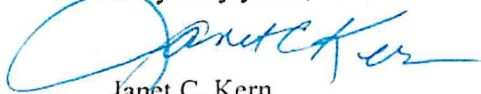
5. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,



Janet C. Kern  
City Attorney

**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
BUREAU OF ELECTRICITY/CITY OF ALAMEDA  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the Bureau of Electricity/City of Alameda (the “Project Participant”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. The Project Participant and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Project Participant and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by the Project Participant pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the General Manager of the Project Participant, or his or her designee, or such other officer or employee as the Project Participant shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Project Participant and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) The Project Participant shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Project Participant (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Project Participant may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Project Participant, the Project Participant shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Project Participant shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Project Participant, the Dissemination Agent shall contact the Project Participant to determine if the Project Participant is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the Project Participant certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** the Project Participant’s Annual Report shall contain or include by reference the following:

(i) A summary of the operating results and selected balance sheet information for the Project Participant's electric system for the most recently completed fiscal year;

(ii) A summary of power supply resources of the Project Participant's electric system in tabular form for the most recently completed fiscal year;

(iii) A summary of customers, energy sales, revenues and peak demand of the Project Participant's electric system in tabular form for the most recently completed fiscal year; and

(iv) The audited financial statements of the Project Participant's electric utility fund for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Project Participant and by the Governmental Accounting Standards Board. If the Project Participant's electric utility fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Project Participant or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The Project Participant shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting.** Notices required by Section 3(a) or Section 8 of this Disclosure Agreement shall be filed with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Project Participant under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds.

**SECTION 7. Dissemination Agent.** The Project Participant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Project Participant pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Project Participant and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.



In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Project Participant shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Project Participant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Project Participant from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the Project Participant chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the Project Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Report.

**SECTION 10. Default.** In the event of a failure of the Project Participant or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Project Participant or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Project Participant or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and the Project Participant satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Project Participant shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Project Participant has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty



to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to the Project Participant. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Project Participant. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Project Participant covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Project Participant also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Project Participant under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Project Participant, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided

by written notice from the Project Participant. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Project Participant for response. The Project Participant shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Project Participant, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Project Participant, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Project Participant:      Bureau of Electricity/City of Alameda  
2000 Grand Street  
P.O. Box H  
Alameda, California 94501-0263  
Attention: General Manager  
Telephone: (510) 748-3900  
Facsimile: (510) 748-3975


To the Dissemination Agent:      U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

The Project Participant and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**BUREAU OF ELECTRICITY/CITY OF  
ALAMEDA**

By:   
Name: Nico Procas  
Title: General Manager

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**


By: \_\_\_\_\_  
Authorized Signatory

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**BUREAU OF ELECTRICITY/CITY OF  
ALAMEDA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**

By:  \_\_\_\_\_  
Authorized Signatory

## **EXHIBIT A**

### **NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Northern California Power Agency (“NCPA”)

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”)

Name of Obligated Party Bureau of Electricity/City of Alameda (the “Project Participant”)

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that the Project Participant has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between the Project Participant and U. S. Bank National Association, as Dissemination Agent. [The Project Participant anticipates that the Annual Report will be filed by \_\_\_\_\_. ]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION,  
as Trustee on behalf of the Northern  
California Power Agency

cc: the Project Participant

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF PROJECT PARTICIPANT**

I, Mark Sorensen, Utility Director of the City of Biggs, do hereby certify on this 4th day of April, 2018, as follows:

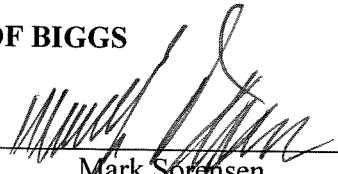
Other than as set forth in the Preliminary Official Statement, dated March 2, 2018, and the Official Statement, dated March 13, 2018, of the Northern California Power Agency relating to the bonds described above, no litigation is pending or, to my knowledge, threatened (1) in any way contesting or affecting the validity of the Third Phase Agreement (as defined therein), or (2) against the City of Biggs or involving any of the property or assets which comprise the electric system of the City of Biggs that could materially and adversely affect the ability of the City of Biggs to meet its obligations under such Third Phase Agreement.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Project Participant to be effective as of the date set forth above.

**CITY OF BIGGS**

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

A handwritten signature in black ink, appearing to read 'Mark Sorensen', is written over a horizontal line.

Mark Sorensen  
Utility Director

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF BIGGS**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolution of the City Council of the City of Biggs described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]



IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolution to be effective as of the date set forth above.

**CITY OF BIGGS**

By: Robert Benish  
City Clerk

Exhibit A

**ORDINANCES AND RESOLUTION OF THE  
CITY COUNCIL OF THE CITY OF BIGGS**

1. Ordinance No. 236, adopted on November 9, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 237, adopted on November 9, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 241, adopted on September 20, 1982, authorizing officers of the City Council of the City of Biggs to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 255, adopted on October 10, 1983, authorizing officers of the City Council of the City of Biggs to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Resolution No. 3, adopted on March 11, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Project, dated as of February 1, 1985.

**GREGORY P. EINHORN**  
ATTORNEY AT LAW

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854 MANZANITA CT., STE 110, CHICO CA 95926  
PHONE: (530) 898-0228 FAX: (530) 898-0877  
GREG@EINHORNLAOFFICE.COM

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Biggs (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a municipal corporation, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.
2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such

Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

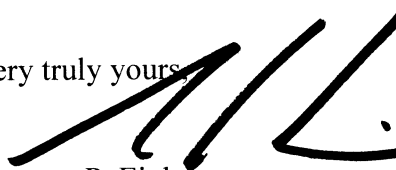
5. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,



Gregory P. Einhorn  
City Attorney

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF PROJECT PARTICIPANT**

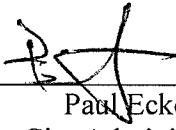
I, Paul Eckert, City Administrator of the City of Gridley, do hereby certify on this 4th day of April, 2018, as follows:

Other than as set forth in the Preliminary Official Statement, dated March 2, 2018, and the Official Statement, dated March 13, 2018, of the Northern California Power Agency relating to the bonds described above, no litigation is pending or, to my knowledge, threatened (1) in any way contesting or affecting the validity of the Third Phase Agreement (as defined therein), or (2) against the City of Gridley or involving any of the property or assets which comprise the electric system of the City of Gridley that could materially and adversely affect the ability of the City of Gridley to meet its obligations under such Third Phase Agreement.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Project Participant to be effective as of the date set forth above.

**CITY OF GRIDLEY**

By:  \_\_\_\_\_  
Paul Eckert,  
City Administrator

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTIONS OF THE CITY COUNCIL  
OF THE CITY OF GRIDLEY**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolutions of the City Council of the City of Gridley described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolutions to be effective as of the date set forth above.

**CITY OF GRIDLEY**


By:  \_\_\_\_\_  
City Clerk



Exhibit A

**ORDINANCES AND RESOLUTIONS OF THE  
CITY COUNCIL OF THE CITY OF GRIDLEY**

1. Ordinance No. 389, adopted on November 2, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 390, adopted on November 2, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 416, adopted on September 20, 1982, authorizing officers of the City Council of the City of Gridley to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 446, adopted on October 19, 1983, authorizing officers of the City Council of the City of Gridley to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Resolution No. 23 (1985 Series), adopted on March 26, 1985, authorizing officers of the City to execute and deliver the Agreement for Transfer of Rights to Capacity and Energy of the North Fork Stanislaus River Hydroelectric Project, dated as of February 1, 1985.
6. Resolution No. 17 (1985 Series), adopted on March 18, 1985, authorizing officers of the City to execute and delivery the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Project, dated as of February 1, 1985.



DAVID R. LANE \*  
BRANT J. BORDSEN  
ANTHONY E. GALYEAN  
KIMBERLY A. STEFFENSON \*  
NICOLE DELERIO ROSSER  
LONDON T. LITTLE  
ELIZABETH T. McCaULLEY

1129 D STREET  
P. O. BOX "A"  
MARYSVILLE, CALIFORNIA 95901  
TELEPHONE  
(530)742-7371  
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WEB SITE [www.yubasutterlaw.com](http://www.yubasutterlaw.com)  
EMAIL [drlane@yubasutterlaw.com](mailto:drlane@yubasutterlaw.com)

W.P. RICH(1880-1965)  
RICHARD H. FUIDGE(1906-1976)  
THOMAS MARSH (1923-2005)  
ROLAND K. IVERSON (1942-2015)

RETIRE  
D  
ROGER E. GROVE  
JOHN SANBROOK  
CHESTER MORRIS

JARED P. HASTEY

\* CERTIFIED SPECIALIST IN FAMILY LAW,  
THE STATE BAR OF CALIFORNIA BOARD OF  
LEGAL SPECIALIZATION

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Gridley (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

The Participant is a general law city, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.

1. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.

2. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

3. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

4. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.


5. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or

delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,



Anthony E. Galyean  
City Attorney

AEG

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF PROJECT PARTICIPANT**

I, David Mickaelian, City Manager of the City of Healdsburg, do hereby certify on this 4th day of April, 2018, as follows:

Other than as set forth in the Preliminary Official Statement, dated March 2, 2018, and the Official Statement, dated March 13, 2018, of the Northern California Power Agency relating to the bonds described above, no litigation is pending or, to my knowledge, threatened (1) in any way contesting or affecting the validity of the Third Phase Agreement (as defined therein), or (2) against the City of Healdsburg or involving any of the property or assets which comprise the electric system of the City of Healdsburg that could materially and adversely affect the ability of the City of Healdsburg to meet its obligations under such Third Phase Agreement.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Project Participant to be effective as of the date set forth above.

**CITY OF HEALDSBURG**

By: 

\_\_\_\_\_  
David Mickaelian,  
City Manager

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTIONS OF THE CITY COUNCIL  
OF THE CITY OF HEALDSBURG**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolutions of the City Council of the City of Healdsburg described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolutions to be effective as of the date set forth above.

**CITY OF HEALDSBURG**

By:   
City Clerk



Exhibit A

**ORDINANCES AND RESOLUTIONS OF THE  
CITY COUNCIL OF THE CITY OF HEALDSBURG**

1. Ordinance No. 695, adopted on December 7, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 696, adopted on December 7, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 707, adopted on September 20, 1982, authorizing officers of the City Council of the City of Healdsburg to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 732, adopted on September 19, 1983, authorizing officers of the City Council of the City of Healdsburg to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Ordinance No. 765, adopted on February 20, 1985 amending Sections 1 and 2 of Ordinance 707.
6. Resolution No. 11-85, adopted on March 4, 1985, authorizing officers of the City to execute and deliver the Agreement for Transfer of Rights to Capacity and Energy of the North Fork Stanislaus River Hydroelectric Project, dated as of February 1, 1985.
7. Resolution No. 12-85, adopted on March 4, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Project, dated as of February 1, 1985.

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

**Re:** Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am counsel to the City of Healdsburg (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referenced herein. As such, I have examined and am familiar with: (i) those documents relating to the existence, organization and operation of the Participant; (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement; and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a municipal corporation, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.

2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

5. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

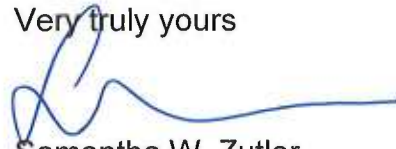
6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

April 4, 2018  
Page 3

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours

A handwritten signature in blue ink, appearing to read 'S. Zutler', with a long horizontal flourish extending to the right.

Samantha W. Zutler  
City Attorney

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF SIGNIFICANT SHARE PROJECT PARTICIPANT**

I, Elizabeth Kirkley, Electric Utility Director of the City of Lodi, do hereby certify on this 4th day of April, 2018, as follows:

1. The information concerning the City of Lodi (the "Participant Information") in Appendix A to the Preliminary Official Statement, dated March 2, 2018 (the "Preliminary Official Statement") and the Official Statement, dated March 13, 2018 (the "Official Statement") of Northern California Power Agency ("NCPA") relating to the bonds described above (the "Bonds") was as of the dates thereof, and is as of the date hereof, true and correct in all material respects and did not and does not omit to state any material fact which is necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

2. Since the date of the Participant Information, except as referred to in or as contemplated by the Preliminary Official Statement and the Official Statement, with respect to its electric system, the City of Lodi has not incurred any material liabilities, direct or contingent, or entered into any transactions, nor has there been any adverse change in the condition, financial or physical, of the electric system of the City of Lodi, in each case that would materially and adversely affect the ability of the City of Lodi to meet its obligations under the Third Phase Agreement (as defined in the Preliminary Official Statement and the Official Statement) to which it is a party;

3. The Continuing Disclosure Agreement relating to the Bonds to which the City of Lodi is a party has been duly authorized, executed and delivered by the City of Lodi, and, except as disclosed in the Preliminary Official Statement and the Official Statement, and the City of Lodi has not in the last five years, failed in any material respect to comply with any continuing disclosure undertaking entered into it under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934; and

4. Other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to my knowledge, threatened (a) in any way contesting or affecting the validity of the Third Phase Agreement, or (b) against the City of Lodi or involving any of the property or assets which comprise the electric system of the City of Lodi that could materially and adversely affect the ability of the City of Lodi to meet its obligations under such Third Phase Agreement.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Contract of Purchase, dated April 13, 2018, by and between NCPA and Citigroup Global Markets Inc., as Representative of the underwriters of the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Significant Share Project Participant to be effective as of the date set forth above.

**CITY OF LODI**

By:



Elizabeth Kirkley,  
Electric Utility Director

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTIONS OF THE CITY COUNCIL  
OF THE CITY OF LODI**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolutions of the City Council of the City of Lodi described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolutions to be effective as of the date set forth above.

**CITY OF LODI**

By: Jennifer M. Tenaish  
City Clerk



Exhibit A

**ORDINANCES AND RESOLUTIONS OF THE  
CITY COUNCIL OF THE CITY OF LODI**

1. Ordinance No. 1238, adopted on October 21, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 1239, adopted on October 21, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 1269, adopted on September 15, 1982, authorizing officers of the City Council of the City of Lodi to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 1298, adopted on September 21, 1983, authorizing officers of the City Council of the City of Lodi to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Resolution No. 85-39, adopted on March 6, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.
6. Resolution No. 95-149, adopted on November 15, 1995, authorizing and approving the execution and delivery of one or more agreements to provide certain information as required under Rule 15c2-12 of the Securities and Exchange Commission; and authorizing certain other matters relating thereto.

CITY HALL  
221 WEST PINE STREET  
P.O. BOX 3006  
LODI, CALIFORNIA 95241-  
1910  
(209) 333-6701  
(209) 333-6807 FAX

CITY OF LODI  
CITY ATTORNEY'S OFFICE



JANICE D. MAGDICH  
City Attorney

JOHN P. FUKASAWA  
Deputy City Attorney

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Lodi (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution, and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the governing instruments, ordinances, and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a general law city, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.
2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.
3. The Agreement has been duly authorized, executed, and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute

and deliver such Agreement, constitutes the legal, valid, and binding agreement of the Participant enforceable against it in accordance with its

terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.
5. No approval, consent, or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.
6. The authorization, execution, and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence, or operation of the Participant, any commitment, agreement, or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order, or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.
7. There is no action, suit, proceeding, inquiry, or investigation at law or in equity, or before any court, public board, or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution, or delivery of the Agreement, or wherein any unfavorable decision, ruling, or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Sincerely,



JANICE D. MAGDICH  
City Attorney

**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
CITY OF LODI  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the City of Lodi (the “Project Participant”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of February 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of February 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. The Project Participant and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Project Participant and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by the Project Participant pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the General Manager of the Project Participant, or his or her designee, or such other officer or employee as the Project Participant shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Project Participant and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) The Project Participant shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Project Participant (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Project Participant may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Project Participant, the Project Participant shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Project Participant shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Project Participant, the Dissemination Agent shall contact the Project Participant to determine if the Project Participant is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the Project Participant certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** the Project Participant’s Annual Report shall contain or include by reference the following:

(i) A summary of the operating results for the Project Participant's electric system for the most recently completed fiscal year;

(ii) A summary of power supply resources of the Project Participant's electric system in tabular form for the most recently completed fiscal year;

(iii) A summary of customers, energy sales, revenues and peak demand of the Project Participant's electric system in tabular form for the most recently completed fiscal year; and

(iv) The audited financial statements of the Project Participant's electric utility fund for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Project Participant and by the Governmental Accounting Standards Board. If the Project Participant's electric utility fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Project Participant or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The Project Participant shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting.** Notices required by Section 3(a) or Section 8 of this Disclosure Agreement shall be filed with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Project Participant under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds.

**SECTION 7. Dissemination Agent.** The Project Participant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Project Participant pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Project Participant and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Project Participant shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Project Participant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Project Participant from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the Project Participant chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the Project Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Report.

**SECTION 10. Default.** In the event of a failure of the Project Participant or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Project Participant or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Project Participant or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and the Project Participant satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Project Participant shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Project Participant has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty

to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to the Project Participant. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Project Participant. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Project Participant covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Project Participant also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Project Participant under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Project Participant, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided



by written notice from the Project Participant. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Project Participant for response. The Project Participant shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Project Participant, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Project Participant, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Project Participant:      City of Lodi  
   1331 South Ham Lane  
   Lodi, California 95242  
   Attention: Utility Director  
   Telephone: (209) 333-6762  
   Facsimile: (209) 333-6839

To the Dissemination Agent:      U. S. Bank National Association  
   100 Wall Street, Suite 1600  
   New York, New York 10005  
   Attention: Corporate Trust Department  
   Telephone: (212) 361-4385  
   Fax: (212) 514-6841

The Project Participant and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.


**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**CITY OF LODI**

**ATTEST:**

  
**JENNIFER M. FERRAILOLO**  
City Clerk

By:   
Name: Stephen Schwabauer  
Title: City Manager

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**

**Approved as to form**

  
**City Attorney**

By: \_\_\_\_\_  
Authorized Signatory

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**CITY OF LODI**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**

By:  \_\_\_\_\_  
Authorized Signatory

## **EXHIBIT A**

### **NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Northern California Power Agency (“NCPA”)

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”)

Name of Obligated Party City of Lodi (the “Project Participant”)

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that the Project Participant has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between the Project Participant and U. S. Bank National Association, as Dissemination Agent. [The Project Participant anticipates that the Annual Report will be filed by \_\_\_\_\_. ]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION,  
as Trustee on behalf of the Northern  
California Power Agency

cc: the Project Participant

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF PROJECT PARTICIPANT**

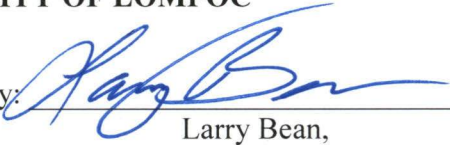
I, Larry Bean, Utility Director of the City of Lompoc, do hereby certify on this 4th day of April, 2018, as follows:

Other than as set forth in the Preliminary Official Statement, dated March 2, 2018, and the Official Statement, dated March 13, 2018, of the Northern California Power Agency relating to the bonds described above, no litigation is pending or, to my knowledge, threatened (1) in any way contesting or affecting the validity of the Third Phase Agreement (as defined therein), or (2) against the City of Lompoc or involving any of the property or assets which comprise the electric system of the City of Lompoc that could materially and adversely affect the ability of the City of Lompoc to meet its obligations under such Third Phase Agreement.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Project Participant to be effective as of the date set forth above.

**CITY OF LOMPOC**

By:   
Larry Bean,  
Utility Director

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF LOMPOC**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolution of the City Council of the City of Lompoc described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolution to be effective as of the date set forth above.

**CITY OF LOMPOC**

By:  \_\_\_\_\_  
City Clerk



Exhibit A

**ORDINANCES AND RESOLUTION OF THE  
CITY COUNCIL OF THE CITY OF LOMPOC**

1. Ordinance No. 1124(81), adopted on November 4, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 1125(81), adopted on November 4, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 1151(82), adopted on September 21, 1982, authorizing officers of the City Council of the City of Lompoc to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 1179(83), adopted on September 20, 1983, authorizing officers of the City Council of the City of Lompoc to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Resolution No. 3426(85), adopted on March 19, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.



**ALESHIRE &  
WYNDER LLP**  
ATTORNEYS AT LAW

ORANGE COUNTY | LOS ANGELES | RIVERSIDE | CENTRAL VALLEY

jpannone@awattorneys.com  
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2361 Rosecrans Ave., Suite 475  
El Segundo, CA 90245  
P (310) 527-6660  
F (310) 532-7395

AWATTORNEYS.COM

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
San Francisco, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am City Attorney for the City of Lompoc (the "Participant") and provide legal counsel concerning the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel, I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

I have relied upon representations of the Participant contained in the Agreement, and such certified proceedings, certificates, opinions, and other papers and documents, without undertaking to verify facts or determine the completeness or accuracy of any statement or representation contained therein by independent investigation.

I have assumed the genuineness of all signatures and documents submitted as originals, all copies submitted to me conform to the originals, the legal capacity of all natural persons, and as to documents executed by entities other than the Participant, each such entity has complied with any applicable requirement of law and has the power to enter into and perform its obligations under such documents, and such documents have been duly authorized, executed and delivered by, and are binding upon and enforceable against, such entities.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the other governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a municipal corporation, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.

2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

5. To my knowledge, no approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained by the Participant) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. To my knowledge, the authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

Northern California Power Agency  
Citigroup Global Markets Inc.,  
April 4, 2018  
Page 3

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. I undertake no responsibility for the accuracy, completeness or fairness of the Official Statement and have not reviewed the Official Statement or other offering material relating to this transaction and express no opinion with respect thereto. The opinion, representations and conclusions herein are given based on my actual knowledge and current recollection at the date and time of the closing of this transaction. This letter is furnished by me as counsel to the Participant. No attorney-client relationship has existed or exists between my firm and the Agency or the Underwriters in connection with this transaction or by virtue of this letter. This letter is delivered to you, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to by any other person. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

ALESHIRE & WYNDER, LLP



Joseph W. Pannone  
Partner

JWP

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF SIGNIFICANT SHARE PROJECT PARTICIPANT**

I, Ed Shikada, Utilities General Manager of the City of Palo Alto, do hereby certify on this 4th day of April, 2018, as follows:

1. The information concerning the City of Palo Alto in Appendix A (the "Participant Information") to the Preliminary Official Statement, dated March 2, 2018 (the "Preliminary Official Statement") and the Official Statement, dated March 13, 2018 (the "Official Statement") of Northern California Power Agency ("NCPA") relating to the bonds described above (the "Bonds") was as of the dates thereof, and is as of the date hereof, true and correct in all material respects and did not and does not omit to state any material fact which is necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

2. Since the date of the Participant Information, except as referred to in or as contemplated by the Preliminary Official Statement and the Official Statement, with respect to its electric system, the City of Palo Alto has not incurred any material liabilities, direct or contingent, or entered into any transactions, nor has there been any adverse change in the condition, financial or physical, of the electric system of the City of Palo Alto, in each case that would materially and adversely affect the ability of the City of Palo Alto to meet its obligations under the Third Phase Agreement (as defined in the Preliminary Official Statement and the Official Statement) to which it is a party;

3. The Continuing Disclosure Agreement relating to the Bonds to which the City of Palo Alto is a party has been duly authorized, executed and delivered by the City of Palo Alto, and, except as disclosed in the Preliminary Official Statement and the Official Statement, the City of Palo Alto has not in the last five years failed in any material respect to comply with any continuing disclosure undertaking entered into by it under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934; and

4. Other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to my knowledge, threatened (a) in any way contesting or affecting the validity of the Third Phase Agreement, or (b) against the City of Palo Alto or involving any of the property or assets which comprise the electric system of the City of Palo Alto that could materially and adversely affect the ability of the City of Palo Alto to meet its obligations under such Third Phase Agreement.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Contract of Purchase, dated April 13, 2018, by and between NCPA and Citigroup Global Markets Inc., as Representative of the underwriters of the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Significant Share Project Participant to be effective as of the date set forth above.

**CITY OF PALO ALTO**

By: 

**Ed Shikada,  
Utilities General Manager**

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTIONS OF THE CITY COUNCIL  
OF THE CITY OF PALO ALTO**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolutions of the City Council of the City of Palo Alto described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolutions to be effective as of the date set forth above.

