A PUBLIC AGENCY

NCPA

NORTHERN CALIFORNIA POWER AGENCY

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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For the Years Ended June 30, 2017 and 2016

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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 Virchow Krause, LLP

Madison, Wisconsin
October 17, 2017

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.

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.

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
Assets			
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
Liabilities and Net Position			
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.

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.

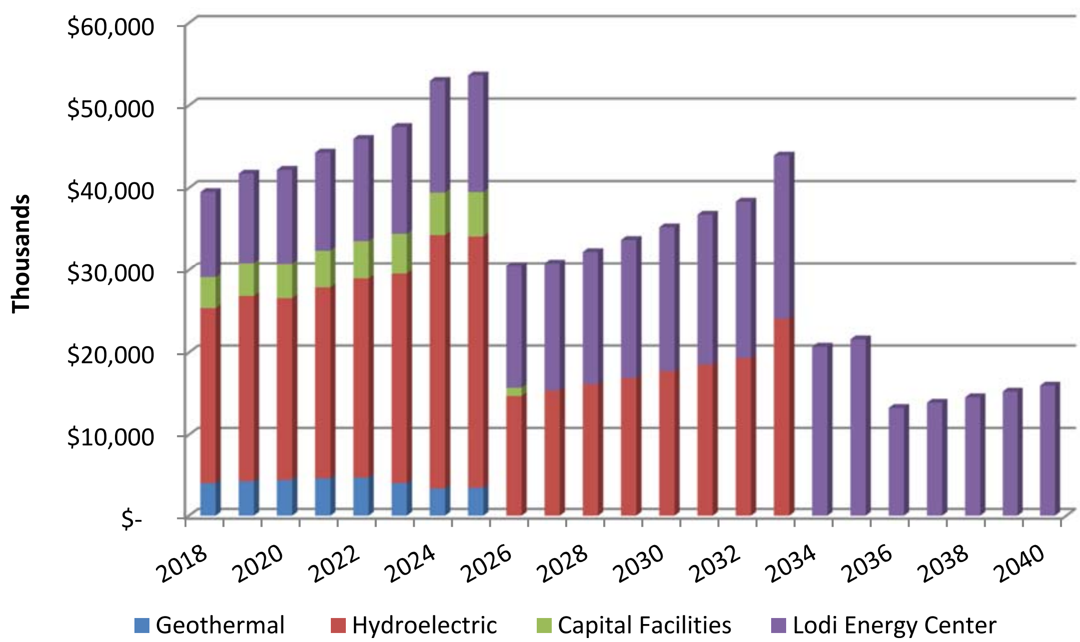
LIABILITIES

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:



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.

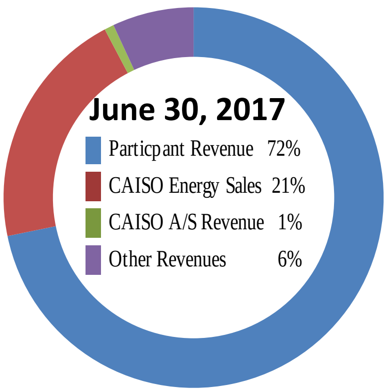
Operating Revenues

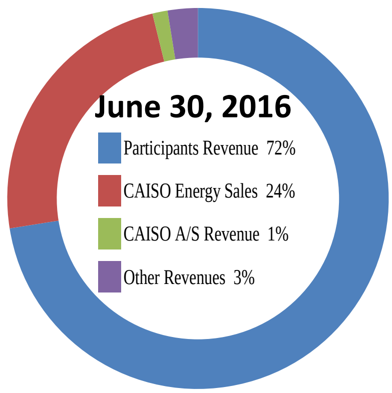
Operating revenues consist of Participants Revenue, California Independent System Operator (CAISO) Energy Sales and Ancillary Services (A/S) Revenues and Other Revenues.

