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August 13, 2018

The Finance Committee  
Northern California Power Agency and Associated Power Corporations  
651 Commerce Dr.  
Roseville, CA 95678

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor. There are auditing standards that are intended to provide communication to the Board of Commissioners (the Board) charged with the governance of the Northern California Power Agency (Agency).

Specifically, we are required to communicate the following information to the oversight Board. No action on the Board's part is necessary unless you wish to contact us with relevant information as noted later in this document.

- a. The auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles.
- b. The audit does not relieve management or those charged with governance of their responsibilities.
- c. An audit performed in accordance with generally accepted auditing standards is designed to obtain reasonable but not absolute assurance that the statements are free of material misstatement.
- d. Our consideration of Internal Control is to determine a basis for designing audit procedures and not for the purpose of expressing an opinion on internal control.
- e. The auditor is responsible for communicating significant financial statement related matters to those charged with governance; however, the auditor is not required to design procedures to find such matters.
- f. The financial statement document may also contain other information for which we have the following responsibility:
  - 1) Required Supplementary Information – Limited procedures
  - 2) Other Information – No audit coverage

With regard to the audit of the Agency June 30, 2018 financial statements, the following points are an overview of our scope and timing:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - > Identify types of potential misstatements.
  - > Consider factors that affect the risks of material misstatement.
  - > Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

We request that the Board provide any information regarding its view on the following matters:

- a. Our audit approach is to communicate with top level of management.
- b. We understand that the Agency Board has the responsibility to oversee the strategic direction of the Agency, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We ask that the Board communicate to us its views on the Agency's objectives and strategies, and the related business risks that may result in material misstatements.
- d. If there are specific areas of audit significance or additional procedures that the Board wishes to be undertaken during the audit, please communicate those to us at any time.
- e. To the Board's knowledge, has there been any significant communications with regulators or grantor agencies?
- f. We ask that the Board communicate to us any other matters that it believes are relevant to the audit of the financial statements.

Also, are there any matters the Board wishes to communicate to us regarding attitudes, awareness, and actions of the Board concerning:

- a. The Agency's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control. Or
- b. The detection or the possibility of fraud.
- c. If the Board has taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with auditors.

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The timing of the audit generally follows this timeline:

1. Preliminary audit work – June
2. Final fieldwork – August
3. Issuance of opinion – October

While this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

If you have any questions or would like to discuss this further, don't hesitate to call me at 608 240 2361 or email [russ.hissom@bakertilly.com](mailto:russ.hissom@bakertilly.com). We appreciate the opportunity to serve you.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

A handwritten signature in dark ink, reading "Russell A. Hissom". The signature is written in a cursive, flowing style with a large initial 'R'.

Russell A. Hissom, CPA, Partner