**CITY OF PALO ALTO**

By:   
City Clerk



Exhibit A

**ORDINANCES AND RESOLUTION OF THE  
CITY COUNCIL OF THE CITY OF PALO ALTO**

1. Ordinance No. 3313, adopted on November 23, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 3314, adopted on November 23, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 3390, adopted on September 27, 1982, authorizing officers of the City Council of the City of Palo Alto to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 3473, adopted on September 26, 1983, authorizing officers of the City Council of the City of Palo Alto to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Resolution No. 6358, adopted on March 22, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.
6. Resolution No. 7556, adopted on December 4, 1995, authorizing and approving the execution and delivery of one or more agreements to provide certain information as required under Rule 15c2-12 of the Securities and Exchange Commission; and authorizing certain other matters relating thereto.



CITY OF  
**PALO  
ALTO**

OFFICE OF THE CITY ATTORNEY

250 Hamilton Avenue, 8th Floor  
Palo Alto, CA 94301  
650.329.2171

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Palo Alto (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the Charter of the City of Palo Alto, other governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a chartered city, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.
2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such

Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

5. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

  
City Attorney

**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
CITY OF PALO ALTO  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the City of Palo Alto (the “Project Participant”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. The Project Participant and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Project Participant and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by the Project Participant pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the General Manager of the Project Participant, or his or her designee, or such other officer or employee as the Project Participant shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent

designated in writing by the Project Participant and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) The Project Participant shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Project Participant (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Project Participant may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Project Participant, the Project Participant shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Project Participant shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Project Participant, the Dissemination Agent shall contact the Project Participant to determine if the Project Participant is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the Project Participant certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** The Project Participant's Annual Report shall contain or include by reference the following:

(i) A summary of the operating results and selected balance sheet information for the Project Participant's electric system for the most recently completed fiscal year;

(ii) A summary of power supply resources of the Project Participant's electric system in tabular form for the most recently completed fiscal year;

(iii) A summary of customers, energy sales, revenues and peak demand of the Project Participant's electric system in tabular form for the most recently completed fiscal year; and

(iv) The audited financial statements of the Project Participant's electric utility fund for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Project Participant and by the Governmental Accounting Standards Board. If the Project Participant's electric utility fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Project Participant or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The Project Participant shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting.** Notices required by Section 3(a) or Section 8 of this Disclosure Agreement shall be filed with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Project Participant under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds.

**SECTION 7. Dissemination Agent.** The Project Participant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Project Participant pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Project Participant and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Project Participant shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Project Participant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Project Participant from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the Project Participant chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the Project Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Report.

**SECTION 10. Default.** In the event of a failure of the Project Participant or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Project Participant or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Project Participant or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and the Project Participant satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Project Participant shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in the County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

#### **SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.**

The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Project Participant has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to the Project Participant. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Project Participant. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Project Participant covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Project Participant also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost



profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Project Participant under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Project Participant, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Project Participant. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Project Participant for response. The Project Participant shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Project Participant, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Project Participant, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Project Participant: City of Palo Alto  
250 Hamilton Avenue, 4th Floor  
Palo Alto, California 94301  
Attention: Treasury Division  
Telephone: (650) 329-2362  
Facsimile: (650) 323-8356

To the Dissemination Agent: U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

The Project Participant and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

CITY OF PALO ALTO

By: 

Name: Evarado "Lolo" Perez

Title: Director of Admin. Svcs

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

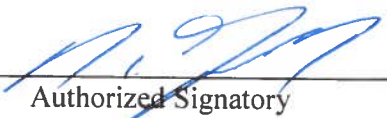
**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**CITY OF PALO ALTO**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**

By:  \_\_\_\_\_  
Authorized Signatory

## **EXHIBIT A**

### **NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Northern California Power Agency (“NCPA”)

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”)

Name of Obligated Party City of Palo Alto (the “Project Participant”)

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that the Project Participant has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between the Project Participant and U. S. Bank National Association, as Dissemination Agent. [The Project Participant anticipates that the Annual Report will be filed by \_\_\_\_\_. ]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION,  
as Trustee on behalf of the Northern  
California Power Agency

cc: the Project Participant

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF SIGNIFICANT SHARE PROJECT PARTICIPANT**

I, Michelle Bertolino, Electric Utility Director of the City of Roseville, do hereby certify on this 4th day of April, 2018, as follows:

1. The information concerning the City of Roseville in Appendix A (the “Participant Information”) to the Preliminary Official Statement, dated March 2, 2018 (the “Preliminary Official Statement”) and the Official Statement, dated March 13, 2018 (the “Official Statement”) of Northern California Power Agency (“NCPA”) relating to the bonds described above (the “Bonds”) was as of the dates thereof, and is as of the date hereof, true and correct in all material respects and did not and does not omit to state any material fact which is necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading in any material respect;

2. Since the date of the Participant Information, except as referred to in or as contemplated by the Preliminary Official Statement and the Official Statement, with respect to its electric system, the City of Roseville has not incurred any material liabilities, direct or contingent, or entered into any transactions, nor has there been any adverse change in the condition, financial or physical, of the electric system of the City of Roseville, in each case that would materially and adversely affect the ability of the City of Roseville to meet its obligations under the Third Phase Agreement (as defined in the Preliminary Official Statement and the Official Statement) to which it is a party;

3. The Continuing Disclosure Agreement relating to the Bonds to which the City of Roseville is a party has been duly authorized, executed and delivered by the City of Roseville and, except as disclosed in the Preliminary Official Statement and the Official Statement, the City of Roseville, has not, in the last five years, failed to comply in any material respect with any continuing disclosure undertaking entered into by it under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934; and

4. Other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to my knowledge, threatened (a) in any way contesting or affecting the validity of the Third Phase Agreement, or (b) against the City of Roseville or involving any of the property or assets which comprise the electric system of the City of Roseville that could materially and adversely affect the ability of the City of Roseville to meet its obligations under such Third Phase Agreement.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Contract of Purchase, dated April 13, 2018, by and between NCPA and Citigroup Global Markets Inc., as Representative of the underwriters of the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Significant Share Project Participant to be effective as of the date set forth above.

**CITY OF ROSEVILLE**

By:   
Michelle Bertolino,  
Electric Utility Director

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTIONS OF THE CITY COUNCIL  
OF THE CITY OF ROSEVILLE**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolutions of the City Council of the City of Roseville described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolutions to be effective as of the date set forth above.

**CITY OF ROSEVILLE**

By:   
City Clerk



Exhibit A

**ORDINANCES AND RESOLUTIONS OF THE  
CITY COUNCIL OF THE CITY OF ROSEVILLE**

1. Ordinance No. 1583, adopted on October 14, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 1584, adopted on October 14, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 1664, adopted on September 15, 1982, authorizing officers of the City Council of the City of Roseville to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 1741, adopted on September 28, 1983, authorizing officers of the City Council of the City of Roseville to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Resolution No. 85-45, adopted on March 6, 1985, authorizing officers of the City to execute and deliver the Agreement for Transfer of Rights to Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.
6. Resolution No. 85-44, adopted on March 6, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.
7. Resolution No. 95-342, adopted on December 6, 1995, approving the execution and delivery of one or more agreements to provide certain information as required under Rule 15c2-12 of the Securities and Exchange Commission; and certain other matters relating thereto, and authorizing the City Manager to execute it on behalf of the City of Roseville.

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Roseville (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the City Charter, other governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a municipal corporation, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.
2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.


5. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

  
ROBERT R. SCHMITT  
City Attorney

**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
CITY OF ROSEVILLE  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the City of Roseville (the “Project Participant”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. The Project Participant and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Project Participant and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by the Project Participant pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the General Manager of the Project Participant, or his or her designee, or such other officer or employee as the Project Participant shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Project Participant and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) The Project Participant shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Project Participant (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Project Participant may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Project Participant, the Project Participant shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Project Participant shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Project Participant, the Dissemination Agent shall contact the Project Participant to determine if the Project Participant is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the Project Participant certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** The Project Participant’s Annual Report shall contain or include by reference the following:

(i) A summary of the operating results and selected balance sheet information for the Project Participant's electric system for the most recently completed fiscal year;

(ii) A summary of power supply resources of the Project Participant's electric system in tabular form for the most recently completed fiscal year;

(iii) A summary of customers, energy sales, revenues and peak demand of the Project Participant's electric system in tabular form for the most recently completed fiscal year; and

(iv) The audited financial statements of the Project Participant's electric utility fund for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Project Participant and by the Governmental Accounting Standards Board. If the Project Participant's electric utility fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Project Participant or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The Project Participant shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting.** Notices required by Section 3(a) or Section 8 of this Disclosure Agreement shall be filed with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Project Participant under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds.

**SECTION 7. Dissemination Agent.** The Project Participant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Project Participant pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Project Participant and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Project Participant shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Project Participant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Project Participant from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the Project Participant chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the Project Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Report.

**SECTION 10. Default.** In the event of a failure of the Project Participant or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Project Participant or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Project Participant or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and the Project Participant satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Project Participant shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in the County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Project Participant has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty

to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to the Project Participant. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Project Participant. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Project Participant covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Project Participant also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Project Participant under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Project Participant, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided



by written notice from the Project Participant. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Project Participant for response. The Project Participant shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Project Participant, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Project Participant, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Project Participant:      City of Roseville  
311 Vernon Street  
Roseville, California 95678  
Attention: Electric Utility Director  
Telephone: (916) 774-5319  
Facsimile: (916) 774-5514

To the Dissemination Agent:      U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

The Project Participant and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF,** the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**CITY OF ROSEVILLE**

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**

By:  \_\_\_\_\_  
Authorized Signatory

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF,** the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**CITY OF ROSEVILLE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**U. S. BANK NATIONAL  
ASSOCIATION, as Dissemination Agent**

By:  \_\_\_\_\_  
Authorized Signatory

## **EXHIBIT A**

### **NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Northern California Power Agency (“NCPA”)

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”)

Name of Obligated Party City of Roseville (the “Project Participant”)

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that the Project Participant has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between the Project Participant and U. S. Bank National Association, as Dissemination Agent. [The Project Participant anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION,  
as Trustee on behalf of the Northern  
California Power Agency

cc: the Project Participant

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF SIGNIFICANT SHARE PROJECT PARTICIPANT**

I, Deanna J. Santana, City Manager of the City of Santa Clara, on behalf of the City of Santa Clara, do hereby certify on this 4th day of April, 2018, as follows:

1. The information concerning the City of Santa Clara in Appendix A (the "Participant Information") to the Preliminary Official Statement, dated March 2, 2018 (the "Preliminary Official Statement") and the Official Statement, dated March 13, 2018 (the "Official Statement") of Northern California Power Agency ("NCPA") relating to the bonds described above (the "Bonds") was as of the dates thereof, and is as of the date hereof, true and correct in all material respects and did not and does not omit to state any material fact which is necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

2. Since the date of the Participant Information, except as referred to in or as contemplated by the Preliminary Official Statement and the Official Statement, with respect to its electric system, the City of Santa Clara has not incurred any material liabilities, direct or contingent, or entered into any transactions, nor has there been any adverse change in the condition, financial or physical, of the electric system of the City of Santa Clara, in each case that would materially and adversely affect the ability of the City of Santa Clara to meet its obligations under the Third Phase Agreement (as defined in the Preliminary Official Statement and the Official Statement) to which it is a party;


3. The Continuing Disclosure Agreement relating to the Bonds to which the City of Santa Clara is a party has been duly authorized, executed and delivered by the City of Santa Clara, and, except as disclosed in the Preliminary Official Statement and the Official Statement, the City of Santa Clara has not in the last five years, failed in any material respect to comply with any continuing disclosure undertaking entered into by it under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934; and

4. Other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to my knowledge, threatened (a) in any way contesting or affecting the validity of the Third Phase Agreement, or (b) against the City of Santa Clara or involving any of the property or assets which comprise the electric system of the City of Santa Clara that could materially and adversely affect the ability of the City of Santa Clara to meet its obligations under such Third Phase Agreement.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Contract of Purchase, dated April 13, 2018, by and between NCPA and Citigroup Global Markets Inc., as Representative of the underwriters of the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Significant Share Project Participant to be effective as of the date set forth above.

**CITY OF SANTA CLARA**

By:   
Deanna J. Santana,  
City Manager

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTIONS OF THE CITY COUNCIL  
OF THE CITY OF SANTA CLARA**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolutions of the City Council of the City of Santa Clara described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolutions to be effective as of the date set forth above.

**CITY OF SANTA CLARA**

By:  \_\_\_\_\_  
City Clerk



Exhibit A

**ORDINANCES AND RESOLUTIONS OF THE  
CITY COUNCIL OF THE CITY OF SANTA CLARA**

1. Ordinance No. 1433, adopted on October 20, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 1434, adopted on October 20, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 1458, adopted on September 28, 1982, authorizing officers of the City Council of the City of Santa Clara to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982 (the "Third Phase Agreement").
4. Resolution No. 4588, adopted on September 28, 1982, authorizing the Mayor and City Manager to execute the Third Phase Agreement.
5. Ordinance No. 1479, adopted on September 13, 1983, authorizing officers of the City Council of the City of Santa Clara to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
6. Ordinance No. 1520, adopted on February 19, 1985, amending Ordinance No. 1458.
7. Resolution No. 4888, adopted on February 5, 1985, amending Resolution No. 4588 and authorizing officers of the City to execute and deliver the Agreement for Transfer of Rights to Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.
8. Resolution No. 4896, adopted on March 5, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.
9. Resolution No. 6074, adopted on November 28, 1995, authorizing and approving the execution and delivery of one or more agreements to provide certain information as required under Rule 15c2-12 of the Securities and Exchange Commission; and authorizing certain other matters related thereto.



April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Santa Clara (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the Charter of the City of Santa Clara, other governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a chartered municipal corporation, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.

2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. To the best of my knowledge as counsel to the City of Santa Clara, and based in part upon representations made to me by staff and outside counsel, payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

5. To the best of my knowledge as counsel to the City of Santa Clara, and based in part upon representations made to me by staff and outside counsel, no approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. To the best of my knowledge as counsel to the City of Santa Clara, and based in part upon representations made to me by staff and outside counsel, the authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. To the best of my knowledge as counsel to the City of Santa Clara, and based in part upon representations made to me by staff and outside counsel, there is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

Northern California Power Agency  
Citygroup Global Markets Inc.  
April 4, 2018  
Page 3

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,



Brian Doyle  
City Attorney

BD:rk

\\VSRVFSPROD01\dept\Attorney\ELECTRIC\2018 Assignments\18.0506 Form of Opinion of Counsel to the City of Santa Clara.doc

**CONTINUING DISCLOSURE AGREEMENT  
BY AND BETWEEN THE  
CITY OF SANTA CLARA  
AND  
U. S. BANK NATIONAL ASSOCIATION**

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April 4, 2018, is executed and delivered by the City of Santa Clara (the “Project Participant”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by Northern California Power Agency (“NCPA”) of \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”). The 2018 Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), by and between NCPA and U.S. Bank National Association, as the Trustee. The Project Participant and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Project Participant and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report with respect to the 2018 Bonds provided by the Project Participant pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions regarding ownership of any 2018 Bonds (including without limitation persons holding 2018 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the City Manager of the Project Participant, or his or her designee, or such other officer or employee as the Project Participant shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting solely in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Project Participant and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access System or such other electric system designated by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any original underwriter of the 2018 Bonds required to comply with the Rule in connection with the offering of the 2018 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) The Project Participant shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Project Participant (which presently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2018, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Project Participant may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Project Participant, the Project Participant shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Project Participant shall provide its Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Project Participant, the Dissemination Agent shall contact the Project Participant to determine if the Project Participant is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the Project Participant certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** the Project Participant’s Annual Report shall contain or include by reference the following:

(i) A summary of the of operating results and selected balance sheet information for the Project Participant's electric system for the most recently completed fiscal year;

(ii) A summary of power supply resources of the Project Participant's electric system in tabular form for the most recently completed fiscal year;

(iii) A summary of customers, energy sales, revenues and peak demand of the Project Participant's electric system in tabular form for the most recently completed fiscal year; and

(iv) The audited financial statements of the Project Participant's electric utility fund for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Project Participant and by the Governmental Accounting Standards Board. If the Project Participant's electric utility fund audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Project Participant or public entities related thereto, which have been submitted to the MSRB through the EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The Project Participant shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting.** Notices required by Section 3(a) or Section 8 of this Disclosure Agreement shall be filed with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Project Participant under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds.

**SECTION 7. Dissemination Agent.** The Project Participant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Project Participant pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U. S. Bank National Association.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Project Participant and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived; provided that such amendment or waiver, in the opinion of nationally recognized bond counsel satisfactory to the Dissemination Agent, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Project Participant shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Project Participant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Project Participant from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the Project Participant chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the Project Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Report.

**SECTION 10. Default.** In the event of a failure of the Project Participant or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, shall), or any Bondholder or Beneficial Owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Project Participant or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Project Participant or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute any such action, suit or proceeding to compel performance unless they shall have first filed with the Dissemination Agent and the Project Participant satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Project Participant shall have refused to comply therewith within a reasonable time. Any such action, suit or proceeding shall be brought in Federal or State Courts located in County of Sacramento, California for the benefit of all Bondholders and Beneficial Owners of the 2018 Bonds.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied, and the Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Project Participant has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall not have any liability under, nor duty



to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligence or willful misconduct was the primary cause of any loss to the Project Participant. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Project Participant. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Project Participant covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Project Participant also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Agreement provided the Dissemination Agent has not acted with negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the Project Participant under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no obligation to disclose information about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Project Participant, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided

by written notice from the Project Participant. Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Project Participant for response. The Project Participant shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Project Participant, the Bondholder or any other party.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of NCPA, the Project Participant, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

**SECTION 13. California Law.** This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

**SECTION 14. Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Project Participant:       Silicon Valley Power – Electricity and Energy Services  
for the City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, California 95050  
Attention: Electric Utility Director  
Telephone: (408) 261-5292  
Facsimile: (408) 249-0217

To the Dissemination Agent:   U. S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Department  
Telephone: (212) 361-4385  
Fax: (212) 514-6841

The Project Participant and the Dissemination Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

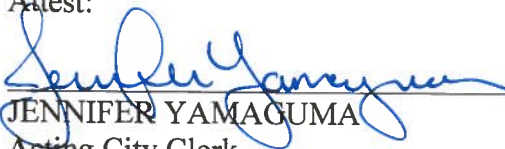
IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**CITY OF SANTA CLARA, CALIFORNIA,  
a chartered California municipal corporation**

Approved as to Form:

  
\_\_\_\_\_  
BRIAN DOYLE  
City Attorney

By:   
\_\_\_\_\_  
DEANNA J. SANTANA  
City Manager

Attest:  
  
\_\_\_\_\_  
JENNIFER YAMAGUMA  
Acting City Clerk

1500 Warburton Avenue  
Santa Clara, CA 95050  
Telephone: (408) 615-2210  
Fax: (408) 241-6771

**U. S. BANK NATIONAL ASSOCIATION,  
as Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Agreement to be executed as of the date set forth above.

**CITY OF SANTA CLARA, CALIFORNIA,  
a chartered California municipal corporation**

Approved as to Form:

\_\_\_\_\_  
BRIAN DOYLE  
City Attorney

Attest:

\_\_\_\_\_  
JENNIFER YAMAGUMA  
Acting City Clerk

By: \_\_\_\_\_  
DEANNA J. SANTANA  
City Manager

1500 Warburton Avenue  
Santa Clara, CA 95050  
Telephone: (408) 615-2210  
Fax: (408) 241-6771

**U. S. BANK NATIONAL ASSOCIATION,  
as Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

## **EXHIBIT A**

### **NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Northern California Power Agency (“NCPA”)

Name of Bond Issue: \$68,875,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 aggregate principal amount of Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “2018 Bonds”)

Name of Obligated Party City of Santa Clara (the “Project Participant”)

Date of Issuance: April 4, 2018

**NOTICE IS HEREBY GIVEN** that the Project Participant has not provided an Annual Report with respect to the 2018 Bonds as required by Section 3 of the Continuing Disclosure Agreement with respect to the 2018 Bonds, dated April 4, 2018, by and between the Project Participant and U. S. Bank National Association, as Dissemination Agent. [The Project Participant anticipates that the Annual Report will be filed by \_\_\_\_\_. ]

Dated: \_\_\_\_\_

U. S. BANK NATIONAL ASSOCIATION,  
as Trustee on behalf of the Northern  
California Power Agency

cc: the Project Participant

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF PROJECT PARTICIPANT**

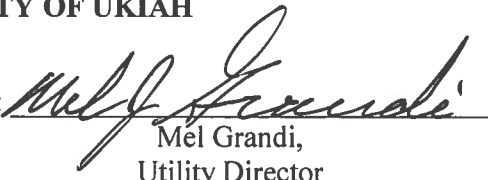
I, Mel Grandi, Utility Director of the City of Ukiah, do hereby certify on this 4th day of April, 2018, as follows:

Other than as set forth in the Preliminary Official Statement, dated March 2, 2018, and the Official Statement, dated March 13, 2018, of the Northern California Power Agency relating to the bonds described above, no litigation to which the City of Ukiah a party is pending or, to my knowledge, threatened (1) in any way contesting or affecting the validity of the Third Phase Agreement (as defined therein), or (2) involving any of the property or assets which comprise the electric system of the City of Ukiah that could materially and adversely affect the ability of the City of Ukiah to meet its obligations under such Third Phase Agreement.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Project Participant to be effective as of the date set forth above.

**CITY OF UKIAH**

By:   
Mel Grandi,  
Utility Director

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE AS TO AUTHORIZING  
ORDINANCES AND RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF UKIAH**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the ordinances and resolution of the City Council of the City of Ukiah described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]



IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Ordinances and Resolution to be effective as of the date set forth above.

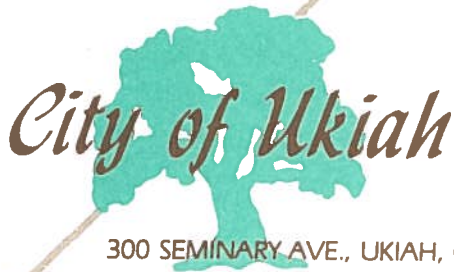
**CITY OF UKIAH**

By: Andy Casas Deputy for  
City Clerk

Exhibit A

**ORDINANCES AND RESOLUTION OF THE  
CITY COUNCIL OF THE CITY OF UKIAH**

1. Ordinance No. 772, adopted on October 21, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. Ordinance No. 773, adopted on October 21, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. Ordinance No. 798, adopted on September 21, 1982, authorizing officers of the City Council of the City of Ukiah to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. Ordinance No. 819, adopted on September 20, 1983, authorizing officers of the City Council of the City of Ukiah to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. Resolution No. 85-57, adopted on March 20, 1985, authorizing officers of the City to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.



300 SEMINARY AVE., UKIAH, CA 95482 ■ ADMIN. 707/463-6200 ■ POLICE 463-6242 ■ FIRE 463-6274

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the City of Ukiah (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the other governing instruments, ordinances and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a general law municipal corporation, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.
2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Participant, is in full force and effect and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such

Agreement, constitutes the legal, valid and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the Revenues of its electric system as provided in the Agreement.

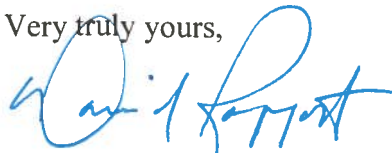
5. No approval, consent or authorization of any governmental or public agency, authority or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Participant, any commitment, agreement or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,



David J. Rapport  
City Attorney

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF PROJECT PARTICIPANT**

I, Bob Marshall, General Manager of the Plumas-Sierra Rural Electric Cooperative, do hereby certify on this 4th day of April, 2018, as follows:

Other than as set forth in the Preliminary Official Statement, dated March 2, 2018, and the Official Statement, dated March 13, 2018, of the Northern California Power Agency relating to the bonds described above, no litigation is pending or, to my knowledge, threatened (1) in any way contesting or affecting the validity of the Third Phase Agreement (as defined therein), or (2) against the Plumas-Sierra Rural Electric Cooperative or involving any of the property or assets which comprise the electric system of the Plumas-Sierra Rural Electric Cooperative that could materially and adversely affect the ability of the Plumas-Sierra Rural Electric Cooperative to meet its obligations under such Third Phase Agreement.

[Remainder of page left intentionally blank.]


IN WITNESS WHEREOF, the undersigned has executed this Certificate of Project Participant to be effective as of the date set forth above.