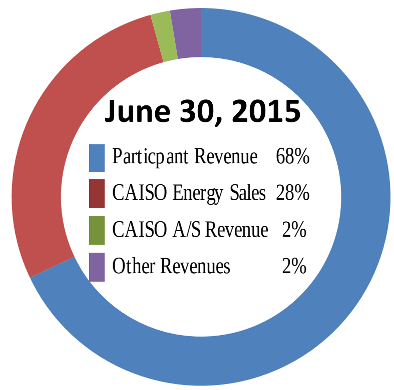
2017 Compared to 2016 - Operating revenues for fiscal year 2017 were approximately $.4 million or 0.1% lower than in the prior fiscal year. This was the net result of the following: (1) lower other third party revenues of $7.2 million due to reduced generation resulting in decreased energy sales into the CAISO market from 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







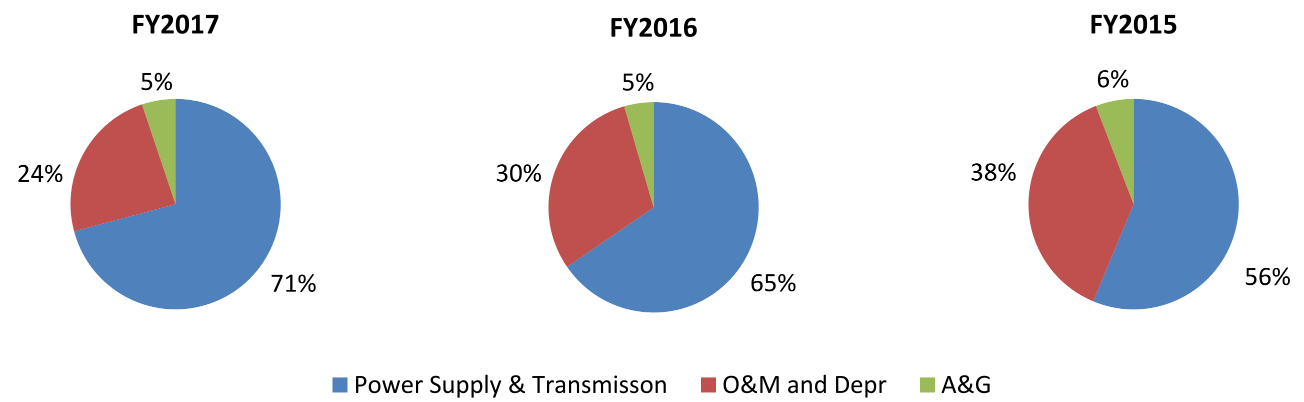
Operating Expenses

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.

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)	
CURRENT ASSETS		
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
TOTAL CURRENT ASSETS	88,453	83,366
RESTRICTED ASSETS		
Cash and cash equivalents	80,265	56,669
Investments	141,042	154,757
Interest receivable	476	333
TOTAL RESTRICTED ASSETS	221,783	211,759
ELECTRIC PLANT		
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
TOTAL ELECTRIC PLANT	559,841	588,870
OTHER ASSETS		
Regulatory assets	236,245	249,519
Unused vendor credits	24	55
TOTAL ASSETS	1,106,346	1,133,569
DEFERRED OUTFLOWS OF RESOURCES		
Excess cost on refunding of debt	48,106	54,348
Pension deferrals	13,506	9,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	61,612	63,441
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,167,958	$ 1,197,010

See notes to combined financial statements.

COMBINED STATEMENTS OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY
AND ASSOCIATED POWER CORPORATIONS

	June 30,	
	2017	2016
LIABILITIES	(in thousands)	
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	Years Ended June 30, 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	Years Ended June 30, 2016
	(in thousands)	(in thousands)
CASH FLOWS FROM OPERATING ACTIVITIES		
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)
NET CASH FLOWS FROM OPERATING ACTIVITIES	78,989	82,898
CASH FLOWS FROM INVESTING ACTIVITIES		
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)
NET CASH FLOWS FROM INVESTING ACTIVITIES	10,963	(2,549)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(75,649)	(74,654)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Other proceeds	12,929	6,059
Refunds to participants	(7,499)	(8,622)
NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	5,430	(2,563)
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,733	3,132
CASH AND CASH EQUIVALENTS		
Beginning of year	106,311	103,179
End of year	$ 126,044	$ 106,311

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	Years Ended June 30, 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
	79,180	76,239
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	$ 78,989	$ 82,898

	2017	2016
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	$ 126,044	$ 106,311
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

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 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

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.

