



**AND**

**ASSOCIATED POWER CORPORATIONS**

**Report on Audit of Combined Financial Statements  
and  
Supplementary Information**

**For the Years Ended June 30, 2019 and 2018**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**Report on Audit of Combined Financial Statements**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Northern California Power Agency and Associated Power Corporations  
Roseville, California

We have audited the accompanying combined financial statements of the Northern California Power Agency and Associated Power Corporations (the "Agency"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the combined basic financial statements of the Agency as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 combined 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 the Agency as of June 30, 2019 and 2018, and the respective changes in combined financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note B, the Agency adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective July 1, 2018. Certain balances presented in the prior year have been restated due to the implementation of the new standard. Our opinion is not modified with respect to this matter.

### ***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 combined basic financial statements. Such information, although not a part of the combined basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic financial statements, and other knowledge we obtained during our audit of the combined basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's combined basic financial statements as a whole. The combining statements of net position, combining statements of revenues, expenses and changes in net position, combining statements of cash flows (combining financial statements) as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined basic 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 basic financial statements or to the combined basic 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 are fairly stated in all material respects, in relation to the combining basic financial statements as a whole.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Agency's combined basic financial statements. The schedule of generation entitlement shares is presented for purposes of additional analysis and is not a required part of the combined basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
October 2, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

The management of Northern California Power Agency (the Agency or NCPA) offers the following narrative discussion and analysis of its financial performance for the years ended June 30, 2019 and 2018. 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 and customers 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, or reduction or curtailment of output from the project for any reason (that is, the take-or-pay member agreements).

Power sales by the Agency to its members for their resale include both sales of power to project participants generated by operating plants and power purchased from outside sources. Collections for power sales are designed to recover costs that include budgeted annual operating costs and debt service. Additional amounts for operating reserves or cost stabilization may be included in collections under the terms of bond indentures. The Agency's collections for electric service are not subject to the regulatory jurisdiction of the California Public Utilities Commission (CPUC) or the Federal Energy Regulatory Commission (FERC). Rather, the Agency's collections are established annually in connection with its budget, which is approved by its governing Commission.

Various legal and tax considerations caused the Agency to provide that separate not-for-profit corporations should be delegated by the Agency to own the geothermal electrical generating projects undertaken by the Agency ("the Associated Power Corporations"). The Associated Power Corporations, consisting of Northern California Municipal Power Corporation Nos. Two and Three, have delegated to the Agency the authority to construct, operate, and manage their respective geothermal plants and related assets. The Agency, in return for financing the costs of acquisition and construction, acquires all the capacity and energy generated by the plants.

Because the Agency is a separate, special-purpose governmental entity that serves its participating members, who are also the Agency's principal customers, the net results of operations flow through to its participating members as either net revenues or net expenses.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS**

#### **FINANCIAL REPORTING**

For accounting purposes, the Agency is a special-purpose governmental entity that is engaged in a business-type activity, principally as a supplier of wholesale electricity and transmission to its member participants. As such, the Agency's financial statements are presented as an enterprise type fund.

The records of the Agency and the Associated Power Corporations are maintained substantially in accordance with the FERC Uniform System of Accounts. Accounting principles generally accepted in the United States of America are applied by the Agency in conformance with pronouncements of the Governmental Accounting Standards Board (GASB). The combined financial statements encompass the Agency and Associated Power Corporations on an accrual accounting basis. All significant intercompany balances and transactions have been eliminated from the combined amounts reported.

In accordance with GASB Statement of Government Accounting Standards No. 62, Codification of Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting (GASB No. 62), the Agency has recorded as regulatory assets and liabilities certain items of expense and revenue that otherwise would have been charged to operations as such items will be recovered in 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.

Implemented in FY 2019, GASB Statement of Government Accounting Standards No. 83, Certain Asset Retirement Obligations, established standards for accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays to be incurred.

Implemented in FY 2018, GASB Statement of Government Accounting Standards No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, requires additional note disclosures for debt, including direct borrowings and direct placements.

Implemented in FY 2018, GASB Statement of Government Accounting Standards No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) requires the Agency to report a liability on the face of the financial statements, including deferred outflows of resources and deferred inflows. The standard also requires more extensive note disclosures and required supplementary information related to our OPEB liabilities.