**PLUMAS-SIERRA RURAL ELECTRIC  
COOPERATIVE**

By:  \_\_\_\_\_  
Bob Marshall,  
General Manager



73233 State Route 70 • Portola, CA 96122  
(800) 555-2207 • (530) 832-4261 • Fax (530) 832-5761  
[www.psrec.coop](http://www.psrec.coop)

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## **RESOLUTION NO. 18-03-01**

### **NORTHERN CALIFORNIA POWER AGENCY HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS, 2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

#### **CERTIFICATE AS TO AUTHORIZING RESOLUTIONS OF THE PLUMAS-SIERRA RURAL ELECTRIC COOPERATIVE**

The undersigned does hereby certify on this 4th day of April, 2018, that on and as of the date hereof the resolutions of the Plumas-Sierra Rural Electric Cooperative described in Exhibit A hereto:

- (i) are in full force and effect;
- (ii) have not been amended, rescinded, supplemented or modified (except as set forth in Exhibit A); and
- (iii) are not the subject of any known or, after due inquiry, threatened, legal or administrative action by or before any court, commission, regulatory agency, arbitrator, mediator, negotiator, governmental entity (federal, state, municipal or other) or any other tribunal or body established to resolve disputes or enforce applicable constitutions, laws, ordinances, regulations, rules, customs or practices.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as to Authorizing Resolutions to be effective as of the date set forth above.

**PLUMAS-SIERRA RURAL ELECTRIC  
COOPERATIVE**

By:   
President of the Board of Directors



Exhibit A

**RESOLUTIONS OF THE  
PLUMAS-SIERRA RURAL ELECTRIC COOPERATIVE**

1. The Board resolution adopted on August 28, 1981, authorizing the issuance of bonds by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
2. The Board resolution adopted on October 9, 1981, authorizing the issuance of notes by the Northern California Power Agency to be used for the acquisition, construction, and financing of the North Fork Stanislaus River Hydroelectric Development Project.
3. The Board resolution adopted on August 27, 1982, authorizing officers of the Plumas-Sierra Rural Electric Cooperative to execute and deliver the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982.
4. The Board resolution adopted on August 26, 1983, authorizing officers of the Plumas-Sierra Rural Electric Cooperative to execute and deliver Amendment Number One to Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of August 1, 1983.
5. The Board resolution adopted on February 22, 1985, authorizing officers of the Plumas-Sierra Rural Electric Cooperative to execute and deliver the Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985.
6. The Board resolution adopted on March 22, 1985, relating to the Board resolution adopted on August 27, 1982.

April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
San Francisco, California

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am acting as counsel to the Plumas-Sierra Rural Electric Cooperative (the "Participant") under the Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric Development Project, dated as of September 1, 1982, as amended (the "Agreement"), among the Participant, Northern California Power Agency (the "Agency") and certain other entities, and I have acted as counsel to the Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization, and operation of the Participant, (ii) all necessary documentation of the Participant relating to the authorization, execution, and delivery of the Agreement, and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of such other information, papers, and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the Articles of Incorporation, other governing instruments, ordinances, and public proceedings of the Participant, I am of the opinion that:

1. The Participant is a non-profit organization, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.
2. The Participant has the authority and right to execute, deliver, and perform pursuant to the terms of the Agreement, and the Participant has complied with the provisions of applicable law in all matters relating to such transactions.

Northern California Power Agency  
Citigroup Global Markets, Inc.

Re: Northern California Power Agency Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

April 4, 2018

Page 2

3. The Agreement has been duly authorized, executed, and delivered by the Participant, is in full force and effect, and, assuming that the Agency has all the requisite power and authority and has taken all necessary action to execute and deliver such Agreement, constitutes the legal, valid, and binding agreement of the Participant enforceable against it in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization, or other laws affecting creditors' rights generally.

4. Payments by the Participant under the Agreement will constitute an operating expense of the Participant and are to be made solely from the revenues of its electric system as provided in the Agreement.

5. No approval, consent, or authorization of any governmental or public agency, authority, or person (that has not been obtained) is required for the execution and delivery by the Participant of the Agreement, or the performance by the Participant of its obligations thereunder.

6. The authorization, execution, and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence, or operation of the Participant, any commitment, agreement, or other instrument to which the Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order, or decree to which the Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Participant and its affairs.

7. There is no action, suit, proceeding, inquiry, or investigation at law or in equity, or before any court, public board, or body, pending or, to my knowledge, threatened against or affecting the Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution, or delivery of the Agreement, or wherein any unfavorable decision, ruling, or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the Agency and the underwriters. No other person

Northern California Power Agency

Citigroup Global Markets, Inc.

Re: Northern California Power Agency Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

April 4, 2018

Page 3

is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

Michael E. Vergara

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**CERTIFICATE OF U.S. BANK NATIONAL ASSOCIATION**

The undersigned officer of U.S. Bank National Association, as successor trustee (the “Trustee”) under the Indenture of Trust, dated as of March 1, 1985, by and between Northern California Power Agency (the “Agency”) and the Trustee (as amended and supplemented, the “Indenture”), hereby certifies as follows:

1. Each of (a) the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018 (the “Twenty-Fourth Supplemental Indenture of Trust”), by and between the Agency and the Trustee supplementing the Indenture, (b) the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (the “Twenty-Fifth Supplemental Indenture of Trust”), by and between the Agency and the Trustee supplementing the Indenture, (c) the Escrow Deposit Agreement, dated as of April 1, 2018 (the “Escrow Deposit Agreement”), by and between the Agency and the Trustee, as escrow agent, (d) the Continuing Disclosure Agreement, dated April 4, 2018 (the “Agency Continuing Disclosure Agreement”), by and between the Agency and the Trustee, (e) the Continuing Disclosure Agreement, dated April 4, 2018 (the “Alameda Continuing Disclosure Agreement”), by and between the City of Alameda and the Trustee, (f) the Continuing Disclosure Agreement, dated April 4, 2018 (the “Lodi Continuing Disclosure Agreement”), by and between the City of Lodi and the Trustee, (g) the Continuing Disclosure Agreement, dated April 4, 2018 (the “Palo Alto Continuing Disclosure Agreement”), by and between the City of Palo Alto and the Trustee, (h) the Continuing Disclosure Agreement, dated April 4, 2018 (the “Roseville Continuing Disclosure Agreement”), by and between the City of Roseville and the Trustee, and (i) the Continuing Disclosure Agreement, dated April 4, 2018 (the “Santa Clara Continuing Disclosure Agreement” and together with the Agency Continuing Disclosure Agreement, the Lodi Continuing Disclosure Agreement, the Palo Alto Continuing Disclosure Agreement, the Roseville Continuing Disclosure Agreement, the “Continuing Disclosure Agreements”), by and between the City of Santa Clara and the Trustee, have been duly signed, acknowledged and delivered in the name and on behalf of the Trustee. The Twenty-Fourth Supplemental Indenture of Trust, the Twenty-Fifth Supplemental Indenture of Trust, the Continuing Disclosure Agreements and the Escrow Deposit Agreements are collectively referred to herein as the “U.S. Bank Documents.”

2. Pursuant to the Twenty-Fourth Supplemental Indenture of Trust, the Trustee has authenticated the Agency’s Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A in the aggregate principal amount of \$68,875,000 (the “2018 Series A Bonds”) in registered form and delivered the 2018 Series A Bonds to or upon the order of the Agency.

3. Pursuant to the Twenty-Fifth Supplemental Indenture of Trust, the Trustee has authenticated the Agency’s Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B in the aggregate principal amount of \$1,340,000 (the “2018 Series B Bonds” and together with the 2018 Series A Bonds, the “2018 Bonds”) in registered form and delivered the 2018 Series B Bonds to or upon the order of the Agency.

4. Each person who, as an officer of the Trustee, executed the U.S. Bank Documents or authenticated the 2018 Bonds, was duly elected or appointed, qualified and acting as such officer and duly empowered to perform such acts at the respective times of such acts and the signatures of such persons appearing on such documents are their genuine signatures.

5. The Trustee is a national association existing under the laws of the United States of America.

6. The Trustee has full corporate trust powers and authority to serve as Trustee under the Indenture and the Continuing Disclosure Agreements, and as Escrow Agent under the Escrow Deposit Agreement.

7. The Trustee's actions in executing and delivering the U.S. Bank Documents, is in full compliance with and does not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound.

8. Attached hereto as Exhibit A is a true and correct copy of an extract of the By-laws of the Trustee, which, at the date hereof, are in full force and effect.

Dated: April 4, 2018

U.S. BANK NATIONAL ASSOCIATION, as  
successor Trustee and Escrow Agent

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

  
Authorized Officer

## **EXHIBIT A**

[See attached.]

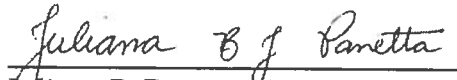


**U.S. BANK NATIONAL ASSOCIATION  
ASSISTANT SECRETARY CERTIFICATE**

I, Juliana B. Panetta, Assistant Secretary of U.S. Bank National Association, a national banking association, hereby certify that attached hereto as Exhibit A is a true and correct copy of the Bylaws of the Association and that this document is in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have set my hand this 8<sup>th</sup> day of February, 2013.

(No corporate seal)

  
Juliana B. Panetta, Assistant Secretary



**AMENDED AND RESTATED  
BYLAWS  
OF  
U.S. BANK NATIONAL ASSOCIATION**

**ARTICLE I.  
MEETINGS OF SHAREHOLDERS**

**Section 1.     Annual Meeting**

The annual meeting of the shareholders, for the election of directors and the transaction of other business, shall be held at a time and place as the Chairman or President may designate.

**Section 2.     Special Meetings**

Special meetings of shareholders may be called and held at such times and upon such notice as is specified in the Articles of Association.

**Section 3.     Quorum**

A majority of the outstanding capital stock represented in person or by proxy shall constitute a quorum of any meeting of the shareholders, unless otherwise provided by law, but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held as adjourned without further notice.

**Section 4.     Inspectors**

The Board of Directors may, and in the event of its failure so to do, the Chairman of the Board may appoint Inspectors of Election who shall determine the presence of quorum, the validity of proxies, and the results of all elections and all other matters voted upon by shareholders at all annual and special meetings of shareholders.

**Section 5.     Voting**

In deciding on questions at meetings of shareholders, except in the election of directors, each shareholder shall be entitled to one vote for each share of stock held. A majority of votes cast shall decide each matter submitted to the shareholders, except where by law a larger vote is required. In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares equal, or to distribute them on the same principle among as many candidates as he shall think fit.

**Section 6.     Waiver and Consent**

The shareholders may act without notice or a meeting by a unanimous written consent by all shareholders.

## **ARTICLE II. BOARD OF DIRECTORS**

### **Section 1.     Term of Office**

The directors of this Association shall hold office for one year and until their successors are duly elected and qualified.

### **Section 2.     Number**

As provided in the Articles of Association, the Board of this Association shall consist of not less than five nor more than twenty-five members. At any meeting of the shareholders held for the purpose of electing directors, or changing the number thereof, the number of directors may be determined by a majority of the votes cast by the shareholders in person or by proxy. Any vacancy occurring in the Board shall be filled by the remaining directors. Between meetings of the shareholders held for the purpose of electing directors, the Board by a majority vote of the full Board may increase the size of the Board by not more than four directors in any one but not to more than a total of twenty-five directors, and fill any vacancy so created in the Board. All directors shall hold office until their successors are elected and qualified.

### **Section 3.     Regular Meetings**

The organizational meeting of the Board of Directors shall be held as soon as practicable following the annual meeting of shareholders at such time and place as the Chairman or President may designate. Other regular meetings of the Board of Directors shall be held quarterly at such time and place as may be designated in the notice of the meeting. When any regular meeting of the Board falls on a holiday, the meeting shall be held on the next banking business day, unless the Board shall designate some other day.

### **Section 4.     Special Meetings**

Special meetings of the Board of Directors may be called by the Chairman of the Board of the Association, or at the request of three or more Directors. Notice of the time, place and purposes of such meetings shall be given by letter, by telephone, in person, by facsimile, by electronic mail or other reasonable manner to every Director.

### **Section 5.     Quorum**

A majority of the entire membership of the Board shall constitute a quorum of any meeting of the Board.

### **Section 6.     Necessary Vote**

A majority of those Directors present and voting at any meeting of the Board of Directors shall decide each matter considered, except where otherwise required by law or the Articles or Bylaws of this Association.

### **Section 7.     Compensation**

Directors, excluding full-time employees of the Bank, shall receive such reasonable compensation as may be fixed from time to time by the Board of Directors.

### **ARTICLE III. OFFICERS**

#### **Section 1.     Who Shall Constitute**

The Officers of the Association shall be a Chairman of the Board, Chief Executive Officer, a President, a Secretary, and other officers such as Vice Chairman of the Board, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, Trust Officers, Assistant Trust Officers, Controller, and Assistant Controller, as the Board may appoint from time to time. The Board may choose to delegate authority to elect officers other than the Chairman, Chief Executive Officer, President, Secretary, Vice Chairman and Executive Vice Presidents, to the Chief Executive Officer or President. Any person may hold two offices. The Chief Executive Officer and the President shall at all times be members of the Board of Directors.

#### **Section 2.     Term of Office**

All officers shall be elected for and shall hold office until their respective successors are elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office, subject to the right of the Board of Directors in its sole discretion to discharge any officer at any time.

#### **Section 3.     Chairman of the Board**

The Chairman of the Board shall have general executive powers and duties and shall perform such other duties as may be assigned from time to time by the Board of Directors. He shall, when present, preside at all meetings of the shareholders and directors and shall be ex officio a member of all committees of the Board.

#### **Section 4.     Chief Executive Officer**

The Chief Executive Officer, who may also be the Chairman or the President, shall have general executive powers and duties and shall perform such other duties as may be assigned from time to time by the Board of Directors.

#### **Section 5.     President**

The President shall have general executive powers and duties and shall perform such other duties as may be assigned from time to time by the board of Directors. In addition, if designated by the Board of Directors, the President shall be the Chief Executive Officer and shall have all the powers and duties of the Chief Executive Officer, including the same power to name temporarily a Chief Executive Officer to serve in the absence of the President if there is a vacancy in the position of the chairman or in the event of the absence or incapacity of the Chairman.

Section 6. Vice Chairmen of the Board

The Board of Directors shall have the power to elect one or more Vice Chairmen of the Board of Directors. Any such Vice Chairman of the Board shall participate in the formation of the policies of the Association and shall have such other duties as may be assigned to him from time to time by the Chairman of the Board or by the Board of Directors.

Section 7. Other Officers

The Secretary and all other officers appointed by the Board of Directors shall have such duties as defined by law and as may from time to time be assigned to them by the Chief Executive Officer or the Board of Directors.

**ARTICLE IV.  
COMMITTEES**

Section 1. Compensation Committee

The duties of the Compensation Committee of the Association shall be carried out by the Compensation Committee of the financial holding company that is the parent of this Association.

Section 2. Committee on Audit

The duties of the Audit Committee of the Association shall be carried out by the Audit Committee of the financial holding company that is the parent of this Association.

Section 3. Trust Risk Management Committee

The Board of Directors of this Association shall appoint a Trust Risk Management Committee to provide oversight of the fiduciary activities of the Association. The Trust Risk Management Committee shall determine policies governing fiduciary activities. The Trust Risk Management Committee or such sub-committees, officers or others as may be duly designated by the Trust Risk Management Committee shall oversee the processes related to fiduciary activities to assure conformity with fiduciary policies it establishes, including ratifying the acceptance and the closing out or relinquishment of all trusts. All actions of the Trust Risk Committee shall be reported to the Board of Directors.

Section 4. Other Committees

The Board of Directors may appoint, from time to time, other committees for such purposes and with such powers as the Board may direct.

## **ARTICLE V. MINUTE BOOK**

The organization papers of this Association, the Bylaws as revised or amended from time to time and the proceedings of all regular and special meetings of the shareholders and the directors shall be recorded in a minute book or books. All reports of committees required to be made to the Board shall be recorded in a minute book or shall be filed by the recording officer. The minutes of each meeting of the shareholders and the Board shall be signed by the recording officer.

## **ARTICLE VI. CONVEYANCES, CONTRACTS, ETC.**

All transfers and conveyances of real estate, mortgages, and transfers, endorsements or assignments of stock, bonds, notes, debentures or other negotiable instruments, securities or personal property shall be signed by any elected or appointed officer.

All checks, drafts, certificates of deposit and all funds of the Association held in its own or in a fiduciary capacity may be paid out by an order, draft or check bearing the manual or facsimile signature of any elected or appointed officer of the Association.

All mortgage satisfactions, releases, all types of loan agreements, all routine transactional documents of the Association, and all other instruments not specifically provided for, whether to be executed in a fiduciary capacity or otherwise, may be signed on behalf of the Association by any elected or appointed officer thereof.

The Secretary or any Assistant Secretary of the Association or other proper officer may execute and certify that required action or authority has been given or has taken place by resolution of the Board under this Bylaw without the necessity of further action by the Board.

## **ARTICLE VII. SEAL**

The Association shall have no corporate seal.

## **ARTICLE VIII. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES**

### **Section 1.     General.**

The Association shall indemnify to the full extent permitted by and in the manner permissible under the Delaware General Corporation Law, as amended from time to time (but, in the case of any such amendment, only to the extent that such amendment permits the Association to provide broader indemnification rights than said law permitted the Association to provide

prior to such amendment), any person made, or threatened to be made, a party to any action, suit, or proceeding, whether criminal, civil, administrative, or investigative, by reason of the fact that such person (i) is or was a director, advisory director, or officer of the Association or any predecessor of the Association, or (ii) is or was a director, advisory director or officer of the Association or any predecessor of the Association and served any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, advisory director, officer, partner, trustee, employee or agent at the request of the Association or any predecessor of the Association; provided, however, that the Association shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person, except for a proceeding contemplated by Section 4 of this Article VIII, only if such proceeding (or part thereof) was authorized by the Board of Directors.

Section 2.     Advancement of Expenses.

The right to indemnification conferred in this Article VIII shall be a contract right and shall include the right to be paid by the Association the expenses incurred in defending any such proceeding or threatened proceeding in advance of its final disposition, such advances to be paid by the Association within 20 days after the receipt by the Association of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director, advisory director or officer in his or her capacity as a director, advisory director or officer (and not in any other capacity in which service was or is rendered by such person while a director, advisory director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Association of an undertaking by or on behalf of such director, advisory director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director, advisory director or officer is not entitled to be indemnified under this Article VIII or otherwise.

Section 3.     Procedure for Indemnification.

To obtain indemnification under this Article VIII, a claimant shall submit to the Association a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 3, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by a majority vote of the Disinterested Directors (as hereinafter defined), even though less than a quorum, or by a majority vote of a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum, or (ii) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

Section 4. Certain Remedies.

If a claim under Section 1 of this Article VIII is not paid in full by the Association within thirty days after a written claim pursuant to Section 3 of this Article VIII has been received by the Association, or if a claim under Section 2 of this Article VIII is not paid in full by the Association within twenty days after a written claim pursuant to Section 2 of this Article VIII has been received by the Association, the claimant may at any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Association) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for the Association to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Association. Neither the failure of the Association (including its Board of Directors or Independent Counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Association (including its Board of Directors or Independent Counsel) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 5. Binding Effect.

If a determination shall have been made pursuant to Section 3 of this Article VIII that the claimant is entitled to indemnification, the Association shall be bound by such determination in any judicial proceeding commenced pursuant to Section 4 of this Article VIII.

Section 6. Validity of this Article VIII.

The Association shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 4 of this Article VIII that the procedures and presumptions of this Article VIII are not valid, binding and enforceable and shall stipulate in such proceeding that the Association is bound by all the provisions of this Article VIII.

Section 7. Nonexclusivity, etc.

The right to indemnification and the payment of expenses incurred in defending a proceeding or threatened proceeding in advance of its final disposition conferred in this Article VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Association, Bylaws, agreement, vote of shareholders or Disinterested Directors or otherwise. No repeal or modification of this Article VIII, or adoption of any provision inconsistent herewith shall in any way diminish or adversely affect the rights of any present or former director, advisory director, officer, employee or agent of the Association or any predecessor thereof hereunder in respect of any occurrence or matter

arising, or of any claim involving allegations of acts or omissions occurring or arising, prior to any such repeal or modification.

Section 8. Insurance.

The Association may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Association or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Association would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Association maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to whom rights to indemnification have been granted as provided in Section 9 of this Article VIII, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

Section 9. Indemnification of Other Persons.

The Association may grant rights to indemnification, and rights to be paid by the Association the expenses incurred in defending any proceeding in advance of its final disposition, to any present or former employee or agent of the Association or any predecessor of the Association to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of directors, advisory directors and officers of the Association.

Section 10. Severability.

If any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any paragraph of this Article VIII containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of any paragraph of this Article VIII containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 11. Certain Definitions.

For purposes of this Article VI:

(1) "Disinterested Director" means a director of the Association who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(2) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner that is experienced in matters of corporation law and shall



include any such person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Association or the claimant in an action to determine the claimant's rights under this Article VIII.

Section 12. Notices.

Any notice, request or other communication required or permitted to be given to the Association under this Article VIII shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Association and shall be effective only upon receipt by the Secretary.

Section 13. Payments

Notwithstanding any other provision of this Article VIII, however, (a) any indemnification payments to an institution-affiliated party, as defined at 12 USC 1813(u), for an administrative proceeding or civil action initiated by a federal banking agency, shall be reasonable and consistent with the requirements of 12 USC 1828(k) and the associated regulations; and (b) any indemnification payments and advancement of costs and expenses to an institution-affiliated party, as defined at 12 USC 1813(u), in cases involving an administrative proceeding or civil action not initiated by a federal banking agency, shall be consistent with safe and sound banking practices.

**ARTICLE IX.  
AMENDMENTS**

These Bylaws, or any of them, may be added to, altered, amended or repealed by the Board at any regular or special meeting of the Board.

**ARTICLE X.  
GOVERNING LAW**

This Association designates the Delaware General Corporation Law, as amended from time to time, as the governing law for its corporate governance procedures, to the extent not inconsistent with Federal banking statutes and regulations.

March 4, 2009

U.S. Bank National Association  
100 Wall Street  
New York, New York 10005

April 4, 2018

Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678 Ladies and Gentlemen:

We hereby accept our appointment as Paying Agent under the Indenture of Trust, dated as of March 1, 1985, as heretofore amended and supplemented and as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Northern California Power Agency and U.S. Bank National Association, as successor Trustee with respect to the \$68,875,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and we agree to perform the duties of Paying Agent as set forth in said Indenture.

We hereby accept our appointment as Paying Agent under the Indenture of Trust, dated as of March 1, 1985, as heretofore amended and supplemented and as supplemented by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Northern California Power Agency and U.S. Bank National Association, as successor Trustee with respect to the \$1,340,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B and we agree to perform the duties of Paying Agent as set forth in said Indenture.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION, as  
successor Trustee



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Christopher Grell,  
Vice President

**NORTHERN CALIFORNIA POWER AGENCY  
HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS,  
2018 REFUNDING SERIES A AND 2018 TAXABLE REFUNDING SERIES B**

**RECEIPT OF THE REPRESENTATIVE**

April 4, 2018

Northern California Power Agency  
651 Commerce Drive  
Roseville, California 95678

U.S. Bank National Association, as successor Trustee  
100 Wall Street  
New York, New York 10005

Ladies and Gentlemen:

Pursuant to the Contract of Purchase, dated March 13, 2018 (the “Contract of Purchase”), by and between Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself and Goldman Sachs & Co. LLC, as underwriters (the “Underwriters”), and Northern California Power Agency (the “Agency”), we hereby acknowledge receipt from U.S. Bank National Association of the Agency’s \$68,875,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and the Agency’s \$1,340,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds”), duly executed and authenticated.

We have wired immediately available funds, on instructions from the Agency, in the amount of \$78,303,444.94 to U.S. Bank National Association, as successor Trustee under the Indenture of Trust, dated March 1, 1985, as amended and supplemented, by and between Agency and the Trustee, which amount constitutes the full purchase price of the 2018 Series A Bonds and the 2018 Series B Bonds set forth in the Contract of Purchase.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC., as  
representative, on behalf of itself and Goldman  
Sachs & Co. LLC, as Underwriters

By: 

Authorized Representative  
Steve Dworkin, Managing Director

Receipt of full payment for the Bonds from  
the Underwriters as aforesaid  
is hereby acknowledged

This 4th day of April, 2018.