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.

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.

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.

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 Description	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 Description	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.

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%

<u>Interest Rate Risk</u> 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.

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)	$ -

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)	$ -

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
Geothermal Project			(in thousands)		
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

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
			(in thousands)		
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	Total
		(in thousands)	
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.

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.

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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)	
Counterparty to Interest Rate Swap	Citigroup Financial Products Inc.		Citigroup 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)

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.

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.

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) become 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:

	2017	2016
Inactive employees or beneficiaries currently receiving benefits	119	118
Inactive employees entitled to but not yet receiving benefits	27	26
Active employees	150	152
Total	296	296

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:

	2017	2016
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.

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.

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.

Asset Class	**New Strategic Allocation**	**Real Return Years 1-10** [1]	**Real Return Years 11+** [2]
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%

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability

The change in the Net Pension Liability for each Plan follows:

	Increase/(Decrease)		
Description	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	$ 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
Balance at June 30, 2017	$ 143,919,618	$ 79,331,018	$ 64,588,600

	Increase/(Decrease)		
Description	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	$ 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
Balance at June 30, 2016	$ 135,846,223	$ 78,072,198	$ 57,774,025

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%)
Plan's Net Pension Liability	$ 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%)
Plan's Net Pension Liability	$ 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	$ 13,505,754	$ (4,459,733)

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	$ 9,092,571	$ (6,599,313)

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:

Measurement Period Ended June 30:	**Deferred Outflows/(Inflows) of Resources**	
2017	$	(95,749)
2018		(95,748)
2019		1,863,257
2020		1,119,684
2021		-
Thereafter		-
Total	$	2,791,444

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.

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.

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.

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.

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_{2e}) 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) 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 *

	FY 2017	FY 2016	FY 2015
Total Pension Liability			
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)
Net change in total pension liability	8,073,395	3,675,405	7,446,549
Total pension liability - beginning	135,846,223	132,170,818	124,724,269
Total pension liability - ending (a)	$ 143,919,618	$ 135,846,223	$ 132,170,818
Plan fiduciary net position			
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)	-
Net change in plan fiduciary net position	1,258,820	3,161,520	12,727,223
Plan fiduciary net position - beginning	78,072,198	74,910,678	62,183,455
Plan fiduciary net position - ending (b)	$ 79,331,018	$ 78,072,198	$ 74,910,678
Net pension liability - ending (a)-(b)	$ 64,588,600	$ 57,774,025	$ 57,260,140
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:

<u>Benefit changes</u> 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).

<u>Changes in assumptions</u> 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 *	**FY 2017**	**FY 2016**	**FY 2015**
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[1]	$ 18,990,529	$ 18,365,293	$ 17,596,462
Contributions as a Percentage of Covered-Employee Payroll[1]	32.94%	30.41%	31.30%

[1] 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									
ASSETS	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
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									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
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									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
OPERATING REVENUES										
Participants	$ 8,277	$ 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
CASH FLOWS FROM OPERATING ACTIVITIES										
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	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	11,365	46,921	4,794	431	14,826	-	(5,508)	2,319	3,841	78,989
CASH FLOWS FROM INVESTING ACTIVITIES										
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)
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,731	15,120	(526)	-	(3,878)	-	369	36	(2,889)	10,963
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
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)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(5,951)	(37,257)	(5,604)	-	(26,603)	-	-	(86)	(148)	(75,649)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES										
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)	-
NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	(3,703)	(7,652)	820	(431)	12,811	-	6,483	(2,461)	(437)	5,430
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,442	17,132	(516)	-	(2,844)	-	1,344	(192)	367	19,733
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									
ASSETS	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
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									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
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									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined Total
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	625	(1,881)	481	-	(3,814)	-	880	107	6,734	3,132
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
NCPA Member Participants:							
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%	
Other Participants:							
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.