NORTHERN CALIFORNIA POWER  
AGENCY

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

Monty Hanks, Assistant General  
Manager, Finance and Administrative  
Services and Chief Financial Officer

Very truly yours,

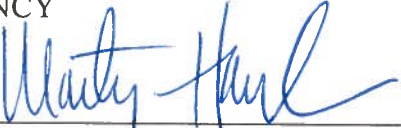
CITIGROUP GLOBAL MARKETS INC., as  
representative, on behalf of itself and Goldman  
Sachs & Co. LLC, as Underwriters

By: \_\_\_\_\_  
Authorized Representative

Receipt of full payment for the Bonds from  
the Underwriters as aforesaid  
is hereby acknowledged

This 4th day of April, 2018.

NORTHERN CALIFORNIA POWER  
AGENCY

By:  \_\_\_\_\_  
Monty Hanks, Assistant General  
Manager, Finance and Administrative  
Services and Chief Financial Officer



TO: Northern California Power Agency — 2018 Hydroelectric Refunding Working Group  
FROM: Citigroup Global Markets Inc.  
DATE: March 29, 2018  
SUBJECT: Final Closing and Delivery Instructions

**\$70,215,000**  
**Northern California Power Agency ("NCPA")**  
**Hydroelectric Project Number One Revenue Bonds,**  
**2018 Refunding Series A & 2018 Taxable Refunding Series B**

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**1. Preliminary Closing**

**Date/Time:** Tuesday, April 3, 2018 at 1:00 PM PT / 4:00 PM ET  
**Location:** Orrick, Herrington & Sutcliffe LLP's Online Deal Room

**2. Closing**

**Date/Time:** Wednesday, April 4, 2018 at 9:00 AM PT / 12:00 PM ET  
**Location:** Orrick, Herrington & Sutcliffe LLP  
777 South Figueroa Street, Suite 3200  
Los Angeles, California 90017  
**Dial-in:** 617-337-4375  
**Passcode:** 371 176 2878

**3. Delivery of the Bonds:**

Delivery of the Bonds will take place via a FAST delivery through the Depository Trust Company (DTC) on April 4, 2018. The Bonds are book-entry only.

**Trustee Contacts:**  
U.S. Bank ("NCPA Trustee")  
100 Wall Street, 16<sup>th</sup> Floor  
New York, NY 10005

Christopher Grell	(212) 951-6990	<a href="mailto:christopher.grell@usbank.com">christopher.grell@usbank.com</a>
William Keenan	(212) 951-8501	<a href="mailto:williams.keenan@usbank.com">williams.keenan@usbank.com</a>
Jean Clarke	(212) 951-6986	<a href="mailto:jean.clarke@usbank.com">jean.clarke@usbank.com</a>

#### 4. 2018 Refunding Series A & 2018 Taxable Refunding Series B

##### Sources of Funds

Par Amount	\$70,215,000.00
Net Premium	8,253,396.95
Transfer from 2008C Debt Service Account	964,125.00
<b>Total Sources</b>	<b>\$79,432,521.95</b>

##### Uses of Funds

Cash Deposit	\$1.03
SLGS Purchases	78,947,272.00
Cost of Issuance	313,990.00
Underwriter's Discount	164,952.01
Additional Proceeds	6,306.91
<b>Total Uses</b>	<b>\$79,432,521.95</b>

#### 5. Purchase Price Calculation

##### 2018 Refunding Bonds Series A & 2018 Taxable Refunding Series B

Par Amount	\$70,215,000.00
Plus: Net Premium	8,253,396.95
Less: Underwriter's Discount	(164,952.01)
<b>Net Purchase Price</b>	<b>\$78,303,444.94</b>

#### 6. Citi Wire for 2018 Refunding Series A & 2018 Taxable Refunding Series B Closing

On Wednesday, April 4, 2018, Citi will deliver a Federal Funds wire transfer (see Attachment A) representing the purchase price of the bonds, together totaling **\$78,303,444.94** to U.S. Bank.

##### **Wire #1 Instructions:**

BNF: US Bank Trust  
ABA#: 091000022  
Acct: [xxxxxxxxxx]  
FFC: SEI# [xxxxxxxxxx]  
Acct Name: NCPA HYDRO PRJ NO ONE 2018 ESCROW FD  
Attn: Christopher Grell, (212) 951-6990

<b>Citi Transfer to U.S. Bank</b>	<b>Amount (\$)</b>
Deposit to the 2018 Series A and B Escrow Fund	77,983,148.03
2018 Series A & B Costs of Issuance	320,296.91
<b>Total Transfer Amount</b>	<b>\$78,303,444.94</b>

#### 8. Release of the Bonds Through DTC

Upon receipt of direction from the Northern California Power Agency as to the transfer of the funds related to the 2018 Refunding Series A & B Purchase Price, the Working Group will call Citigroup's Municipal Securities Division Syndicate Operations at 212-723-7095 to release the Bonds through DTC.

\* \* \* \* \*

## 2018 Refunding Series A & 2018 Taxable Refunding Series B Issue Information

Total Par: \$70,215,000  
Tax Status: Tax-Exempt and Taxable  
Form of Bonds: DTC Book-Entry Only

### **\$68,875,000** **2018 Refunding Series A Bonds**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP*</b>
2019	8,885,000	5.00%	1.42%	664845EN0
2020	10,730,000	5.00	1.55	664845EP5
2021	11,310,000	5.00	1.65	664845EQ3
2022	11,850,000	5.00	1.79	664845ER1
2023	11,855,000	5.00	1.91	664845ES9
2024	14,245,000	5.00	2.00	664845ET7

### **\$1,340,000** **2018 Taxable Refunding Series B Bonds**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP*</b>
2019	1,340,000	2.35%	2.35%	664845EU4

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March 2, 2018

## **BLUE SKY MEMORANDUM**

### **NORTHERN CALIFORNIA POWER AGENCY HYDROELECTRIC PROJECT NUMBER ONE REVENUE BONDS 2018 REFUNDING SERIES A 2018 TAXABLE REFUNDING SERIES B**

Citigroup Global Markets Inc.,  
as Representative of the Underwriters

Ladies and Gentlemen:

This Memorandum relates to the requirements of the “Blue Sky” laws of the jurisdictions listed with respect to the proposed execution and delivery of the above-referenced Bonds (the “Bonds”). The Memorandum is based upon an examination of the National Securities Markets Improvement Act of 1996 (Section 18 of the Securities Act of 1933, as amended) (the “*Preemption Act*”) and of the securities laws of the several jurisdictions and the rules and regulations, where published, of the authorities administering such laws, all as to such jurisdictions as set forth in the CCH Blue Sky Law Reporter or upon informal interpretive advice of “no-action” letters obtained from certain securities commissions or their representatives relating to the Bonds or similar securities. It is noted, however, that the securities laws of certain jurisdictions provide that the burden of claiming an exemption is upon the person claiming the exemption and that informal interpretive advice and “no-action” letters are not necessarily binding upon a court of law.

We call attention to the fact that the authorities responsible for administering the securities laws of the various jurisdictions have broad discretionary powers with respect to the offer and sale of securities, including the power to withdraw exemptions granted by the applicable statutes and the power to impose additional requirements with respect to securities offerings and the information which must be furnished by the proposed issuers and underwriters. This Memorandum is, of course, subject to any changes made in the securities laws of the jurisdictions by reason of such discretionary powers, to the extent that the same are not preempted by the Preemption Act. Furthermore, we have not obtained any

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Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
March 2, 2018



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opinions from members of the bar of any jurisdiction or formal rulings from regulatory commissions or other administrative bodies or officials.

The Memorandum does not purport to cover the requirements under any of the laws of the jurisdictions enumerated herein with respect to the registration or licensing of dealers, brokers, salesmen, the form or substance of advertising or the legality of investments in the Bonds by any institutional investor which is subject to statutory or other restrictions as to its investments.

Very truly yours,

Norton Rose Fulbright US LLP

## **SECTION I**

### **SALES BY PERSONS REGISTERED OR LICENSED AS DEALERS OR BROKERS**

#### **A.**

In the following jurisdictions, no action need be taken to qualify the Bonds and the Bonds may be sold or offered to anyone therein. In this connection, it is assumed that the person who offers for sale or sells the Bonds in a jurisdiction, unless otherwise noted below, is registered or licensed as a dealer or broker therein:

Alabama	Louisiana	Pennsylvania
Alaska	Maine	Puerto Rico
Arizona	Maryland	Rhode Island
Arkansas	Massachusetts	South Carolina
California	Michigan	South Dakota
Colorado	Minnesota	Tennessee
Connecticut	Mississippi	Texas
Delaware	Missouri	Utah
District of Columbia	Montana	Vermont
Florida	Nebraska	Virginia
Georgia	New Jersey	Washington
Hawaii	New Mexico	West Virginia
Idaho	New York	Wisconsin
Illinois	North Carolina	Wyoming
Indiana	North Dakota	
Iowa	Ohio	
Kansas	Oklahoma	
Kentucky	Oregon	

**B.**

In the following jurisdictions, appropriate action is required to either file notice and/or pay fees for the Bonds before the Bonds may be sold or offered to anyone therein other than in exempt transactions. Pursuant to your request, no such action is being taken in these jurisdictions; therefore, no offers or sales of the Bonds may be made to anyone in these jurisdictions other than in exempt transactions:

Nevada

New Hampshire

## SECTION II

### *Sales to Specified Institutions and Dealers*

It is assumed in this Section that the person who offers for sale or sells the Bonds in the following jurisdictions is not registered or licensed as a dealer or broker therein. In the following jurisdictions, it is believed that no action need be taken to qualify the Bonds and the seller need not be registered or licensed as a dealer or broker to offer for sale or sell the Bonds to the persons and institutions described below, as well as to dealers or brokers registered or licensed in such jurisdictions, subject to the conditions, if any, set forth below:

#### Alabama:

Any bank, savings institution, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Alabama has no place of business in Alabama and effects transactions in Alabama exclusively with or through issuers of securities involved in the transactions and other dealers.

#### Alaska:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Alaska has no place of business in Alaska and effects transactions in Alaska exclusively with or through issuers of securities involved in the transactions, other broker-dealers, or the institutions listed above.

#### Arizona:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Arizona has no place of business in Arizona and effects transactions in Arizona exclusively through other broker-dealers.

#### Arkansas:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity, or any other person that may be deemed by the securities commissioner as an institutional buyer upon the basis of knowledge, experience, volume, and number of transactions, and other securities background; *provided*, any seller who is not registered as a dealer or broker-dealer in Arkansas has no place of business in Arkansas and effects transactions in Arkansas exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, a savings and loan association, or the institutions listed above.

California:

(1) Any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, self-employed individual retirement plan or individual retirement account), or other institutional investor, governmental agency or instrumentality as the Commissioner of Corporations may designate by rule, whether the purchaser is acting for itself or as trustee, or (2) any corporation with outstanding securities registered under Section 12 of the Securities Exchange Act of 1934 or any wholly owned subsidiary of the corporation that after the offer and sale will own directly or indirectly 100% of the outstanding capital stock of the issuer; *provided*, the purchaser represents that it is purchasing for its own account (or for such trust account) for investment and not with a view to or for sale in connection with any distribution of the security; *provided further*, the seller (i) is a broker-dealer registered under the Securities Exchange Act of 1934 who has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute and does not direct offers to sell or buy into California other than to broker-dealers and the institutional investors listed above, or (ii) has no place of business in California and either effects transactions exclusively with the issuers of securities involved in the transactions or other broker-dealers.

The other institutional investors and governmental agencies or instrumentalities designated by the Commissioner by rule being (a) any organization described in Section 501(c)(3) of the Internal Revenue Code, as amended December 29, 1981, which has total assets, including endowment, annuity and life income funds, of not less than \$5,000,000 according to its most recent audited financial statement; (b) any corporation with a consolidated net worth of not less than \$14,000,000 subject to certain conditions; and (c) any wholly-owned subsidiary of any such institutional investor.

Colorado:

Any financial or institutional investor, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Colorado is licensed under the Securities Exchange Act of 1934, has no place of business in Colorado and effects transactions in Colorado exclusively with or through the issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

The term “*financial or institutional investors*” means any of the following, whether acting for itself or others in a fiduciary capacity: (a) a depository institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company registered under the Investment Company Act of 1940; (e) a business development company as defined in the Investment Company Act of 1940; (f) any private business development company as defined in the Investment Advisers Act of 1940; (g) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5,000,000 dollars or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; (h) an entity, but not an individual, a substantial part of whose business activities consist of investing, purchasing, selling, or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of \$5,000,000 dollars as of the end of its latest fiscal year; (i) a small business investment company licensed by the federal Small Business Administration under the federal Small Business Investment Act of 1958; and (j) any other institutional buyer; *provided*, the seller is registered as a broker-dealer under the Securities Exchange Act of 1934 and has no place of business in Colorado and the business is transacted in Colorado exclusively with issuers in transactions involving their own securities,

other broker-dealers licensed or exempt from licensing in Colorado, or the institutions listed above.

*“Depository institution”* means a person that is organized or chartered, or is doing business or holds an authorization certificate, under the laws of a state or of the United States which authorizes the person to receive deposits, including deposits in savings, share, certificate, or other deposit accounts, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States; and a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the comptroller of the currency and is supervised and examined by an official or agency of a state or the United States. The term does not include an insurance company or other organization primarily engaged in the insurance business.

#### Connecticut:

Any bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, federal savings bank, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or broker-dealer, whether such purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Connecticut has no place of business in Connecticut and effects transactions in Connecticut exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

#### Delaware:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Delaware has no place of business in Delaware and effects transactions in Delaware exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

#### District of Columbia:

Any financial institution or institutional investor or a broker-dealer, whether the purchases is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in the District of Columbia has no place of business in the District of Columbia and effects transactions in the District of Columbia exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

The term *“financial or institutional investor”* means any of the following, whether acting for itself or others in a fiduciary capacity: (a) a depository institution, (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company registered under the Investment Company Act of 1940; (e) a business development company as defined in the Investment Company Act of 1940; (f) an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5,000,000, or if investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; (g) a “qualified institutional buyer” as defined in SEC Rule



144A; (h) a broker-dealer; (i) an “accredited investor” as defined in SEC Rule 501(a); or (j) a limited liability company with net assets of at least \$500,000.

“*Depository institution*” means (i) a person that is organized, chartered, or holding an authorization certificate under the laws of a state or of the United States to receive deposits, including a savings, share, certificate or deposit account, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States; and (ii) a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type that a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency of a state or the United States.

#### Florida:

Any bank, trust company, savings institution, insurance company, dealer, investment company as defined by the Investment Company Act of 1940, or pension or profit-sharing trust, or qualified institutional buyer as defined by rule of the Financial Services Commission in accordance with Securities and Exchange Commission Rule 144A, whether any of such entities is acting in its individual or fiduciary capacity; *provided*, that such offer or sale of securities is not for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of the Florida Securities and Investor Protection Act.

#### Georgia:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Georgia has no place of business in Georgia and the seller’s only transactions effected in Georgia are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Georgia, or the institutions listed above.

#### Guam:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, that any seller who is not registered as a dealer or broker-dealer in Guam has no place of business in Guam and effects transactions in Guam exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

#### Hawaii:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Hawaii has no place of business in Hawaii, and the seller’s only transactions effected in Hawaii are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Hawaii, or the institutions listed above.

#### Idaho:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided* any seller who is not registered

as a broker-dealer in Idaho has no place of business in Idaho and the seller's only transactions effected in Idaho are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Idaho, or the institutions listed above.

Illinois:

Any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, or dealer; pension fund, pension trust, employees' profit-sharing trust, other financial institution; any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; any trust in respect of which a bank or trust company is trustee or co-trustee; any entity in which at least 90% of the equity is owned by (i) persons described above, (ii) any natural person who has, or is reasonably believed to have, a net worth or joint net worth with that person's spouse, at the time of the offer, sale or issuance, in excess of \$1,000,000 excluding the value of a principal residence, or any natural person who had, or is reasonably believed to have had, an income or joint income with that person's spouse, in excess of \$ 200,000 in each of the two most recent years and who reasonably expects, or is reasonably expected to have, an income in excess of \$ 200,000 in the current year, or any person that is not a natural person and in which at least 90% of the equity interest is owned by persons who meet the tests set forth in this sentence; *provided* that such security is not offered or sold by means of any general advertising or general solicitation in Illinois, or (iii) directors, executive officers or general partners of the issuer of the securities being offered or sold, or any director, executive officer (i.e. the president, vice-president in charge of a principal business unit, division or function such as sales, administrations or finance, or any other officer who performs a policy making function or similar functions for the issuer), or general partner of a general partner of that issuer; any employee benefit plan within the meaning of Title I of ERISA if (i) the investment decision is made by a plan fiduciary as defined in Section 3(21) of ERISA and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or an investment adviser registered under the Investment Advisers Act of 1940, or (ii) the plan has total assets in excess of \$5,000,000, or (iii) in the case of a self-directed plan, investment decisions are made solely by persons that are described in this paragraph; any plan established and maintained by and for the benefit of the employees of, any state or political subdivision thereof if such plan has total assets in excess of \$5,000,000; or any organization, described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar business trust, or any partnership, if such organization, trust, or partnership has total assets in excess of \$5,000,000.

Indiana:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided* any seller who is not registered as a broker-dealer in Indiana has no place of business in Indiana and the seller's only transactions effected in Indiana are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Indiana, or the institutions listed above.

Iowa:

Any institutional investor,<sup>2</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act, or a person or class of persons who are granted this exemption by the Commissioner of Insurance or the deputy appointed pursuant to the Act, based upon factors of financial sophistication, net worth, and the amount of assets under investment; *provided*, any seller who is not registered as a broker-dealer in Iowa has no place of business in Iowa and the seller's only transactions effected in Iowa are with the issuers of securities involved in the

transactions, other broker-dealers licensed or not required to be licensed in Iowa, or the institutions listed above.

Kansas:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Kansas has no place of business in Kansas and the seller's only transactions effected in Kansas are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Kansas, or the institutions listed above.

Kentucky:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Kentucky has no place of business in Kentucky and effects transactions in Kentucky exclusively with or through issuers of securities involved in the transactions, other broker-dealers, or the institutions listed above.

Louisiana:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Maine:

Any institutional investor<sup>3</sup>, a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Maine has no place of business in Maine, and the seller's only transactions effected in Maine are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Maine, or the institutions listed above.

Maryland:

Any investment company as defined in the Investment Company Act of 1940, investment adviser with assets under management of not less than \$1,000,000, broker-dealer, bank, trust company, savings and loan association, insurance company, employee benefit plan with assets of not less than \$1,000,000, or governmental agency or instrumentality, whether acting for itself or as trustee, or a fiduciary with investment control, or other institutional investor as designated by rule or order of the Commissioner; *provided*, any seller who is not registered as a broker-dealer in Maryland has no place of business in Maryland and effects transactions in Maryland exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

Massachusetts:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary

capacity; *provided*, any seller who is not registered as a broker-dealer in Massachusetts has no place of business in Massachusetts and effects transactions in Massachusetts exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

“*Institutional Buyer*” includes any of the following: (1) an organization described in Section 501(c)(3) of the Internal Revenue Code with a securities portfolio of more than \$25 million; (2) an investing entity whose only investors are financial institutions and institutional buyers as described in Massachusetts Securities Act Section 401(m) and Massachusetts Securities Rule 12.20(1)(a)6.a and 950 CMR 12.205(1)(a)6.b; or (3) an investing entity made up exclusively of accredited investors as defined in Rule 501(a) of federal Regulation D under the Securities Act of 1933 who each invested a minimum of \$50,000. Additionally the subject fund must have existed before February 3, 2012, and ceased to accept new beneficial owners as of February 3, 2012.

#### Michigan:

Any institutional investor,<sup>4</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Michigan has no place of business in Michigan, and the seller’s only transactions effected in Michigan are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Michigan, or the institutions listed above.

#### Minnesota:

Any institutional investor,<sup>1</sup> accredited investor as defined in Rule 501(a) of Regulation D adopted pursuant to the Securities Act of 1933, a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Minnesota has no place of business in Minnesota, and the seller’s only transactions effected in Minnesota are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Minnesota, or the institutions listed above.

#### Mississippi:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Mississippi has no place of business in Mississippi, and the seller’s only transactions effected in Mississippi are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Mississippi, or the institutions listed above.

#### Missouri:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Missouri has no place of business in Missouri, and the seller’s only transactions effected in Missouri are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Missouri, or the institutions listed above.

#### Montana:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary

capacity; *provided*, any seller who is not registered as a broker-dealer in Montana has no place of business in Montana, and the seller's only transactions effected in Montana are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Montana, or the institutions listed above.

Nebraska:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institutional buyer, or an individual accredited investor, or a broker-dealer whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Nebraska has no place of business in Nebraska, and the seller's only transactions effected in Nebraska are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Nebraska, or the institutions listed above.

*"Pension or profit-sharing trust"* means an employee benefit plan, as defined in Title I of the Employee Retirement Income Security Act of 1974, if (i) the investment decisions are made by a "plan fiduciary," as defined in Section 3(21) of ERISA, which is either a bank, insurance company or registered investment advisers, or (ii) the employee benefit plan has total assets in excess of \$5,000,000.

*"Financial institution or institutional buyer"* means (i) any bank as defined in Section 3(a)(2) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; (ii) any insurance company as defined in Section 2(13) of the Securities Act of 1933; (iii) any business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940; and (iv) any small business investment company licensed by the United States Small Business Administrations, pursuant to Section 301(c) or (d) of the Small Business Investment Company Act of 1958.

*"Individual accredited investor"* means (a) any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer, (b) any manager of a limited liability company that is the issuer of the securities being offered or sold, (c) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase, exceeds one million dollars, excluding the value of the primary residence of such person, or (d) any natural person who had an individual income in excess of two hundred thousand dollars in each of the two most recent years or joint income with that person's spouse in excess of three hundred thousand dollars in each of those years and has a reasonable expectation of reaching the same income level in the current year.

Nevada:

Any financial or institutional investor, or a broker-dealer; *provided*, that the seller either is registered or is not required to be registered as a broker-dealer under the Securities Exchange Act of 1934, has no place of business in Nevada and (i) effects transactions in Nevada exclusively with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Nevada, or the institutions listed above, or (ii) is licensed under the securities laws of a state in which he maintains a place or business and he offers and sells in Nevada to a person who is an existing customer of the seller and whose principal place of business is not in Nevada.

*“Financial or institutional investor”* means a depository institution as defined in Section 90.225; insurance company; a separate account of an insurance company; an investment company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company, and any other institutional buyer, whether the purchaser is acting for itself or others in a fiduciary capacity other than as an agent.

#### New Hampshire:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, venture capital company which operates a small business investment company under the Small Business Investment Act of 1958, as amended, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in New Hampshire has no place of business in New Hampshire and effects transactions in New Hampshire exclusively with or through issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in New Hampshire, or any of the institutions listed above except for a venture capital company.

#### New Jersey:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, that any seller who is not registered as a broker-dealer in New Jersey effects transactions in New Jersey exclusively with or through the issuers of the securities involved in the transactions, other broker-dealers, or institutions listed above.

*“Savings institution”* means any savings and loan association or building and loan association operating pursuant to the Savings and Loan Act of New Jersey, any federal savings and loan association and any association or credit union organized under the laws of the United States or of any state whose accounts are insured by a federal corporation or agency.

#### New Mexico:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in New Mexico has no place of business in New Mexico, and the seller’s only transactions effected in New Mexico are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in New Mexico, or the institutions listed above.

#### New York:

Any bank, corporation, savings institution, trust company, insurance company, investment company, as defined in the Investment Company act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for himself or itself or in some fiduciary capacity, as part of a private placement of securities.

“*Bank*” means and include a state or national bank, trust company or savings institution incorporated under the laws and subject to the examination, supervision and control of any state or of the United States or of any insular possession thereof.

North Carolina:

An entity which has a net worth in excess of \$1,000,000 as determined by generally accepted accounting principles, bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a dealer or broker-dealer in North Carolina has no place of business in North Carolina and effects transactions in North Carolina exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

The term “*entity*” includes a corporation, joint-stock company, limited liability company, business trust, limited partnership, or other partnership in which the interests of the partners are evidenced by a security, trust in which the interests of the beneficiaries are evidenced by a security, any other unincorporated organization in which two or more persons have a joint or common economic interest evidences by a security, and governmental or political subdivision of a government.

North Dakota:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in North Dakota has no place of business in North Dakota, and the seller’s only transactions effected in North Dakota are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in North Dakota, or the institutions listed above.

Ohio:

Any institutional investor<sup>5</sup> or dealer.

Oklahoma:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Oklahoma has no place of business in Oklahoma, and the seller’s only transactions effected in Oklahoma are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Oklahoma, or the institutions listed above.

Oregon:

Any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer (including, but not limited to, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the United States Department of Veterans Affairs and the Government National Mortgage Association), or a broker-dealer, mortgage broker or a mortgage banker, whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions; *provided*, any seller who is not registered as a broker-dealer in Oregon has no place

of business in Oregon and effects transactions exclusively with or through other broker-dealers, or the institutions listed above.

Pennsylvania:

Any institutional investor<sup>6</sup> or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, that any seller who is not registered as a broker-dealer in Pennsylvania has no place of business in Pennsylvania, and effects transactions in Pennsylvania exclusively with or through issuers of the securities involved in the transactions, other broker-dealers, or the institutions listed above.

*“Bank”* means a bank, savings bank, savings institution, savings and loan association, thrift institution, trust company or similar organization which is organized or chartered under the laws of a state or of the United States, is authorized to and receives deposits and is supervised and examined by an official or agency of a state or by the United States if its deposits are insured by the Federal Deposit Insurance Corporation or a successor authorized by federal law.

Puerto Rico:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, that any seller who is not registered as a broker-dealer in Puerto Rico has no place of business in Puerto Rico and effects transactions in Puerto Rico exclusively with or through issuers of the securities involved in the transactions, other broker-dealers or the institutions listed above.

Rhode Island:

Any registered or exempt broker-dealer or financial or institutional investor; *provided*, any seller who is not registered as a broker-dealer in Rhode Island is registered or is exempt from registration under the Securities Exchange Act of 1934, has no place of business in Rhode Island and (i) effects transactions in Rhode Island exclusively with the issuer of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Rhode Island, or financial or institutional investors, or (ii) is licensed under the securities laws of a state in which he maintains a place of business and he offers and sells in Rhode Island to a person who is an existing customer of the seller and whose principal place of business is not in Rhode Island.

*“Financial or institutional investor”* means any of the following, whether acting for itself or another in a fiduciary capacity: (i) a depository institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) an employee pension, profit sharing or benefit plan if the plan has total assets in excess of five million dollars (\$5,000,000), or if investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt under the Investment Advisers Act of 1940, a depository institution, or an insurance company; and (vi) any other institutional buyers under SEC Rule 144A.

*“Depository institution”* means: (i) a person which is organized, chartered, or holding an authorization certificate under the laws of a state or of the United States which authorizes the person to receive deposits, including a savings, share, certificate or deposit account, and which is supervised and examined for the protection of depositors by an official or agency of a state or the



United States; and (ii) a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the comptroller of the currency and is supervised and examined by an official or agency of a state or the United States. “Depository institution” does not include an insurance company or other organization primarily engaged in the insurance business, or a Morris plan bank, industrial loan company, or a similar bank or company unless its deposits are insured by a federal agency.

#### South Carolina:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in South Carolina has no place of business in South Carolina and the seller’s only transactions effected in South Carolina are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in South Carolina, or the institutions listed above.

#### South Dakota:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided* any seller who is not registered as a broker-dealer in South Dakota has no place of business in South Dakota and the seller’s only transactions effected in South Dakota are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in South Dakota, or the institutions listed above.

#### Tennessee:

Any broker-dealer or institutional investor<sup>7</sup>; *provided*, any seller who is not registered as a broker-dealer in Tennessee has no place of business in Tennessee, is registered as a broker-dealer with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, and effects transactions in Tennessee exclusively with or through the foregoing classes of purchasers.

#### Texas:

Any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution, investment company as defined in the Investment Company Act of 1940, small business investment company as defined in the Small Business Investment Act of 1958, as amended; any qualified institutional buyer under SEC Rule 144A, or registered dealer actually engaged in buying and selling securities; *provided*, any seller who is not registered as a broker-dealer in Texas effects transactions to the institutions listed above or to any registered dealer actually engaged in buying or selling securities.

The term “*savings institution*” includes any federally chartered credit union, savings and loan association, or federal savings bank and any credit union or savings and loan associated chartered under the laws of any state.

The preceding applies only to financial institutions or other institutional investors acting for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the specific securities for which the seller is claiming an exemption (i.e., not acting only as agent for another purchaser that is not a financial institution or other institutional investor listed above).

Additionally, sales to: (1) an “institutional accredited investor” (as defined in Rule 501 (a)(1)-(4), (7) and (8) promulgated by the Securities and Exchange Commission under the Securities Act of 1933) excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are “individual accredited investors” as defined in Rule 501(a)(5)-(6), (2) any “qualified institutional buyer” (as defined in SEC Rule 144A(a)(1); and (3) a corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than \$5,000,000, or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the specific securities.

Utah:

Any depository institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional investor or broker-dealer; *provided*, any seller who is not registered as a broker-dealer in Utah has no place of business in Utah and effects transactions in Utah exclusively with or through the issuers of securities involved in the transactions, other broker-dealers, or the institutions listed above.

Vermont:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Vermont has no place of business in Vermont and the seller’s only transactions effected in Vermont are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Vermont, or the institutions listed above.

Virgin Islands:

Any institutional investor,<sup>1</sup> a person registered under the Investment Advisers Act of 1940, or any other person exempted by rule adopted or order issued under this Act; *provided*, any seller who is not registered as a broker-dealer in Virgin Islands has no place of business in Virgin Islands and the seller’s only transactions effected in Virgin Islands are with the issuers of securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Virgin Islands, or the institutions listed above.

Virginia:

Any corporation, investment company, or pension or profit-sharing trust or a broker-dealer.

Washington:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Washington has no place of business in Washington and effects transactions in Washington exclusively with or through issuers or the securities involved in the transactions, other broker-dealers, or the institutions listed above.

The Administrator has interpreted the term “*institutional buyer*” to mean: (1) a corporation, business trust, or a partnership or wholly owned subsidiary of such an entity, which has been operating for at least 12 months and which has a net worth on a consolidated basis of at least \$10,000,000 as determined by the entity’s most recent audited financial statements, such statements to be dated within 16 months of the transaction made in reliance upon this exemption;

(2) any entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 and which has a total endowment or trust funds of \$5,000,000 or more according to its most recent audited financial statements, such statements to be dated within 16 months of the transaction made in reliance upon this exemption; or (3) any wholly owned subsidiary of a bank, savings, institution, insurance company or investment company as defined in the Investment Company Act of 1940. The Administrator has further found that the term “institutional buyer” does not include a natural person, individual retirement account, Keogh account or other self-directed pension plan.

#### West Virginia:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in West Virginia has no place of business in West Virginia and effects transactions in West Virginia exclusively with or through the issuers of securities involved in the transactions, other broker-dealers, or the institutions listed above.

#### Wisconsin:

Any institutional investor, a person registered under the Investment Advisors Act of 1940, any other person exempted by rule adopted or order issued under the Wisconsin Uniform Securities Law; accredited investor, as defined in Rule 501(a) adopted under the Securities Act of 1933; *provided*, that prior to the sale in Wisconsin to accredited investor described in Rule 501(a)(5) or (6) adopted under the Securities Act of 1933, the seller files a consent to service of process with the administrator in the form required under Section 551.611 (failure to file the consent as required is a cause for administrative action by the administrator under Section 551.604 but does not result in the loss of this exemption); *further provided*, any seller who is not registered as a broker-dealer in Wisconsin has no place of business in Wisconsin, and the seller’s only transactions effected in Wisconsin are with the issuers of the securities involved in the transactions, other broker-dealers licensed or not required to be licensed in Wisconsin, or the institutions listed above.

#### Wyoming:

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity; *provided*, any seller who is not registered as a broker-dealer in Wyoming has no place of business in Wyoming and effects transactions in Wyoming exclusively with or through the issuers of securities involved in the transactions, other broker-dealers, or the institutions listed above.

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<sup>1</sup> “Institutional investor” means any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution (bank, savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Company, the National Credit Union Share Insurance Fund or a successor authorized by federal law) or international banking institution (an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933); (b) an insurance company;

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- (c) a separate account of an insurance company;
  - (d) an investment company as defined in the Investment Company Act of 1940;
  - (e) a broker-dealer registered under the Securities Exchange Act of 1934, 15 U.S.C. Section 78a, et seq.;
  - (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets exceed \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974 (ERISA), that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company;
  - (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company;
  - (h) a trust if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clauses (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans;
  - (i) an organization described in subsection 501(c)(3) of the Internal Revenue Code, 26 U.S.C. Section 501(c)(3), a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership not formed for the specific purpose of acquiring the securities offered and with total assets in excess of \$10,000,000;
  - (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958, 15 U.S.C. Section 681(c), with total assets in excess of \$10,000,000;
  - (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000;
  - (l) a federal covered investment adviser acting for its own account;
  - (m) a qualified institutional buyer as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933;
  - (n) a major United States institutional investor as defined in Rule 15a-6(b)(4)(I), adopted under the Securities Exchange Act of 1934.;
  - (o) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state's uniform securities act; or
  - (p) any other person specified by rule adopted or order issued under the state's uniform securities act.

<sup>2</sup> "Institutional investor" means any of the following, whether acting for itself or for others in a fiduciary capacity:

- (a) a depository institution (bank, savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Company, the National Credit Union Share Insurance Fund or a successor authorized by federal law) or international banking institution (an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933);
- (b) an insurance company;
- (c) a separate account of an insurance company;
- (d) an investment company as defined in the Investment Company Act of 1940;
- (e) a broker-dealer registered under the Securities Exchange Act of 1934;
- (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets exceed \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974 (ERISA), that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company;
- (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser

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registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Iowa Uniform Securities Act, a depository institution, or an insurance company;

(h) a trust, if it has total assets in excess of \$5,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans;

(i) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

(j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of \$5,000,000;

(k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5,000,000 dollars;

(l) a federal covered investment adviser acting for its own account;

(m) a “qualified institutional buyer” as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933;

(n) a “major U.S. institutional investor” as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934;

(o) any other person, other than an individual, of institutional character with total assets in excess of \$5,000,000 dollars not organized for the specific purpose of evading the Iowa Uniform Securities Act; or

(p) any other person specified by rule adopted or order issued under the Iowa Uniform Securities Act.

<sup>3</sup> “Institutional investor” means any of the following, whether acting for itself or for others in a fiduciary capacity:

(a) a depository institution (bank, savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Company, the National Credit Union Share Insurance Fund or a successor authorized by federal law) or international banking institution (an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933);

(b) an insurance company;

(c) a separate account of an insurance company;

(d) an investment company as defined in the Investment Company Act of 1940;

(e) a broker-dealer registered under the Securities Exchange Act of 1934, 15 U.S.C. Section 78a, et seq.;

(f) an employee pension, profit-sharing, or benefit plan if the plan has total assets exceed \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974 (ERISA), that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company;

(g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company;

(h) a trust if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clauses (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans;

(i) an organization described in subsection 501(c)(3) of the Internal Revenue Code, 26 U.S.C. Section 501(c)(3), a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership not formed for the specific purpose of acquiring the securities offered and with total assets in excess of \$10,000,000;

(j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958, 15 U.S.C. Section 681(c), with total assets in excess of \$5,000,000;

(k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5,000,000;

(l) a federal covered investment adviser acting for its own account;

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- (m) a qualified institutional buyer as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933;
  - (n) a major United States institutional investor as defined in Rule 15a-6(b)(4)(I), adopted under the Securities Exchange Act of 1934.;
  - (o) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state's uniform securities act; or
  - (p) any other person specified by rule adopted or order issued under the state's uniform securities act.

<sup>4</sup> "Institutional investor" means any of the following, whether acting for itself or for others in a fiduciary capacity:

- (a) a depository institution (bank, savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Company, the National Credit Union Share Insurance Fund or a successor authorized by federal law) or international banking institution (an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933);
- (b) an insurance company;
- (c) a separate account of an insurance company;
- (d) an investment company as defined in the Investment Company Act of 1940;
- (e) a broker-dealer registered under the Securities Exchange Act of 1934, 15 U.S.C. Section 78a, et seq.;
- (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets exceed \$2,500,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974 (ERISA), that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company;
- (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees if the plan has total assets in excess of \$2,500,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company;
- (h) a trust if it has total assets in excess of \$2,500,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clauses (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans;
- (i) an organization described in subsection 501(c)(3) of the Internal Revenue Code, 26 U.S.C. Section 501(c)(3), a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership not formed for the specific purpose of acquiring the securities offered and with total assets in excess of \$2,500,000;
- (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958, 15 U.S.C. Section 681(c), with total assets in excess of \$2,500,000;
- (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$2,500,000;
- (l) a federal covered investment adviser acting for its own account;
- (m) a qualified institutional buyer as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933;
- (n) a major United States institutional investor as defined in Rule 15a-6(b)(4)(I), adopted under the Securities Exchange Act of 1934.;
- (o) any other person, other than an individual, of institutional character with total assets in excess of \$2,500,000 not organized for the specific purpose of evading the state's uniform securities act; or
- (p) any other person specified by rule adopted or order issued under the state's uniform securities act.

<sup>5</sup> "*Institutional investor*" means any corporation, bank, insurance company, pension fund or pension fund trust, employees' profit sharing fund or employees' profit sharing trust, any association engaged, as a substantial part of its business or operations, in purchasing or holding securities, or any trust in respect of which a bank is trustee or co-trustee.

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<sup>6</sup> “*Institutional investor*” means any bank, insurance company, pension or profit-sharing plan or trust (except a municipal pension plan or system), investment company as defined in the Investment Company Act of 1940, or any person, other than an individual, which controls any of the foregoing, the federal government, state, or any agency or political subdivision thereof, except Pennsylvania public school districts, or any person so designated by regulation of the Pennsylvania Securities Commission. The other institutional investors designated by regulation of such commission are:

- (1) any corporation or business trust or wholly-owned subsidiary of such person (a) which has been in existence for 18 months and (b) which has a tangible net worth on a consolidated basis, as reflected in its most recent audited financial statements of \$10,000,000 or more;
- (2) any college, university or other public or private institution which has received exempt status under Section 501(c)(3) of the Internal Revenue Code of 1954 and which has total endowment or trust funds, including annuity and life income funds, of \$5,000,000 or more according to its most recently audited financial statements; *provided*, that the aggregate dollar amount of the securities being sold to such person under the exemption contained in the Pennsylvania Act shall not exceed 5% of such endowment or trust funds;
- (3) a wholly-owned subsidiary of any bank;
- (4) a person, except an individual or an entity whose security holders consist entirely of one individual or group of individuals who are related, which is organized primarily for the purpose of purchasing, in nonpublic offerings, securities of corporations or issuers engaged in research and development activities in conjunction with a corporation and which complies with certain conditions;
- (5) a Small Business Investment Company as defined in Section 103 of the Small Business Investment Act of 1958 which meets certain conditions;
- (6) a Seed Capital Fund, as defined in Section 2 and authorized in Section 6 of the Small Business Incubators Act;
- (7) a Business Development Credit Corporation, as authorized by the Business Development Credit Corporation Law;
- (8) a person whose security holders consist solely of institutional investors or broker-dealers;
- (9) a person as to which the issuer reasonably believed qualified as an institutional investor at the time of the offer or sale of the securities on the basis of written representations made by the purchaser to the issuer; and
- (10) a qualified institutional buyer as defined by the Securities and Exchange Commission under the Securities Act of 1933.

<sup>7</sup> “*Institutional investor*” means any bank, unless the bank is acting as a broker-dealer, trust company, insurance company, investment company registered under the Investment Company Act of 1940, as amended, a holding company which controls any of the foregoing, a trust or fund over which any of the foregoing has or shares investment discretion, a pension or profit-sharing plan, an institutional buyer (as the commissioner may further define by rule) or any other person engaged as a substantial part of its business in investing in securities, unless such other person is within the definition of a broker-dealer in the first sentence of subdivision (4) (in which case such other person is not an institutional investor), in each case having a net worth in excess of one million dollars (\$1,000,000).



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April 4, 2018

Commission  
Northern California Power Agency  
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Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Northern California Power Agency (the “Agency”) in connection with issuance of \$68,875,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”), and \$1,340,000 aggregate principal amount of its Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and, together with the 2018 Series A Bonds, the “2018 Bonds”). The 2018 Bonds have been issued pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1, and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5, of the Government Code of the State of California and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and the Indenture of Trust, dated as of March 1, 1985 by and between the Agency and U.S. Bank National Association, as successor trustee, as amended and supplemented (the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

The 2018 Bonds have been issued to provide the funds necessary to refund the Agency’s outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C and related purposes.

In such connection, we have reviewed the Indenture, the Hydroelectric Project Member Agreement, the Tax Certificate of the Agency relating to the 2018 Series A Bonds (the “Tax Certificate”), certificates of the Agency, the Trustee, the Project Participants and others, opinions of counsel to the Agency and to each Project Participant, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof.





Commission  
Northern California Power Agency  
April 4, 2018  
Page 2

We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2018 Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency, and, with respect to the Hydroelectric Project Member Agreement, the Project Participants. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Hydroelectric Project Member Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2018 Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2018 Bonds, the Indenture, the Hydroelectric Project Member Agreement and the Tax Certificate, and their enforceability, may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty) right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2018 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2018 Bonds constitute the valid and binding special, limited obligations of the Agency payable solely from, and secured solely by, the Trust Estate.



Commission  
Northern California Power Agency  
April 4, 2018  
Page 3

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Agency. The Indenture creates a valid pledge of the Trust Estate to secure the payment of the principal and redemption price of, and the interest on, the Bonds, including the 2018 Bonds, to the extent set forth in the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The 2018 Bonds are payable solely from the funds provided in the Indenture and shall not constitute a charge against the general credit of the Agency. The 2018 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Agency or any of its income or receipts except the Trust Estate. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof, any member of the Agency or any Project Participant is pledged to the payment of the principal or redemption price of, or interest on, the 2018 Bonds. The 2018 Bonds are not a debt of the State of California, and said State or any public agency thereof (other than the Agency), any member of the Agency or any Project Participant is not liable for the payment thereof.

4. The Hydroelectric Project Member Agreement has been duly executed and delivered by the Agency and the Project Participants and constitutes a valid and binding agreement of the parties thereto.

5. Interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2018 Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the 2018 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

A handwritten signature in black ink, appearing to be "John M. [unclear]", written over a horizontal line.



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April 4, 2018

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B  
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as the Underwriters, pursuant to Section 5(e)(4) of the Contract of Purchase, dated March 13, 2018 (the “Contract of Purchase”), between the Northern California Power Agency (the “Agency”) and Citigroup Global Markets Inc., as Representative, on behalf of itself and Goldman Sachs & Co. LLC, as underwriters (the “Underwriters”), providing for the purchase of the Agency’s \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018 and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), between the Agency and U.S. Bank National Association, as successor trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, the Contract of Purchase.

We have delivered our final legal opinion (the “Bond Opinion”) as bond counsel to the Agency concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Agency. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel and as disclosure counsel to the Agency, we have reviewed the Indenture, certain portions of the preliminary official statement of the Agency dated March 2, 2018 with respect to the Bonds (the “Preliminary Official Statement”) and of the official statement of the Agency dated March 13, 2018 with respect to the Bonds (the “Official Statement”), the Contract of Purchase, certificates of the Agency, the Trustee, the Underwriters, the Project Participants and others, opinions of counsels to the Agency, the Project Participants and others, and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth in the numbered paragraphs below.

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
April 4, 2018  
Page 2

The opinions and conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate and the Contract of Purchase and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), rights of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The statements contained in the Official Statement under the captions "INTRODUCTION," "PLAN OF REFUNDING," "THE 2018 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 BONDS," "TAX MATTERS," "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," "APPENDIX E – PROPOSED FORMS OF CONTINUING DISCLOSURE AGREEMENTS" and "APPENDIX F – PROPOSED FORM OF BOND COUNSEL OPINION," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly



Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
April 4, 2018  
Page 3

summarize certain provisions of the Act, the Bonds, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreements and the Third Phase Agreement and our Bond Opinion are accurate in all material respects; provided, however, that no opinion is expressed with respect to any statements relating to The Depository Trust Company ("DTC") or its operations.

We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 3 above), completeness or fairness of any of the statements contained in the Preliminary Official Statement or in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. We do not assume any responsibility for any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. In our capacity as bond and disclosure counsel to the Agency in connection with issuance of the Bonds, we participated in conferences with your representatives, your counsel, representatives of the Agency, Public Financial Management, Inc., the Significant Share Project Participants, their respective counsel and others, during which conferences the contents of the Preliminary Official Statement or the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences, and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned, subject to the following limitations on our role as bond counsel and disclosure counsel to the Agency, we advise you as a matter of fact and not opinion that (a) as of March 13, 2018, no facts had come to the attention of the attorneys in our firm rendering legal services with respect to the Bonds and the Preliminary Official Statement which caused us to believe as of its date and as of March 13, 2018 that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (b) as of the date of the Official Statement and as the date hereof, no facts had come to the attention of the attorneys in our firm rendering legal services with respect to the Bonds and the Official Statement which caused us to believe as of the date of the Official Statement and as of the date hereof that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, we expressly exclude from the scope of this paragraph and express no opinion or view about (i) any difference in information contained in the Preliminary Official Statement compared to what is contained in the Official Statement, whether or not related to pricing or sale of the Bonds, and whether any such difference is material and should have been included in the Preliminary Official Statement, and (ii) with respect to both the Preliminary Official Statement and the Official Statement, any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation, any management discussion and analysis, any statements about compliance with prior continuing disclosure undertakings,



Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
April 4, 2018  
Page 4

Appendices B through G thereto, or any information about book-entry, DTC, ratings, rating agencies, underwriters, underwriting, swaps or swap providers included or referred to therein or omitted therefrom.

This letter is furnished by us as bond and disclosure counsel to the Agency. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as the Underwriters of the Bonds, is solely for your benefit as such Underwriters and is not to be used, circulated, quoted or otherwise referred to or relied upon by you for any other purpose. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

  
ORRICK, HERRINGTON & SUTCLIFFE LLP



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April 4, 2018

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
Los Angeles, California

Re: NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds

\$68,875,000.00  
2018 Refunding Series A

\$1,340,000.00  
2018 Taxable Refunding Series B

Ladies and Gentlemen:

I am general counsel for Northern California Power Agency ("NCPA"). This opinion is being provided in accordance with your request pursuant to the Contract of Purchase, dated March 13, 2018 (the "Contract of Purchase"), between NCPA and Citigroup Global Markets Inc., as Representative, on behalf of itself and Goldman Sachs & Co. LLC, as underwriters (the "Underwriters"), providing for the purchase of NCPA's \$68,875,000.00 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and \$1,340,000.00 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (collectively, the "Bonds"). Terms used herein which are defined in said Contract of Purchase shall have the meanings specified therein or, if not defined therein, in the official statement dated March 13, 2018, relating to the Bonds (the "Official Statement").

NCPA is a joint powers agency and a public entity, created under the laws of the State of California and more specifically the Joint Exercise of Power Act (California Government Code §§ 6500 *et seq.*). Certain of the members of NCPA, to wit, the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara and Ukiah and associate member, the Plumas-Sierra Rural Electric Cooperative, herein called the "Project Participants," have entered into an agreement with NCPA dated as of September 1, 1982, entitled "Agreement for Construction, Operation and Financing of the North Fork Stanislaus River Hydroelectric

Development Project,” which, as amended to the date hereof, is referred to as the “Third Phase Agreement.”

Opinion

It is my opinion that:

1. NCPA has full power, authority and legal right to execute, deliver and perform the Contract of Purchase, the Third Phase Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, dated April 4, 2018 (the “Continuing Disclosure Agreement”), between NCPA and the Trustee and the Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the “Indenture”), between NCPA and U.S. Bank National Association, as successor trustee.

2. The execution, delivery and performance by NCPA of the Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement have been duly authorized by all appropriate action and do not and will not (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to NCPA or (ii) result in a breach of or constitute a default under any indenture or loan or credit agreement, lease or instrument to which it is a party or by which it or its properties may be bound or affected.

3. All authorizations, consents, approvals, licenses, exemptions of or registrations with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, necessary to the valid execution, delivery or performance by NCPA of the Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement have been obtained or effected, and are and will remain in full force and effect. I express no opinion regarding notice to or filings with the California Debt and Investment Advisory Commission or with respect to any securities laws.

4. The Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement constitute the legal, valid and binding obligations of NCPA enforceable against NCPA in accordance with their respective terms.

5. The respective obligations of the Project Participants under the Third Phase Agreement are secured by the promise of each Project Participant to make payments out of electric department revenues as an operating expense.



6. NCPA is entitled to receive any and all amounts payable by the Project Participants pursuant to the Third Phase Agreement free and clear of all rights and interests of others except as provided in the Indenture.

7. NCPA has duly authorized, executed and delivered the Official Statement.

8. Except as disclosed in the Preliminary Official Statement and the Official Statement, there are to my knowledge no actions, suits or proceedings pending or threatened against NCPA or its properties before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely, would have a material adverse effect on the business or financial condition of NCPA.

9. The statements in the Preliminary Official Statement and the Official Statement under the caption "LITIGATION" and the statements as to California law under the caption[s] "RATE REGULATION" and "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" accurately summarize the matters set forth therein.

Without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement (except to the extent expressly set forth in the preceding sentence) and based upon the information made available to me during the preparation of the Preliminary Official Statement and the Official Statement as General Counsel to NCPA, nothing has come to my attention which causes me to believe that the information contained in the Preliminary Official Statement and the Official Statement under the captions "NORTHERN CALIFORNIA POWER AGENCY," "LITIGATION" and "RATE REGULATION" (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions, as to all of which I express no view), as of its date or as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering my opinions herein, I have made no investigation of, and do not express any opinion with respect to, the following as they may relate to the valid, binding and enforceable nature of the Third Phase Agreement: (i) the legal existence or formation of any of the Project Participants or the incumbency of any official or officer thereof, (ii) the charter, by-laws or other governing instrument of any of the Project Participants, (iii) any local or special acts or any ordinance, resolution or other proceedings of any of the Project Participants, including, without limitation, any proceedings relating to the negotiation or authorization of the Third Phase Agreement or the execution, delivery or performance thereof, (iv) any bond resolution, indenture, contract, debt instrument, agreement or other instrument, agreement or other instrument (other than the Third Phase Agreement) or any governmental order, regulation or rule of or applicable to any of the Project Participants, (v) any judicial order, judgment or decree

in a proceeding to which any of the Project Participants is a party or (vi) any approval, consent, filing, registration or authorization by or with any regulatory authority or other governmental or public agency, authority or person which may be or has been required for the authorization, execution, delivery or performance by any of the Project Participants of the Third Phase Agreement. NCPA has received, independent from this opinion, opinions with respect to, among other things, the validity and enforceability of the Third Phase Agreement rendered by the respective legal counsel to the Project Participants.

The enforceability of the Contract of Purchase, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Third Phase Agreement may be limited by bankruptcy, insolvency, moratorium and similar laws or equitable principles affecting the rights of creditors generally.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed only to the Underwriters. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

No attorney-client relationship has existed or exists between me and yourselves in connection with the Bonds or by virtue of this letter. This letter is solely for the information of, and assistance to, you as the Underwriters and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds except that reference may be made to this letter in any list of closing documents pertaining to the sale of the Bonds.

Sincerely,



JANE E. LUCKHARDT

General Counsel

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April 4, 2018

Via Email

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representative of the Underwriters  
San Francisco, CA

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

We are counsel to the Northern California Power Agency ("NCPA") in connection with the litigation described in NCPA's Preliminary Official Statement dated March 2, 2018 (the "Preliminary Official Statement") and Official Statement dated March 13, 2018 (the "Official Statement"), under the captions "LITIGATION – Market Redesign" and "LITIGATION – California Energy Market Dysfunction, Refund Dispute and Related Litigation." In giving this opinion, we have examined such documents and instruments as we deem appropriate, including:

- (a) the Preliminary Official Statement and the Official Statement,
- (b) The documents associated with the current status of each of the proceedings described, together with such statutes and decisions relevant thereto as we deem relevant.

Based upon the foregoing, we are of the opinion that the statements in the Preliminary Official Statement and the Official Statement under the captions "LITIGATION – Market Redesign" and "LITIGATION – California Energy Market Dysfunction, Refund Dispute and Related Litigation" and "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – ISO Markets" and, with respect to federal regulation, under the caption "RATE REGULATION"

Page 2

accurately summarize the matters set forth therein, and nothing has come to our attention which would lead us to believe that such statements contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in the light of the circumstances under which they are made, not misleading. These representations, of course, are made with respect to the current state of the law, and recognize that in these matters, as in most others, the law is subject to change from time to time.

We consent to the references to us in the Preliminary Official Statement and Official Statement.

Sincerely,



Lisa G. Dowden

Sincerely,

Lisa G. Dowden

LGD



April 4, 2018

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Citigroup Global Markets Inc.  
Los Angeles, California

Goldman Sachs & Co. LLC  
Los Angeles, California

NORTHERN CALIFORNIA POWER AGENCY  
Hydroelectric Project Number One Revenue Bonds

\$68,875,000  
2018 Refunding Series A

\$1,340,000  
2018 Taxable Refunding Series B

Ladies and Gentlemen:

We have acted as counsel to you, Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC, as the underwriters (the "Underwriters") named in the Contract of Purchase dated March 13, 2018 (the "Contract of Purchase"), between you and the Northern California Power Agency (the "Agency"), in connection with the issuance and sale of the Agency's \$68,875,000 Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the "2018 Series A Bonds") and \$1,340,000 Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the "2018 Series B Bonds" and together with the 2018 Series A Bonds, the "Bonds").

The Bonds are being issued pursuant to the provisions of Article 4 of the Joint Exercise of Powers Act of the State of California (the "Act"), Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, and an Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twenty-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and by the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the "Indenture"), by and between the Agency and U.S. Bank National Association, as successor trustee (the "Trustee"). The Bonds are being issued by the Agency for the purpose of providing funds to refund the Agency's outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C and to pay the costs of issuance of the Bonds.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Contract of Purchase, or if not defined therein, in the Indenture.

We have reviewed, among other documents, the Contract of Purchase, the Preliminary Official Statement dated March 2, 2018 with respect to the Bonds (the "Preliminary Official Statement"), the Official Statement dated March 13, 2018 with respect to the Bonds (the "Official Statement"),

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the Indenture, the Continuing Disclosure Agreements of the Agency and the Significant Share Project Participants (the "Continuing Disclosure Agreements"), certificates of the Agency, the Project Participants, the Trustee and others, the opinions referred to in the Contract of Purchase and such other records, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusions hereinafter expressed.

In arriving at the conclusions hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referenced above (including the accuracy of all factual matters represented and legal conclusions contained therein), including (without limitation) representations and legal conclusions regarding the due authorization, execution, delivery, validity and enforceability of the Indenture, the Continuing Disclosure Agreements, the Third Phase Agreement, the Escrow Agreement and the Bonds, the due authorization of the Official Statement, and the exclusion from the gross income of the owners thereof for federal income tax purposes of interest on the 2018 Series A Bonds. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We understand that with respect to the matters covered by the approving opinion of Orrick, Herrington & Sutcliffe LLP as bond counsel to the Agency ("Bond Counsel"), dated the date hereof, you have received a letter from Bond Counsel allowing you to rely on such opinion.

The opinions and conclusions expressed herein are limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

Based on and subject to the foregoing, and in reliance thereon, we are of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

Assuming the due authorization, execution and delivery of the Continuing Disclosure Agreements by the parties thereto and the enforceability thereof, the Continuing Disclosure Agreements are in a form which satisfies the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

In our capacity as counsel to the Underwriters, we have rendered certain legal advice and assistance to you in connection with the preparation of the Preliminary Official Statement and the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephonic conferences with, among others, your representatives and representatives of the Agency, counsel to the Agency, the Significant Share Project Participants and their counsel, PFM Financial Advisors LLC as financial advisor, and Orrick Herrington & Sutcliffe LLP as Bond Counsel and Disclosure Counsel to the Agency, at which meetings and during which telephonic conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any

responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance to you in connection with the preparation of the Preliminary Official Statement and the Official Statement which cause us to believe that (a) the Preliminary Official Statement as of its date and as of March 13, 2018 (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Preliminary Official Statement under the caption "TAX MATTERS" and in Appendices B through G to the Preliminary Official Statement; as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yields, interest rates, maturities, amortization, redemption provisions, ratings, debt service requirements, Underwriters' discount and CUSIP numbers, or (b) the Official Statement as of its date or as of the date hereof (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the caption "TAX MATTERS" and in Appendices B through G to the Official Statement; as to all of which we express no view) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

We are furnishing this letter to you solely for your benefit as Underwriters. This letter may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person or filed with any governmental or other administrative agency or other person or entity for any purpose without our prior written consent. This letter is not intended to, and may not, be relied upon by the owners of the Bonds. Our engagement with respect to this matter terminates upon the delivery of this letter to you at the time of the closing relating to the Bonds, and we have no obligation to update this letter.

Respectfully submitted,

*Norton Rose Fulbright US LLP*

ANDERSON AQUINO LLP  
COUNSELORS AT LAW  
240 LEWIS WHARF  
BOSTON, MASSACHUSETTS 02110  
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April 4, 2018

Northern California Power Agency  
Roseville, California

Citigroup Global Markets Inc.,  
as Representatives of the Underwriters  
Los Angeles, California

U.S. Bank National Association  
New York, New York

Re: Northern California Power Agency Hydroelectric Project Number One Revenue Bonds 2018 Refunding Series A and 2018 Taxable Refunding Series B (the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to U.S. Bank National Association, as Trustee (the "Trustee") in connection with the issuance of the above referenced Bonds pursuant to the Indenture of Trust dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Twentieth-Fourth Supplemental Indenture of Trust, dated as of April 1, 2018, and the Twenty-Fifth Supplemental Indenture of Trust, dated as of April 1, 2018 (collectively, the "Indenture"), by and between Northern California Power Agency (the "Agency") and Trustee. All capitalized terms used in this opinion, unless otherwise defined, have the meanings given them in the Indenture, as amended.

In rendering this opinion, we have examined the (i) the Indenture; (ii) the Continuing Disclosure Agreement, dated April 4, 2018 (the "Agency Continuing Disclosure Agreement"), by and between the Agency and the Trustee; (iii) the Continuing Disclosure Agreement, dated April 4, 2018 (the "Bureau of Electricity/City of Alameda Continuing Disclosure Agreement"), by and between the Bureau of Electricity/City of Alameda and the Trustee; (iv) the Continuing Disclosure Agreement, dated April 4, 2018 (the "City of Lodi Continuing Disclosure Agreement"), by and between the City of Lodi and the Trustee; and (v) the Continuing Disclosure Agreement, dated April 4, 2018 (the "City of Palo Alto Continuing Disclosure Agreement"), by and between the City of Palo Alto and the Trustee; (vi) the Continuing Disclosure Agreement, dated April 4, 2018 (the "City of Roseville Continuing Disclosure Agreement"), by and between the City of Roseville and the Trustee; (vii) the Continuing



Disclosure Agreement, dated April 4, 2018 (the “City of Santa Clara Continuing Disclosure Agreement”, and collectively with the Agency Continuing Disclosure Agreement, the Bureau of Electricity/City of Alameda Continuing Disclosure Agreement, the City of Lodi Continuing Disclosure Agreement, the City of Palo Alto Continuing Disclosure Agreement, and the City of Roseville Continuing Disclosure Agreement, the “Continuing Disclosure Agreements”), by and between the City of Santa Clara and the Trustee; and (viii) the Escrow Deposit Agreement dated as of April 1, 2018 (the “Escrow Agreement”), between the Agency and the Trustee. We have also examined such other documents, records, agreements and certificates as we have deemed necessary as a basis for the opinions hereinafter expressed. In such examination, we have assumed the genuineness of all signatures on documents submitted to us, and the conformity to originals of all documents submitted to us as conformed copies or photocopies. We have also assumed that any and all resolutions or other action taken to approve and authorize the financing has been duly authorized and delivered by the Agency and that all necessary corporate action on the part of the Agency in connection with the execution and delivery of the related documents has been taken. As to certain matters material to our opinion, we have relied upon the representations made in copies of the resolutions and certificates of public officials and certificates, oaths and declarations of officers and other representatives of the Trustee without independently establishing the matters so relied on.

Subject to the qualifications set forth in this letter, and in reliance upon the Certificate of Trustee and the Trustee’s Letter of Acceptance each being delivered in connection with the issuance of the Bonds, we are of the opinion that:

1. The Trustee is a national banking association duly organized and validly existing under the law of the United States of America.

2. The Trustee has duly authorized the execution and delivery of the (i) Indenture; (ii) the Continuing Disclosure Agreements; and (iii) the Escrow Agreement.

3. The Indenture, the Continuing Disclosure Agreements and the Escrow Agreement have each been duly executed and delivered by the Trustee and assuming due, valid and binding authorization, execution and delivery by the other parties thereto, constitute the valid and binding agreements of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors’ rights generally or by general principles of equity.

4. The acceptance by the Trustee of its duties and obligations under the Indenture, the Continuing Disclosure Agreements and the Escrow Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any United States of America or State of New York law or administrative regulation governing the banking or trust powers of the Trustee.

5. No authorization, consent or other order of any State of New York or federal government authority or agency having jurisdiction in the matter is required to be obtained by

the Trustee for the valid execution or delivery of the Indenture, the Continuing Disclosure Agreements and the Escrow Agreement, or for the performance by the Trustee of its obligations under the Indenture, the Continuing Disclosure Agreements and the Escrow Agreement.

Certain members of the firm are qualified to practice law in the State of New York. We do not express any opinion concerning any law, rule, regulation or administrative regulation other than the law of the State of New York and the federal law of the United States. In rendering the opinions set forth herein, we have assumed without investigation that the law of the State of California is identical in all material respects to the law of State of New York.

This letter is intended solely for your benefit and, without our express written consent, may not be relied upon, referred to or otherwise used by any other person or other than in connection with the issuance of the Bonds.

Very truly yours,





**Orrick, Herrington & Sutcliffe LLP**

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April 4, 2018

U.S. Bank National Association, as Trustee  
New York, New York

Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds,  
2008 Refunding Series C  
(Defeasance Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Northern California Power Agency (the “Agency”) in connection with its issuance of \$68,875,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and \$1,340,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and, together with the 2018 Series A Bonds, the “Refunding Bonds”). A portion of the proceeds of the Refunding Bonds, together with other available funds, will be applied to refund \$77,130,000 aggregate principal amount of the Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C, maturing on July 1 in the years 2019 through 2024, inclusive (the “Refunded Bonds”). The Refunded Bonds were issued pursuant to the Indenture of Trust, dated as of March 1, 1985, as amended and supplemented, including as supplemented by the Eighteenth Supplemental Indenture of Trust, dated as of July 1, 2008 (as amended and supplemented, the “Indenture”) between the Agency and U.S. Bank National Association, as successor trustee (the “Trustee”). This opinion is being provided for purposes of Article XIII of the Indenture related to defeasance. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed portions of the Indenture, an escrow deposit agreement, dated as of April 1, 2018 (the “Escrow Agreement”), by and between the Agency and U.S. Bank National Association, as successor trustee for the Refunded Bonds, a report by Grant Thornton LLP verifying the accuracy of certain computations relating to the escrow fund established under the Escrow Agreement and the Refunded Bonds (the “Verification Report”), an Order of the Agency, dated the date hereof (the “Order”), and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinion may be affected by actions taken or omitted or events occurring after the date hereof.



U.S. Bank National Association, as Trustee  
April 4, 2018  
Page 2

We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We express no opinion as to the effect of any bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof and the certifications and representations made in connection with the subscription for certain United States Treasury Obligations – State and Local Government Series. We have further assumed compliance by all parties with all covenants and agreements contained in such documents.

In rendering the following opinion, we have made no independent calculations or verifications concerning the actual deposit of the amounts and obligations specified in the Escrow Agreement, the outstanding principal amount of the Refunded Bonds, the principal or redemption price and interest requirements with respect to the Refunded Bonds, the adequacy of the amounts deposited pursuant to the Escrow Agreement and the investment income thereon to pay such principal or redemption price and interest requirements when due, or the accuracy of any of the numbers, computations, assumptions or conclusions contained in the Verification Report, but with respect to all such matters have relied solely upon, and assumed the accuracy of, the Verification Report, the representations in the Escrow Agreement and related certificates. We have also assumed that the deposit required to be made to the escrow fund established pursuant to the Escrow Agreement has been made, that all other instructions set forth in the Indenture, the Order and the Escrow Agreement have been complied with, and that provision satisfactory to the Trustee has been irrevocably made with respect to the giving of notice of redemption of the Refunded Bonds.

Certain actions (including, without limitation, investment or reinvestment of any cash in an escrow fund established pursuant to the Escrow Agreement now or hereafter arising or substitution of any investments in any such escrow fund) may be taken under the circumstances and subject to the terms and conditions set forth in the Escrow Agreement. No opinion is expressed herein if any such change occurs or action is taken or omitted other than with our advice and approval.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that all liability of the Agency in respect of the Refunded Bonds has ceased, terminated, become void, discharged and satisfied pursuant to the terms of the Indenture, and the



U.S. Bank National Association, as Trustee  
April 4, 2018  
Page 3

holders of the Refunded Bonds are entitled to payment of the redemption price of and interest on the Refunded Bonds only out of the money or securities in the escrow fund established pursuant to the Escrow Agreement for the payment of the Refunded Bonds.

This letter is furnished by us as bond counsel to the Agency. No attorney-client relationship has existed or exists between our firm and you by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you solely for your benefit as Trustee under the Indenture in connection with the defeasance of the Refunded Bonds and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Refunded Bonds or by owners of the Refunding Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,  
  
ORRICK, HERRINGTON & SUTCLIFFE LLP



**Orrick, Herrington & Sutcliffe LLP**

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April 4, 2018

U.S. Bank National Association  
New York, New York

Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds  
2018 Refunding Series A and 2018 Taxable Refunding Series B

Ladies and Gentlemen:

In connection with the delivery of the above-referenced bonds (the "Bonds") we have delivered our final legal opinion concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the issuer of the Bonds.

You may rely on said opinion as though the same were addressed to you, as trustee, but solely for the benefit of, and as if you were one of, the holders of the Bonds. No attorney-client relationship has existed or exists between the addressee of this letter and our firm in connection with the Bonds or by virtue of this letter. This letter is addressed to you as the trustee for the Bonds, is solely for your benefit as such trustee and is not to be used, circulated, quoted or otherwise referred to or relied upon by you for any other purpose. This letter is not intended to, and may not be, relied upon by any person to whom it is not specifically addressed.

Very truly yours,

  
ORRICK, HERRINGTON & SUTCLIFFE LLP

March 28, 2018

Monty Hanks  
Northern California Power Agency  
651 Commerce Drive  
Roseville , CA 95678

Dear Mr. Hanks:

We wish to inform you that on February 27, 2018, Moody's Investors Service reviewed and assigned a rating of

- **Aa3** to NCPA - Hydroelectric Project 1, Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A;
- **Aa3** to NCPA - Hydroelectric Project 1, Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B.

Credit ratings issued by Moody's Investors Service, Inc. and its affiliates ("Moody's") are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody's credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

This letter uses capitalized terms and rating symbols that are defined or referenced either in *Moody's Definitions and Symbols Guide* or *MIS Code of Professional Conduct* as of the date of this letter, both published on [www.moodys.com](http://www.moodys.com). The Credit Ratings will be publicly disseminated by Moody's through normal print and electronic media as well as in response to verbal requests to Moody's Rating Desk. Moody's related research and analyses will also be published on [www.moodys.com](http://www.moodys.com) and may be further distributed as otherwise agreed in writing with us.

Moody's Credit Ratings or any corresponding outlook, if assigned, will be subject to revision, suspension or withdrawal, or may be placed on review, by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current Credit Rating, please visit [www.moodys.com](http://www.moodys.com).

Moody's has not consented and will not consent to being named as an expert under applicable securities laws, such as section 7 of the Securities Act of 1933. The assignment of a rating does not create a fiduciary relationship between Moody's and you or between Moody's and other recipients of a Credit Rating. Moody's Credit Ratings are not and do not provide investment advice or recommendations to purchase, sell or hold particular securities. Moody's issues Credit Ratings with the expectation and understanding that each investor will make its own evaluation of each security that is under consideration for purchase, sale or holding.

Moody's adopts all necessary measures so that the information it uses in assigning a Credit Rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently validate or verify information received in the rating process. Moody's expects and is relying upon you possessing all legal rights and required consents to disclose the information to Moody's, and that such information is not subject to any restrictions that would prevent use by Moody's for its ratings process. In assigning the Credit Ratings, Moody's

March 28, 2018

Monty Hanks  
Northern California Power Agency  
651 Commerce Drive  
Roseville , CA 95678

has relied upon the truth, accuracy, and completeness of the information supplied by you or on your behalf to Moody's. Moody's expects that you will, and is relying upon you to, on an ongoing basis, promptly provide Moody's with all information necessary in order for Moody's to accurately and timely monitor the Credit Ratings, including current financial and statistical information.

Under no circumstances shall Moody's have any liability (whether in contract, tort or otherwise) to any person or entity for any loss, injury or damage or cost caused by, resulting from, or relating to, in whole or in part, directly or indirectly, any action or error (negligent or otherwise) on the part of, or other circumstance or contingency within or outside the control of, Moody's or any of its or its affiliates' directors, officers, employees or agents in connection with the Credit Ratings. **ALL INFORMATION, INCLUDING THE CREDIT RATING, ANY FEEDBACK OR OTHER COMMUNICATION RELATING THERETO IS PROVIDED "AS IS" WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND. MOODY'S MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH INFORMATION.**

Any non-public information discussed with or revealed to you must be kept confidential and only disclosed either (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such with a need to know that have entered into non-disclosure agreements with Moody's in the form provided by Moody's and (iii) as required by applicable law or regulation. You agree to cause your employees, affiliates, agents and advisors to keep non-public information confidential.

If there is a conflict between the terms of this rating letter and any related Moody's rating application, the terms of the executed rating application will govern and supersede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact the analyst assigned to this transaction, Kathrin Heitmann at 212.553.4694.

Yours faithfully,

*Moody's Investors Service Inc.*

Moody's Investors Service Inc.





33 Whitehall Street  
New York, NY 10004

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[www.fitchratings.com](http://www.fitchratings.com)

February 27, 2018

Mr. Randy S. Howard  
General Manager  
Northern California Power Agency  
651 Commerce Drive  
Roseville, CA 95678

Dear Mr. Howard:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed in the attached Notice of Rating Action.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws. Fitch does not consent to the inclusion of its ratings in any offering document in any instance in which US, UK or any other relevant securities laws requires such consent. Fitch does not consent to the inclusion of any written letter communicating its rating action in any offering document. You understand that Fitch has not consented to, and will not consent to, being named as an "expert" in connection with any registration statement or other filings under US, UK or any other relevant securities laws, including but not limited to Section 7 of the U.S. Securities Act of 1933. Fitch is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933, nor has Fitch performed the roles or tasks associated with an "underwriter" or "seller" under this engagement.

It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings.

In this letter, "Fitch" means Fitch Ratings, Inc. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Jeff Schaub  
Managing Director  
U.S. Public Finance

JS/em

Enc: Notice of Rating Action  
(Doc ID:210826 Rev 0)

## Notice of Rating Action

<b><u>Bond Description</u></b>	<b><u>Rating Type</u></b>	<b><u>Rating Action</u></b>	<b><u>Rating</u></b>	<b><u>Outlook/ Watch</u></b>	<b><u>Eff Date</u></b>	<b><u>Notes</u></b>
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev bonds ser 2008C	Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev bonds ser 2008C	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds ser 1998A	Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds ser 1998A	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds ser 2010A	Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds ser 2010A	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds ser 2008A (bank bonds)	Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds ser 2008A (bank bonds)	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds (taxable) ser 2008B (bank bonds)	Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds (taxable) ser 2008B (bank bonds)	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds ser 2012A	Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds ser 2012A	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds (taxable) ser 2012B	Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	

**Key:** RO: Rating Outlook, RW: Rating Watch, Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

<b><u>Bond Description</u></b>	<b><u>Rating Type</u></b>	<b><u>Rating Action</u></b>	<b><u>Rating</u></b>	<b><u>Outlook/ Watch</u></b>	<b><u>Eff Date</u></b>	<b><u>Notes</u></b>
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds (taxable) ser 2012B	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds ser 2008A (LOC: Bank of Montreal)	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) var-rate demand rev rfdg bonds (taxable) ser 2008B (LOC: Bank of Montreal)	Unenhanced Long Term Rating	Upgrade	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds ser 2018A	Long Term Rating	New Rating	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds ser 2018A	Unenhanced Long Term Rating	New Rating	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds (taxable) ser 2018B	Long Term Rating	New Rating	AA-	RO:Sta	27-Feb-2018	
Northern California Power Agency (CA) (Hydroelectric Proj No. 1) rev rfdg bonds (taxable) ser 2018B	Unenhanced Long Term Rating	New Rating	AA-	RO:Sta	27-Feb-2018	

**Key:** RO: Rating Outlook, RW: Rating Watch, Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving



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**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**

915 CAPITOL MALL ROOM 400  
PO BOX 942809  
SACRAMENTO, CA 94209-0001  
TELEPHONE: (916) 653-3269  
FAX: (916) 654-7440

February 23, 2018

**TO:** Laura A Gao  
Orrick Herrington & Sutcliffe  
777 South Figueroa Street Ste 3200  
Los Angeles, CA 90012

**FROM:** Mark Campbell, Executive Director

**RE: RECEIPT OF NOTICE OF A PUBLIC DEBT ISSUE AFTER THE NOTICE PERIOD DATE**

California Government Code Section 8855(i) requires that written notice be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale date. The following notice was received late.

**CDIAC Nbr:** 2018-0368  
**Issuer:** Northern California Power Agency  
**Project:** Power Generation/Transmission  
**Proposed Amount:** \$80,000,000  
**Proposed Sale Date:** March 7, 2018  
**Date Notice Received:** February 22, 2018

Issuers may electronically file the Report of Final Sale (RFS) through CDIAC's website, using the following CDIAC number and password, which are unique to this filing and must be used for any subsequent reporting under this CDIAC number.

CDIAC Number: 2018-0368  
Password: 52600

In accordance with Government Code Section 8855(j), the RFS for this issue must be submitted not later than 21 days after the sale of the debt. The RFS may be submitted electronically at <http://www.treasurer.ca.gov/cdiac/reporting.asp>. An official Statement or other financing documents must accompany the RFS.

Any questions regarding reporting requirements may be directed to CDIAC's Data Unit by email at [CDIAC\\_Issuance@treasurer.ca.gov](mailto:CDIAC_Issuance@treasurer.ca.gov) or by telephone at (916) 653-3269.

Cc: Monty Hanks  
CFO/Asst General Manager, Finance Director

**REPORT OF PROPOSED DEBT ISSUANCE**

California Debt and Investment Advisory Commission  
915 Capitol Mall, Room 400, Sacramento, CA 95814  
P.O. Box 942809, Sacramento, CA 94209-0001  
Tel: (916) 653-3269 Fax: (916) 654-7440

Submitted: Thursday, February 22, 2018

12:27:46PM

Your completion and submittal of this on-line form assures your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation. <sup>1</sup>

**ISSUER NAME:** Northern California Power Agency

**ISSUE NAME:** Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A

**PROJECT NAME:**

**PROPOSED SALE DATE:** 3/7/2018

**PRINCIPAL TO BE SOLD:** \$80,000,000.00

WILL A VALIDATION ACTION BE PURSUED: ☒ No ☐ Yes ☐ Unknown

IS DEBT REPAYABLE IN NON-US CURRENCY: ☒ No ☐ Yes ☐ Unknown

IF VOTER APPROVED GENERAL OBLIGATION, ELECTION DATE: MEASURE:

VOTER AUTHORIZED AMOUNT: VOTER AUTHORIZATION REDUCED BY THIS ISSUE:

STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (1):

Joint Exercise of Powers Law

STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (2) (If necessary):

IS ANY PORTION OF THE DEBT TO REFUND? <sup>2</sup>

☐ No ☒ Yes — Amount proposed for refunding \$80,000,000.00

IS ANY PORTION OF THE DEBT TO REDEEM, PAYDOWN, OR REFINANCE OUTSTANDING DEBT?

☒ No ☐ Yes — Amount proposed for redemption, paydown, or refinancing \$0.00

**Issuer Contact**

Name: Monty Hanks  
Title: CFO/Asst General Manager, Financial & Administrative Service  
Address: 651 Commerce Drive  
City: Roseville, CA 95678  
Phone: 916 7814244

E-Mail: monty.hanks@ncpa.com

ISSUER LOCATED IN Placer COUNTY

**Filing Contact**

Name of Individual representing Bond Counsel  
Name: Marc F Bauer  
Firm/ Agency: Orrick, Herrington & Sutcliffe LLP  
Address: 777 South Figueroa Street Suite 3200  
City: Los Angeles, CA 90017  
Phone: 213 6122325  
Send acknowledgement to: Laura Gao

who completed this form and maybe contacted for information:

E-Mail: mbauer@orrick.com

E-Mail: lgao@orrick.com

**FINANCING PARTICIPANTS**

BOND COUNSEL: Orrick, Herrington & Sutcliffe LLP  
BORROWER COUNSEL (LOAN) (Not Obligor Counsel):  
FINANCIAL ADVISOR: PFM Financial Advisors LLC  
UNDERWRITER: Citibank Global Markets Inc.  
DISCLOSURE COUNSEL: Orrick, Herrington & Sutcliffe LLP  
PURCHASER:  
LENDER:  
LESSOR:

**IS THE INTEREST ON THE DEBT TAXABLE?**

Under State Law: ☐ YES (taxable) ☒ NO (tax-exempt)

Under Federal Law: ☐ YES (taxable) ☒ NO (tax-exempt)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

☐ YES, preference item ☒ NO, not a preference item

TYPE OF SALE ☐ Competitive ☒ Negotiated

IS THIS FINANCING A PRIVATE PLACEMENT? ☒ No ☐ Yes

ISSUER CERTIFIES THAT IT HAS COMPLIED WITH GC SECTION 8855 (I) WITH RESPECT TO LOCAL DEBT POLICIES: <sup>3</sup>

☐ No ☒ Yes ☐ N/A

**TYPE OF DEBT INSTRUMENT****NOTE**

- ☐ Bond anticipation (BAN)  
☐ Grant anticipation (GAN)  
☐ Loan from bank / other institution (LOAN)  
☐ Other note (Please specify below.) (OTHN)  
☐ Revenue anticipation (RAN)  
☐ Tax allocation (TALN)  
☐ Tax and revenue anticipation (TRAN)  
☐ Tax anticipation (TAN)  
☐ Marks-Roos Authority Loan (MKRL)  
☐ Commercial paper (CP)  
☐ Conduit Revenue Note (Private Obligor) (CRN)  
☐ Certificates of Participation (COPL)  
☐ Capital Lease (CL)  
☐ State Agency Loan (STAL)  
☐ Other (Please specify below.) (OTH)

Please specify if "Other Note/ Other Bond/ Other" was checked.

**Bond**

- ☐ Conduit revenue (CRB)  
☐ General obligation (GOB)  
☐ Limited tax obligation (LTOB)  
☐ Other bond (Please specify below.) (OTHB)  
☐ Pension Obligation (POB)  
☐ Public lease revenue (PLRB)  
☐ Rate Reduction (GC 6588.7) (RRB)  
☐ Revenue (RB)  
☒ Revenue (Public enterprise) (PERB)  
☐ Sales tax revenue (STRB)  
☐ Special assessment (SAB)  
☐ Tax allocation (TAB)

**SOURCE(S) OF REPAYMENT**

- ☐ Bond proceeds (BDPR)  
☐ General fund of issuing jurisdiction (GNFD)  
☐ Grants (GRNT)  
☐ Intergovernmental transfers other than grants (ITGV)  
☐ Local obligor (LOB)  
☐ Private obligor payments (POP)  
☐ Other (OTHS)
- ☐ Property tax revenues (PRTX)  
☒ Public enterprise revenues (PER)  
☐ Sales tax revenues (SATR)  
☐ Special assessments (SA)  
☐ Special tax revenues (SPTR)  
☐ Tax-increment (TI)  
☐ Utility Project Charges (UPC)

Please specify if "Other" was checked.

**PURPOSE(S) OF FINANCING****Percent**

Showing 1st 5:

PWR

100

Please specify type/name of project if different from above.

1 Section 8855(i) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to CDIAC no later than 30 days prior to the sale. Under California Government Code Section 8855(j), the issuer of any debt issue shall, not later than 21 days after the sale of the debt, submit a report of final sale and the official statement (or alternate financing documents) to the Commission. The Commission may require information to be submitted in the report that it considers appropriate.

2 Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.

3 In accordance with 8855(i) of the California Government code.

**REPORT OF FINAL SALE**

California Debt and Investment Advisory Commission  
915 Capitol Mall, Room 400, Sacramento, CA 95814  
P.O. Box 942809, Sacramento, CA 94209-0001  
Tel: (916) 653-3269 Fax: (916) 654-7440

Submitted: Wednesday, April 04, 2018  
4:05:06PM

CDIAC # 2018-0368

Under California Government Code Section 8855(j), the issuer of any debt issue shall, not later than 21 days after the sale of the debt, submit a report of final sale and the official statement (or alternate financing documents) to the Commission. The Commission may require information to be submitted in the report that it considers appropriate.

**ISSUER NAME** Northern California Power Agency

(if pool bond, list participants)

**ISSUE NAME** Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A

**PROJECT NAME**

**WILL A VALIDATION ACTION BE PURSUED**

☒ No ☐ Yes ☐ Unknown

**IS DEBT REPAYABLE IN NON-US CURRENCY**

☒ No ☐ Yes ☐ Unknown

**IF VOTER APPROVED GENERAL OBLIGATION, ELECTION DATE**

**MEASURE**

**VOTER AUTHORIZED AMOUNT** \$0.00

**VOTER AUTHORIZATION REDUCED BY THIS ISSUE**

\$0.00

**STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (1)**

Joint Exercise of Powers Law

**STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (2) (If necessary)**

**ACTUAL SALE DATE (Date Debt Contract Signed):** 3/13/2018

**PRINCIPAL SOLD:** \$68,875,000.00

**Dated Date (Date Interest Begins to Accrue):** 4/4/2018

**Settlement Date (Date assets or rights to use are transferred)** 4/4/2018

**IS ANY PORTION OF THE DEBT FOR REFUNDING?<sup>1</sup>**

☐ No ☒ Yes, refunding amount (including costs) \$68,875,000.00

**IS ANY PORTION OF THE DEBT TO REFUND, REDEEM, PAYDOWN, or REFINANCE OUTSTANDING DEBT?**

☒ No ☐ Yes, amount proposed for refunding, redemption, paydown, or refinancing of outstanding debt \$0.00

**Issuer Contact :**

Name : Monty Hanks  
Title : CFO/Asst General Manager, Financial & Administrative Service  
Address : 651 Commerce Drive  
City/ State/ Zip : Roseville, CA 95678  
Phone: (916) 781-4244  
E-Mail : monty.hanks@ncpa.com

**ISSUER LOCATED IN**

**MULTIPLE**

**COUNTY**

**Filing Contact:** Name of Individual representing Bond Counsel who completed this form and may be contacted for information.

Name : Marc F Bauer  
Firm/ Agency : Orrick, Herrington & Sutcliffe LLP  
Address : 777 South Figueroa Street Suite 3200  
City/ State/ Zip : Los Angeles, CA 90017  
Phone: (213) 612-2325  
E-Mail : mbauer@orrick.com  
Send acknowledgement/ copies to : Laura Gao  
E-Mail : lgao@orrick.com

**TYPE OF SALE :** ☒ Negotiated

☐ Competitive

**IS THIS FINANCING A PRIVATE PLACEMENT?<sup>2</sup>**

☒ No

☐ Yes

**TYPE OF DEBT INSTRUMENT:**

Public enterprise revenue bond

Please specify if "Other" was checked.



**SOURCE(S) OF REPAYMENT**

- ☐ Bond proceeds (BDPR)  
☐ General fund of issuing jurisdiction (GNFD)  
☐ Grants (GRNT)  
☐ Intergovernmental transfers other than grants (ITGV)  
☐ Local obligor (LOB)  
☐ Private obligor payments (POP)  
☐ Other (OTHS)

- ☐ Property tax revenues (PRTX)  
☒ Public enterprise revenues (PER)  
☐ Sales tax revenues (SATR)  
☐ Special assessments (SA)  
☐ Special tax revenues (SPTR)  
☐ Tax-increment (TI)  
☐ Utility Project Charges (UPC)

Please specify if "Other" was checked.

**PURPOSE(S) OF FINANCING (show the first 5)****Percent**

Please specify type/name of project if different from above.

**Name of individual to whom an invoice for the CDIAC issue fee should be sent :**

Name : Gardner Smith  
 Firm/ Agency : Citibank Global Markets Inc.  
 Address : 300 Crescent Court Suite 940  
 City/ State/ Zip : Dallas, TX 72501  
 Phone: (214) 871-5350  
 E-Mail : gardner.smith@citi.com

**FINANCING PARTICIPANTS (Firm Name)**

Financial Advisor : PFM Financial Advisors LLC  
 Lead Underwriter: Citibank Global Markets Inc.  
 Borrower Counsel (Loan) (Not obligor Counsel):  
 Bond Counsel : Orrick, Herrington & Sutcliffe LLP  
 Co-Bond Counsel :  
 Trustee/ Paying Agent : U.S. Bank National Association  
 Placement Agent :  
 Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP  
 Purchaser:  
 Lender:  
 Lessor:

**Office Location (City/ State) :**

Los Angeles, CA  
 Dallas, TX  
 ,  
 Los Angeles, CA  
 ,  
 New York, NY  
 ,  
 Los Angeles, CA  
 ,  
 ,  
 ,

**MATURITY SCHEDULE**

- ☐ Attached ☒ Included in Official Statement

**MATURITY STRUCTURE**

- ☒ Serial (S) ☐ Term (T)  
☐ Serial and term bonds (B)

**FINAL MATURITY DATE:** 7/1/2024

**FIRST OPTIONAL CALL DATE:**

**SENIOR STRUCTURE:** ☐ Yes ☒ No

**SUBORDINATE STRUCTURE:** ☐ Yes ☒ No

**OFFICIAL STATEMENT/ OFFERING MEMORANDUM :**

- ☒ Enclosed ☐ None prepared

**IS THE INTEREST ON THE DEBT TAXABLE?**

Under State Law: ☐ Yes (taxable) ☒ No (tax-exempt)

Under Federal Law: ☐ Yes (taxable) ☒ No (tax-exempt)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? ☐ Yes ☒ No

**INTEREST TYPE (Please provide both NIC & TIC if available) :**

☒ NIC Int. Cost 2.036%

☒ TIC Int. Cost 1.890%

☐ Variable

☐ Other

(Index/Rate)

**CAPITAL APPRECIATION DEBT:** ☐ Yes ☒ No

**RATE REDUCTION SAVINGS:** \$0.00

(In accordance with Government Code Section 6588.7)

**WAS THE ISSUE INSURED OR GUARANTEED?**

- ☒ No
- ☐ Bond Insurance (I)
- ☐ Letter of Credit (L)
- ☐ State Intercept Program (T)
- ☐ Other

**GUARANTOR :****ENHANCEMENT EXPIRATION DATE:**

**INDICATE CREDIT RATING:** (For example, "AAA" or "Aaa")

- ☐ Not Rated ☒ Rated

Standard & Poor's

Fitch AA-

Moody's Aa3

Other

**REASON FOR NEGOTIATED REFUNDINGS**

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a

- ☐ (1) Timing of the sale provided more flexibility than a public sale.
- ☐ (2) More cost savings were expected to be realized than a public sale
- ☐ (3) More flexibility in debt structure was available than a public sale.
- ☐ (4) Issuer able to work with participants familiar with issue(r) than a public sale.
- ☒ (5) All of the above.
- ☐ (6) Other (please specify)

**REASON FOR NEGOTIATED REVENUE BONDS<sup>3</sup>**

If the issue is a negotiated revenue bonds, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive

- ☐ (1) Timing of the sale provided more flexibility than a public sale.
- ☐ (2) More cost savings were expected to be realized than a public sale
- ☐ (3) More flexibility in debt structure was available than a public sale.
- ☐ (4) Issuer able to work with participants familiar with issue(r) than a public sale
- ☒ (5) All of the above.
- ☐ (6) Other (please specify)

**ISSUANCE COSTS AND FEES :**

A. Management Fee	\$0.00
B. Total Takedown	\$103,312.50
C. Underwriter Expenses	\$58,491.52
<b>Underwriter Spread or Discount</b>	\$161,804.02
D. Bond Counsel	\$93,151.72
E. Borrower Counsel (Loan)	\$0.00
F. Co-Bond Counsel	\$0.00
G. Disclosure Counsel	\$24,558.17
H. Financial Advisor	\$73,568.68
I. Rating Agency	\$86,811.04
J. Credit Enhancement	\$0.00
K. Trustee Fee	\$18,146.94
L. Placement Agent	\$0.00
M. Other Expenses	\$13,337.38
N. Purchaser Fee	\$0.00
O. Lender Fee	\$0.00
<b>Total Issuance Costs</b>	\$471,377.95
Original Issue Premium	\$8,253,396.95
Original Issue Discount	\$0.00
Net Original Premium/ Discount	\$8,253,396.95
Net Original Premium used to Refund, Redeem, Pay-Down, or Refinance	\$8,253,396.95

<sup>1</sup> Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to CDIAC explaining the reasons why the local agency determined to sell the bonds at a private sale or on a negotiated basis instead of at public sale.

<sup>2</sup> This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter, the purchaser or the lender in an amount equal to one-fortieth of 1 percent of the principal amount of the issue, but not to exceed five thousand dollars (\$5000) for any one issue.

<sup>3</sup> Section 54418 of the California Government Code requires that any local agency selling revenue bonds at a private sale rather than a public sale shall



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**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**

915 CAPITOL MALL ROOM 400  
PO BOX 942809  
SACRAMENTO, CA 94209-0001  
TELEPHONE: (916) 653-3269  
FAX: (916) 654-7440

February 23, 2018

**TO:** Laura A Gao  
Orrick Herrington & Sutcliffe  
777 South Figueroa Street Ste 3200  
Los Angeles, CA 90012

**FROM:** Mark Campbell, Executive Director

**RE: RECEIPT OF NOTICE OF A PUBLIC DEBT ISSUE AFTER THE NOTICE PERIOD DATE**

California Government Code Section 8855(i) requires that written notice be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale date. The following notice was received late.

**CDIAC Nbr:** 2018-0369  
**Issuer:** Northern California Power Agency  
**Project:** Power Generation/Transmission  
**Proposed Amount:** \$4,000,000  
**Proposed Sale Date:** March 7, 2018  
**Date Notice Received:** February 22, 2018

Issuers may electronically file the Report of Final Sale (RFS) through CDIAC's website, using the following CDIAC number and password, which are unique to this filing and must be used for any subsequent reporting under this CDIAC number.

CDIAC Number: 2018-0369  
Password: 52600

In accordance with Government Code Section 8855(j), the RFS for this issue must be submitted not later than 21 days after the sale of the debt. The RFS may be submitted electronically at <http://www.treasurer.ca.gov/cdiac/reporting.asp>. An official Statement or other financing documents must accompany the RFS.

Any questions regarding reporting requirements may be directed to CDIAC's Data Unit by email at [CDIAC\\_Issuance@treasurer.ca.gov](mailto:CDIAC_Issuance@treasurer.ca.gov) or by telephone at (916) 653-3269.

Cc: Monty Hanks  
CFO/Asst General Manager, Finance Director

**REPORT OF PROPOSED DEBT ISSUANCE**

California Debt and Investment Advisory Commission  
915 Capitol Mall, Room 400, Sacramento, CA 95814  
P.O. Box 942809, Sacramento, CA 94209-0001  
Tel: (916) 653-3269 Fax: (916) 654-7440

Submitted: Thursday, February 22, 2018

12:31:53PM

Your completion and submittal of this on-line form assures your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation. <sup>1</sup>

**ISSUER NAME:** Northern California Power Agency

**ISSUE NAME:** Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B

**PROJECT NAME:**

**PROPOSED SALE DATE:** 3/7/2018

**PRINCIPAL TO BE SOLD:** \$4,000,000.00

WILL A VALIDATION ACTION BE PURSUED: ☒ No ☐ Yes ☐ Unknown

IS DEBT REPAYABLE IN NON-US CURRENCY: ☒ No ☐ Yes ☐ Unknown

IF VOTER APPROVED GENERAL OBLIGATION, ELECTION DATE: MEASURE:

VOTER AUTHORIZED AMOUNT: VOTER AUTHORIZATION REDUCED BY THIS ISSUE:

STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (1):

Joint Exercise of Powers Law

STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (2) (If necessary):

<sup>2</sup>  
IS ANY PORTION OF THE DEBT TO REFUND?

☐ No ☒ Yes — Amount proposed for refunding \$4,000,000.00

IS ANY PORTION OF THE DEBT TO REDEEM, PAYDOWN, OR REFINANCE OUTSTANDING DEBT?

☒ No ☐ Yes — Amount proposed for redemption, paydown, or refinancing \$0.00

**Issuer Contact**

Name: Monty Hanks  
Title: CFO/Asst General Manager, Financial & Administrative Service  
Address: 651 Commerce Drive  
City: Roseville, CA 95678  
Phone: 916 7814244

E-Mail: monty.hanks@ncpa.com

ISSUER LOCATED IN Placer COUNTY

**Filing Contact**

Name of Individual representing Bond Counsel  
Name: Marc F Bauer  
Firm/ Agency: Orrick, Herrington & Sutcliffe LLP  
Address: 777 South Figueroa Street Suite 3200  
City: Los Angeles, CA 90017  
Phone: 213 6122325  
Send acknowledgement to: Laura Gao

who completed this form and maybe contacted for information:

E-Mail: mbauer@orrick.com

E-Mail: lgao@orrick.com

**FINANCING PARTICIPANTS**

BOND COUNSEL: Orrick, Herrington & Sutcliffe LLP  
BORROWER COUNSEL (LOAN) (Not Obligor Counsel):  
FINANCIAL ADVISOR: PFM Financial Advisors LLC  
UNDERWRITER: Citibank Global Markets Inc.  
DISCLOSURE COUNSEL: Orrick, Herrington & Sutcliffe LLP  
PURCHASER:  
LENDER:  
LESSOR:

**IS THE INTEREST ON THE DEBT TAXABLE?**

Under State Law: ☐ YES (taxable) ☒ NO (tax-exempt)

Under Federal Law: ☒ YES (taxable) ☐ NO (tax-exempt)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

☐ YES, preference item ☐ NO, not a preference item

**TYPE OF SALE** ☐ Competitive ☒ Negotiated

**IS THIS FINANCING A PRIVATE PLACEMENT?** ☒ No ☐ Yes

**ISSUER CERTIFIES THAT IT HAS COMPLIED WITH GC SECTION 8855 (I) WITH RESPECT TO LOCAL DEBT POLICIES:**

☐ No ☒ Yes ☐ N/A

**TYPE OF DEBT INSTRUMENT****NOTE**

- ☐ Bond anticipation (BAN)  
☐ Grant anticipation (GAN)  
☐ Loan from bank / other institution (LOAN)  
☐ Other note (Please specify below.) (OTHN)  
☐ Revenue anticipation (RAN)  
☐ Tax allocation (TALN)  
☐ Tax and revenue anticipation (TRAN)  
☐ Tax anticipation (TAN)  
☐ Marks-Roos Authority Loan (MKRL)  
☐ Commercial paper (CP)  
☐ Conduit Revenue Note (Private Obligor) (CRN)  
☐ Certificates of Participation (COPL)  
☐ Capital Lease (CL)  
☐ State Agency Loan (STAL)  
☐ Other (Please specify below.) (OTH)

Please specify if "Other Note/ Other Bond/ Other" was checked.

**Bond**

- ☐ Conduit revenue (CRB)  
☐ General obligation (GOB)  
☐ Limited tax obligation (LTOB)  
☐ Other bond (Please specify below.) (OTHB)  
☐ Pension Obligation (POB)  
☐ Public lease revenue (PLRB)  
☐ Rate Reduction (GC 6588.7) (RRB)  
☐ Revenue (RB)  
☒ Revenue (Public enterprise) (PERB)  
☐ Sales tax revenue (STRB)  
☐ Special assessment (SAB)  
☐ Tax allocation (TAB)

**SOURCE(S) OF REPAYMENT**

- ☐ Bond proceeds (BDPR)  
☐ General fund of issuing jurisdiction (GNFD)  
☐ Grants (GRNT)  
☐ Intergovernmental transfers other than grants (ITGV)  
☐ Local obligor (LOB)  
☐ Private obligor payments (POP)  
☐ Other (OTHS)
- ☐ Property tax revenues (PRTX)  
☒ Public enterprise revenues (PER)  
☐ Sales tax revenues (SATR)  
☐ Special assessments (SA)  
☐ Special tax revenues (SPTR)  
☐ Tax-increment (TI)  
☐ Utility Project Charges (UPC)

Please specify if "Other" was checked.

**PURPOSE(S) OF FINANCING****Percent**

Showing 1st 5:

PWR

100

Please specify type/name of project if different from above.

1 Section 8855(i) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to CDIAC no later than 30 days prior to the sale. Under California Government Code Section 8855(j), the issuer of any debt issue shall, not later than 21 days after the sale of the debt, submit a report of final sale and the official statement (or alternate financing documents) to the Commission. The Commission may require information to be submitted in the report that it considers appropriate.

2 Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.

3 In accordance with 8855(i) of the California Government code.

**REPORT OF FINAL SALE**

California Debt and Investment Advisory Commission  
915 Capitol Mall, Room 400, Sacramento, CA 95814  
P.O. Box 942809, Sacramento, CA 94209-0001  
Tel: (916) 653-3269 Fax: (916) 654-7440

Submitted: Wednesday, April 04, 2018  
4:16:06PM

CDIAC # 2018-0369

Under California Government Code Section 8855(j), the issuer of any debt issue shall, not later than 21 days after the sale of the debt, submit a report of final sale and the official statement (or alternate financing documents) to the Commission. The Commission may require information to be submitted in the report that it considers appropriate.

**ISSUER NAME** Northern California Power Agency

(if pool bond, list participants)

**ISSUE NAME** Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B

**PROJECT NAME**

**WILL A VALIDATION ACTION BE PURSUED**

☒ No ☐ Yes ☐ Unknown

**IS DEBT REPAYABLE IN NON-US CURRENCY**

☒ No ☐ Yes ☐ Unknown

**IF VOTER APPROVED GENERAL OBLIGATION, ELECTION DATE**

**MEASURE**

**VOTER AUTHORIZED AMOUNT** \$0.00

**VOTER AUTHORIZATION REDUCED BY THIS ISSUE**

\$0.00

**STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (1)**

Joint Exercise of Powers Law

**STATUTORY CODE UNDER WHICH THIS DEBT WILL BE ISSUED (2) (If necessary)**

**ACTUAL SALE DATE (Date Debt Contract Signed):** 3/13/2018

**PRINCIPAL SOLD:** \$1,340,000.00

**Dated Date (Date Interest Begins to Accrue):** 4/4/2018

**Settlement Date (Date assets or rights to use are transferred)** 4/4/2018

**IS ANY PORTION OF THE DEBT FOR REFUNDING?<sup>1</sup>**

☐ No ☒ Yes, refunding amount (including costs) \$1,340,000.00

**IS ANY PORTION OF THE DEBT TO REFUND, REDEEM, PAYDOWN, or REFINANCE OUTSTANDING DEBT?**

☒ No ☐ Yes, amount proposed for refunding, redemption, paydown, or refinancing of outstanding debt \$0.00

**Issuer Contact :**

Name : Monty Hanks  
Title : CFO/Asst General Manager, Financial & Administrative Service  
Address : 651 Commerce Drive  
City/ State/ Zip : Roseville, CA 95678  
Phone: (916) 781-4244  
E-Mail : monty.hanks@ncpa.com

**ISSUER LOCATED IN**

**MULTIPLE**

**COUNTY**

**Filing Contact:** Name of Individual representing Bond Counsel who completed this form and may be contacted for information.

Name : Marc F Bauer  
Firm/ Agency : Orrick, Herrington & Sutcliffe LLP  
Address : 777 South Figueroa Street Suite 3200  
City/ State/ Zip : Los Angeles, CA 90017  
Phone: (213) 612-2325  
E-Mail : mbauer@orrick.com  
Send acknowledgement/ copies to : Laura Gao  
E-Mail : lgao@orrick.com

**TYPE OF SALE :** ☒ Negotiated

☐ Competitive

**IS THIS FINANCING A PRIVATE PLACEMENT?<sup>2</sup>**

☒ No

☐ Yes

**TYPE OF DEBT INSTRUMENT:**

Public enterprise revenue bond

Please specify if "Other" was checked.

**SOURCE(S) OF REPAYMENT**

- ☐ Bond proceeds (BDPR)  
☐ General fund of issuing jurisdiction (GNFD)  
☐ Grants (GRNT)  
☐ Intergovernmental transfers other than grants (ITGV)  
☐ Local obligor (LOB)  
☐ Private obligor payments (POP)  
☐ Other (OTHS)

- ☐ Property tax revenues (PRTX)  
☒ Public enterprise revenues (PER)  
☐ Sales tax revenues (SATR)  
☐ Special assessments (SA)  
☐ Special tax revenues (SPTR)  
☐ Tax-increment (TI)  
☐ Utility Project Charges (UPC)

Please specify if "Other" was checked.

**PURPOSE(S) OF FINANCING (show the first 5)****Percent**

Please specify type/name of project if different from above.

**Name of individual to whom an invoice for the CDIAC issue fee should be sent :**

Name : Gardner Smith  
 Firm/ Agency Citibank Global Markets Inc.  
 Address : 300 Crescent Court Suite 940  
 City/ State/ Zip Dallas, TX 72501  
 Phone: (214) 871-5350  
 E-Mail : gardner.smith@citi.com

**FINANCING PARTICIPANTS (Firm Name)**

Financial Advisor : PFM Financial Advisors LLC  
 Lead Underwriter: Citibank Global Markets Inc.  
 Borrower Counsel (Loan) (Not obligor Counsel):  
 Bond Counsel : Orrick, Herrington & Sutcliffe LLP  
 Co-Bond Counsel :  
 Trustee/ Paying Agent : U.S. Bank National Association  
 Placement Agent :  
 Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP  
 Purchaser:  
 Lender:  
 Lessor:

**Office Location (City/ State) :**

Los Angeles, CA  
 Dallas, TX  
 ,  
 Los Angeles, CA  
 ,  
 New York, NY  
 ,  
 Los Angeles, CA  
 ,  
 ,  
 ,

**MATURITY SCHEDULE**

- ☐ Attached ☒ Included in Official Statement

**MATURITY STRUCTURE**

- ☒ Serial (S) ☐ Term (T)  
☐ Serial and term bonds (B)

**FINAL MATURITY DATE:** 7/1/2019

**FIRST OPTIONAL CALL DATE:**

**SENIOR STRUCTURE:** ☐ Yes ☒ No

**SUBORDINATE STRUCTURE:** ☐ Yes ☒ No

**OFFICIAL STATEMENT/ OFFERING MEMORANDUM :**

- ☒ Enclosed ☐ None prepared

**IS THE INTEREST ON THE DEBT TAXABLE?**

Under State Law: ☐ Yes (taxable) ☒ No (tax-exempt)

Under Federal Law: ☒ Yes (taxable) ☐ No (tax-exempt)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? ☐ Yes ☐ No

**INTEREST TYPE (Please provide both NIC & TIC if available) :**

☒ NIC Int. Cost 2.539%

☒ TIC Int. Cost 2.544%

☐ Variable

☐ Other

(Index/Rate)

**CAPITAL APPRECIATION DEBT:** ☐ Yes ☒ No

**RATE REDUCTION SAVINGS:** \$0.00

(In accordance with Government Code Section 6588.7)

**WAS THE ISSUE INSURED OR GUARANTEED?**

- ☒ No
- ☐ Bond Insurance (I)
- ☐ Letter of Credit (L)
- ☐ State Intercept Program (T)
- ☐ Other

**GUARANTOR :****ENHANCEMENT EXPIRATION DATE:**

**INDICATE CREDIT RATING:** (For example, "AAA" or "Aaa")

- ☐ Not Rated ☒ Rated

Standard & Poor's

Fitch AA-

Moody's Aa3

Other

**REASON FOR NEGOTIATED REFUNDINGS**

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a

- ☐ (1) Timing of the sale provided more flexibility than a public sale.
- ☐ (2) More cost savings were expected to be realized than a public sale
- ☐ (3) More flexibility in debt structure was available than a public sale.
- ☐ (4) Issuer able to work with participants familiar with issue(r) than a public sale.
- ☒ (5) All of the above.
- ☐ (6) Other (please specify)

**REASON FOR NEGOTIATED REVENUE BONDS<sup>3</sup>**

If the issue is a negotiated revenue bonds, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive

- ☐ (1) Timing of the sale provided more flexibility than a public sale.
- ☐ (2) More cost savings were expected to be realized than a public sale
- ☐ (3) More flexibility in debt structure was available than a public sale.
- ☐ (4) Issuer able to work with participants familiar with issue(r) than a public sale
- ☒ (5) All of the above.
- ☐ (6) Other (please specify)

**ISSUANCE COSTS AND FEES :**

A. Management Fee	\$0.00
B. Total Takedown	\$2,010.00
C. Underwriter Expenses	\$1,137.99
<b>Underwriter Spread or Discount</b>	\$3,147.99
D. Bond Counsel	\$1,848.28
E. Borrower Counsel (Loan)	\$0.00
F. Co-Bond Counsel	\$0.00
G. Disclosure Counsel	\$441.83
H. Financial Advisor	\$1,431.32
I. Rating Agency	\$1,688.96
J. Credit Enhancement	\$0.00
K. Trustee Fee	\$353.06
L. Placement Agent	\$0.00
M. Other Expenses	\$4,959.53
N. Purchaser Fee	\$0.00
O. Lender Fee	\$0.00
<b>Total Issuance Costs</b>	\$13,870.97
Original Issue Premium	\$0.00
Original Issue Discount	\$0.00
Net Original Premium/ Discount	\$0.00
Net Original Premium used to Refund, Redeem, Pay-Down, or Refinance	\$0.00

<sup>1</sup> Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to CDIAC explaining the reasons why the local agency determined to sell the bonds at a private sale or on a negotiated basis instead of at public sale.

<sup>2</sup> This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter, the purchaser or the lender in an amount equal to one-fortieth of 1 percent of the principal amount of the issue, but not to exceed five thousand dollars (\$5000) for any one issue.

<sup>3</sup> Section 54418 of the California Government Code requires that any local agency selling revenue bonds at a private sale rather than a public sale shall



# Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

## Part I Reporting Authority

If Amended Return, check here ☐

1 Issuer's name <b>Northern California Power Agency</b>		2 Issuer's employer identification number (EIN) <b>94-2550072</b>
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) <b>651 Commerce Drive</b>	Room/suite	5 Report number (For IRS Use Only) <b>3</b>
6 City, town, or post office, state, and ZIP code <b>Roseville, California 95678-6411</b>		7 Date of issue <b>04/04/2018</b>
8 Name of issue <b>Northern California Power Agency Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A</b>		9 CUSIP number <b>664845 ET7</b>
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) <b>Monty Hanks, Assistant General Manager, Finance and Administrative Services</b>		10b Telephone number of officer or other employee shown on 10a <b>(916) 781-3636</b>

## Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11	
12 Health and hospital	12	
13 Transportation	13	
14 Public safety	14	
15 Environment (including sewage bonds)	15	
16 Housing	16	
17 Utilities	17	77,128,397
18 Other. Describe ►	18	
19 If obligations are TANs or RANs, check only box 19a <input type="checkbox"/>		
If obligations are BANs, check only box 19b <input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>		

## Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	07/01/2024	\$ 77,128,397	\$ 68,875,000	4.0309 years	2.6821 %

## Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	0
23 Issue price of entire issue (enter amount from line 21, column (b))	23	77,128,397
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	471,378
25 Proceeds used for credit enhancement	25	0
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0
27 Proceeds used to currently refund prior issues	27	76,657,019
28 Proceeds used to advance refund prior issues	28	0
29 Total (add lines 24 through 28)	29	77,128,397
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	0

## Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	3.8953	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A	years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	07/01/2018	
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)	07/24/2008	

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 9-2011)

**Part VI Miscellaneous**

- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . . **35** 0
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . . . . **36a** 0
- b** Enter the final maturity date of the GIC ▶ \_\_\_\_\_
- c** Enter the name of the GIC provider ▶ \_\_\_\_\_
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . . **37** 0
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:
- b** Enter the date of the master pool obligation ▶ \_\_\_\_\_
- c** Enter the EIN of the issuer of the master pool obligation ▶ \_\_\_\_\_
- d** Enter the name of the issuer of the master pool obligation ▶ \_\_\_\_\_
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . . ☐
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ☐
- 41a** If the issuer has identified a hedge, check here ☐ and enter the following information:
- b** Name of hedge provider ▶ \_\_\_\_\_
- c** Type of hedge ▶ \_\_\_\_\_
- d** Term of hedge ▶ \_\_\_\_\_
- 42** If the issuer has superintegrated the hedge, check box . . . . . ☐
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . ☒
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . ☒
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ☐ and enter the amount of reimbursement . . . . . ▶ \_\_\_\_\_
- b** Enter the date the official intent was adopted ▶ \_\_\_\_\_

**Signature and Consent**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Signature of issuer's authorized representative

04/04/2018

Date

Monty Hanks, Assistant General Manager,  
Finance and Administrative Services

Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name

Larry D. Sobel, Esq.

Preparer's signature

Date

04/04/2018

Check ☐ if self-employed

PTIN

P01077592

Firm's name ▶ Orrick, Herrington &amp; Sutcliffe LLP

Firm's EIN ▶

94-2952627

Firm's address ▶ 777 S. Figueroa St., Suite 3200, Los Angeles, CA 90017

Phone no.

(213) 629-2020

**SCHEDULE FOR FORM 8038-G**

**NORTHERN CALIFORNIA POWER AGENCY  
Issuer EIN No.: 94-2550072**

**Date of Issue: April 4, 2018**

**Part II – Type of Issue**

Name and EIN of organization that are to use proceeds of obligations if different from those of the Issuer:

<u>Name of Organization</u>	<u>EIN</u>	<u>Summary of use</u>	<u>Type of Entity</u>
City of Alameda, California	94-2951628	Output Purchaser	Governmental
City of Biggs, California	94-6000300	Output Purchaser	Governmental
City of Gridley, California	94-6000344	Output Purchaser	Governmental
City of Healdsburg, California	94-6000347	Output Purchaser	Governmental
City of Lodi, California	94-6000361	Output Purchaser	Governmental
City of Lompoc, California	95-6000734	Output Purchaser	Governmental
City of Palo Alto, California	94 6000389	Output Purchaser	Governmental
City of Roseville, California	94-6000409	Output Purchaser	Governmental
City of Santa Clara, California	94-6000426	Output Purchaser	Governmental
City of Ukiah, California	94-6000446	Output Purchaser	Governmental
Plumas-Sierra Rural Electric Cooperative	94-0775035	Output Purchaser	Non-governmental



**Orrick, Herrington & Sutcliffe LLP**

777 South Figueroa Street  
Suite 3200  
Los Angeles, CA 90017-5855

+1 213 629 2020

orrick.com

**Hector Gonzalez Medina**

E HMedina@orrick.com

D +1 213 612 2327

F +1 213 612 2499

April 10, 2018

***VIA FEDERAL EXPRESS***  
***TRACKING NO. 7804 6168 7199***

Internal Revenue Service Center  
Ogden, Utah 84201

Re: Northern California Power Agency  
Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A

Dear Sir or Madam:

Enclosed please find for filing one (1) original of the executed Information Return for Tax-Exempt Governmental Obligations Form 8038-G, with attachment, in connection with the above-referenced issue.

If you have any questions, please do not hesitate to call me at (213) 612-2327. Thank you for your assistance with this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Hector Gonzalez Medina", written over a horizontal line.

Hector Gonzalez Medina  
Practice Assistant

Enclosure



<i>package id</i>	<i>from</i>	<i>vendor</i>
0349424	Hector Gonzalez Medina	FedEx
<i>ship date</i>	(018155)	<i>tracking number</i>
Tue, Apr 10 2018	Orrick Herrington & Sutcliffe	780461687199
<i>to</i>	LLP	<i>service</i>
Department of the Treasury	777 South Figueroa Street	FedEx Priority Overnight®
INTERNAL REVENUE	Suite 3200	<i>packaging</i>
SERVICE CTR	Los Angeles , CA 90017	FedEx® Envelope
OGDEN , UT 84201-0001	US	<i>signature</i>
United States	213/612-2327	Adult Signature Required
(800) 829-1040	<i>billing</i>	<i>courtesy quote</i>
<i>residential address</i>	Northern California	19.16
No	P/A-Hydro 2018	<i>Quote may not reflect all</i>
<i>return label</i>	(0041009-000025)	<i>accessorial charges</i>
No	<i>operator</i>	
<i>notification type</i>	Hector Gonzalez Medina	
Exception	213/612-2327	
Delivery	hmedina@orrick.com	
Tendered	<i>create time</i>	
<i>notification recipients</i>	04/10/18, 11:38AM	
hmedina@orrick.com		



April 11, 2018

Dear Customer:

The following is the proof-of-delivery for tracking number **780461687199**.

---

**Delivery Information:**

<b>Status:</b>	Delivered	<b>Delivered to:</b>	Shipping/Receiving
<b>Signed for by:</b>	A.WATKINS	<b>Delivery location:</b>	1973 RULON WHITE BOULEVARD OGDEN, UT 84201
<b>Service type:</b>	FedEx Priority Overnight	<b>Delivery date:</b>	Apr 11, 2018 09:22
<b>Special Handling:</b>	Deliver Weekday		
	Adult Signature Required		



---

**Shipping Information:**

<b>Tracking number:</b>	780461687199	<b>Ship date:</b>	Apr 10, 2018
		<b>Weight:</b>	0.5 lbs/0.2 kg

**Recipient:**  
Department of the Treasury  
INTERNAL REVENUE SERVICE CTR  
OGDEN, UT 84201 US

**Shipper:**  
Hector Gonzalez Medina  
Orrick Herrington & Sutcliffe LLP  
777 South Figueroa Street  
Suite 3200  
Los Angeles, CA 90017 US  
0041009-000025/018155

**Reference**

Thank you for choosing FedEx.

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**CLOSING MEMORANDUM**

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NORTHERN CALIFORNIA POWER AGENCY

Hydroelectric Project Number One Revenue Bonds,  
2018 Refunding Series A and 2018 Taxable Refunding Series B

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April 4, 2018

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This memorandum outlines the action taken in connection with the issuance and sale of \$68,875,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A (the “2018 Series A Bonds”) and \$1,340,000 aggregate principal amount of Hydroelectric Project Number One Revenue Bonds, 2018 Taxable Refunding Series B (the “2018 Series B Bonds” and together with the 2018 Series A Bonds, the “2018 Bonds”), of the Northern California Power Agency (the “Agency”). The closing of the transaction (the “Closing”) was held at the offices of Orrick, Herrington & Sutcliffe LLP, 31st Floor, 777 South Figueroa Street, Los Angeles, California 90017, commencing at 9:00 A.M., Pacific Standard Time, on April 4, 2018.

Terms defined in the Contract of Purchase (the “Contract of Purchase”) with respect to the 2018 Bonds, dated March 13, 2018, by and between Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself and Goldman Sachs & Co. LLC, as underwriters (the “Underwriters”), and the Agency, have the same meanings in this memorandum as such terms are given in the Contract of Purchase.

### **ACTIONS TAKEN PRIOR TO APRIL 4, 2018**

#### **A. Project Participant Proceedings**

1. Each of the Project Participants, on or before September 27, 1982, authorized the execution of the Third Phase Agreement and authorized the issuance of the Bonds.
2. The Third Phase Agreement was executed by the Project Participants as of September 1, 1982.
3. Amendment Number One to the Third Phase Agreement was executed by the Project Participants as of August 1, 1983.
4. The Agreement for Transfer of Rights to Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985, was executed by the Cities of Redding, Alameda, Healdsburg, Roseville and Santa Clara.
5. The Agreement for Sale of Surplus Capacity and Energy of the North Fork Stanislaus River Hydroelectric Development Project, dated as of February 1, 1985, was executed by the Project Participants.

#### **B. Agency Proceedings**

1. On August 26, 1982, the Agency authorized the execution and delivery of the Third Phase Agreement with each of the Project Participants.
2. On August 25, 1983, the Agency authorized the execution and delivery of Amendment Number One to the Third Phase Agreement with each of the Project Participants.



3. On July 24, 2008, the Refunded Bonds were issued under the Indenture and in connection therewith the Eighteenth Supplemental Indenture of Trust.
4. On February 22, 2018, the NCPA Commission adopted Resolution No. 18-08 authorizing and approving the issuance of the 2018 Series A Bonds and 2018 Series B Bonds; approving the Twenty-Fourth Supplemental Indenture of Trust and Twenty-Fifth Supplemental Indenture of Trust; authorizing and approving certain documents in connection with the issuance, securing and sale of such bonds; and authorizing certain other matters related thereto.
5. On March 13, 2018, the Assistant General Manager, Finance and Administrative Services and Chief Financial Officer, executed and delivered the Contract of Purchase, relating to the 2018 Bonds.

C. Underwriters' Proceedings

1. On March 13, 2018, the Underwriters executed the Contract of Purchase with the Agency.

D. Execution of 2018 Bonds

Prior to April 4, 2018, the Trustee took possession of the 2018 Bonds, authenticated the 2018 Bonds and held them in escrow until the Closing.

E. General

On or before April 4, 2018, the Underwriters, the Trustee and the Agency agreed upon all computations of amounts required in connection with the Closing and the issuance and delivery of the 2018 Bonds, and the amount to be delivered at the Closing in payment for the 2018 Bonds.

F. Preliminary Closing

On April 3, 2018, a Preliminary Closing (the "Preliminary Closing") was held at 1:00 P.M., Pacific Standard, via Orrick, Herrington & Sutcliffe LLP's online deal room. At the Preliminary Closing all documents to be delivered at the Closing as set forth in Schedule A attached hereto were reviewed and approved by counsel for all parties and held in escrow until the Closing.

ACTION TO BE TAKEN AT THE CLOSING

G. Closing Location and Participating Parties

1. The Closing is to be held in the offices of Orrick, Herrington & Sutcliffe LLP, 777 South Figueroa Street, Suite 3200, Los Angeles, California 90017 at 9:00 A.M., Pacific Standard Time, on April 4, 2018.
2. The persons listed in Schedule B attached hereto participated in the Closing.

## H. Closing Procedure

1. The Representative shall wire transfer immediately available funds in the amount of \$78,303,444.94 (representing the \$76,966,592.93 of the proceeds of the 2018 Refunding Series A Bonds and \$1,336,852.01 of the proceeds of the 2018 Refunding Series B Bonds) to U.S. Bank National Association, as trustee (the “Trustee”) under the Indenture of Trust, dated as of March 1, 1985, as supplemented and amended (the “Indenture”), by and between the Agency and the Trustee.
2. The proceeds of the 2018 Refunding Series A Bonds received by the Trustee, shall be applied as follows:
  - i. Deposited in the 2018 Series A and B Escrow Fund under the Escrow Deposit (the “Escrow Deposit Agreement”), dated as of April 1, 2018, by and between the Agency and U.S. Bank National Association, relating to the Refunded Bonds, the sum of \$76,657,019.00;
  - ii. Deposited in the 2018 Series A Costs of Issuance Fund the sum of \$309,573.93.
3. The proceeds of the 2018 Refunding Series B Bonds received by the Trustee shall be applied as follows:
  - i. Deposited in the 2018 Series A and B Escrow Fund under the Escrow Deposit Agreement the sum of \$1,326,129.03;
  - ii. Deposited in the 2018 Series B Cost of Issuance Fund the sum of \$10,722.98.
4. Pursuant to the Escrow Agreement the Trustee shall transfer \$964,125.00, representing amounts accumulated with respect to the Refunded Bonds, from the Debt Service Account to the Escrow Fund.

The 2018 Bonds and the remaining receipts, certificates, opinions and other documents specified in Schedule A, were packaged at the Closing in executed form for delivery to the appropriate parties and their counsel and were delivered at the Closing. All documents delivered and all other actions taken in connection with the Closing shall be considered to have been delivered or taken simultaneously and no such delivery or other action shall be considered to have been completed until all deliveries and other action constituting a part of the Closing shall have been completed.