#### **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 the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual method of accounting, as well as information about which assets can be used for general purposes and which assets are restricted as a result of bond covenants and other commitments. The combined statement of net position provides information about the nature and amount of resources and obligations at a specific point in time. The combined statements of revenues, expenses, and changes in net position report all the revenues and expenses during the time periods indicated. The combined statements of cash flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses, such as payments for debt service and capital additions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### FINANCIAL HIGHLIGHTS

The following is a summary of the Agency's combined financial position and results of operations for the years ended June 30, 2019, 2018, and 2017.

| Condensed Statement of Net Position | June 30,       |                 |              |
|-------------------------------------|----------------|-----------------|--------------|
|                                     | (in thousands) |                 |              |
|                                     | 2019           | 2018 (Restated) | 2017         |
| <b>Assets</b>                       |                |                 |              |
| Current assets                      | \$ 99,363      | \$ 89,908       | \$ 88,453    |
| Restricted assets                   | 213,312        | 219,905         | 221,783      |
| Electric plant, net                 | 502,479        | 531,337         | 559,841      |
| Other assets                        | 224,403        | 231,430         | 236,269      |
| Total Assets                        | 1,039,557      | 1,072,580       | 1,106,346    |
| Deferred outflows of resources      | 112,427        | 123,280         | 123,916      |
|                                     | \$ 1,151,984   | \$ 1,195,860    | \$ 1,230,262 |
| <b>Liabilities and Net Position</b> |                |                 |              |
| Long-term debt, net                 | \$ 647,273     | \$ 694,597      | \$ 737,022   |
| Current liabilities                 | 103,344        | 95,389          | 101,550      |
| Non-current liabilities             | 272,445        | 277,063         | 264,494      |
| Total Liabilities                   | 1,023,062      | 1,067,049       | 1,103,066    |
| Deferred inflows of resources       | 90,546         | 90,743          | 93,136       |
| Net position:                       |                |                 |              |
| Net investment in capital assets    | (45,572)       | (61,207)        | (62,191)     |
| Restricted                          | 49,243         | 60,375          | 58,269       |
| Unrestricted                        | 34,705         | 38,900          | 37,982       |
|                                     | \$ 1,151,984   | \$ 1,195,860    | \$ 1,230,262 |

| Condensed Statements of Revenues,<br>Expenses and Changes in Net<br>Position | Years Ended June 30, |                 |            |
|--|----------------------|-----------------|------------|
|  | (in thousands)       |                 |            |
|  | 2019                 | 2018 (Restated) | 2017       |
| Operating revenues   | \$ 699,166           | \$ 562,392      | \$ 466,738 |
| Operating expenses   | (656,115)            | (510,714)       | (418,307)  |
| Net operating revenues   | 43,051               | 51,678          | 48,431     |
| Other expenses   | (20,774)             | (25,559)        | (21,561)   |
| Future refundable costs  | (7,791)              | (11,797)        | (13,274)   |
| Refunds to participants  | (14,178)             | (10,314)        | (7,499)    |
| Change in net position   | 308                  | 4,008           | 6,097      |
| Net position, beginning of year  | 38,068               | 34,060          | 27,963     |
| Net position, end of year  | \$ 38,376            | \$ 38,068       | \$ 34,060  |

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

##### Current Assets

*2019 Compared to 2018* - Current assets increased \$9.5 million or 10.5% from the prior year, primarily due to timing of collections and payments of transmission costs, energy sales and purchases and operating use availability.

*2018 Compared to 2017* - Current assets increased \$1.5 million or 1.6% from the prior year, primarily due to timing of collections and payments of transmission costs and energy sales and purchases.

##### Restricted Assets

*2019 Compared to 2018* - Restricted assets decreased \$6.5 million or 3.0% from the prior year. This is primarily due to funds used for capital development projects net of increased investment mark to market adjustment as a result of lower interest rate compared to prior year.

*2018 Compared to 2017* - Restricted assets decreased \$1.9 million or 0.8% from the prior year. This is primarily due to decreased investment mark to market adjustment as a result of higher interest rate compared to prior year.

##### Electric Plant, net

*2019 Compared to 2018* - The Agency has invested approximately \$502.5 million in plant assets and construction work in progress, net of accumulated depreciation, at June 30, 2019. Net utility plant comprises approximately 43.6% of the Agency's assets. The \$28.9 million or 5.4% decrease from the prior year consists of \$30.9 million in depreciation, offset by net capital expenditures of \$2.0 million. For additional detail, refer to Note B – Significant Accounting Policies.

*2018 Compared to 2017* - The Agency has invested approximately \$531.3 million in plant assets and construction work in progress, net of accumulated depreciation, at June 30, 2018. Net utility plant comprises approximately 46.1% of the Agency's assets. The \$28.5 million or 5.1% decrease from the prior year consists of \$30.9 million in depreciation, offset by net capital expenditures of \$2.4 million. For additional detail, refer to Note B – Significant Accounting Policies.

##### Deferred Outflows

*2019 Compared to 2018* - Total deferred outflows of resources decreased \$10.9 million or 8.8% due to the scheduled amortization of excess of cost on refunding of debt of \$8.6 million, decrease of deferred pension and OPEB contributions of \$2.2 million and decrease of deferred ARO of \$0.1 million.

*2018 Compared to 2017* - Total deferred outflows of resources decreased \$0.6 million or 0.5% due to the scheduled amortization of excess of cost on refunding of debt of \$6.2 million and net recognition of ARO funding of \$0.1 million offset by increase of deferred pension and OPEB contributions of \$5.7 million.



**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

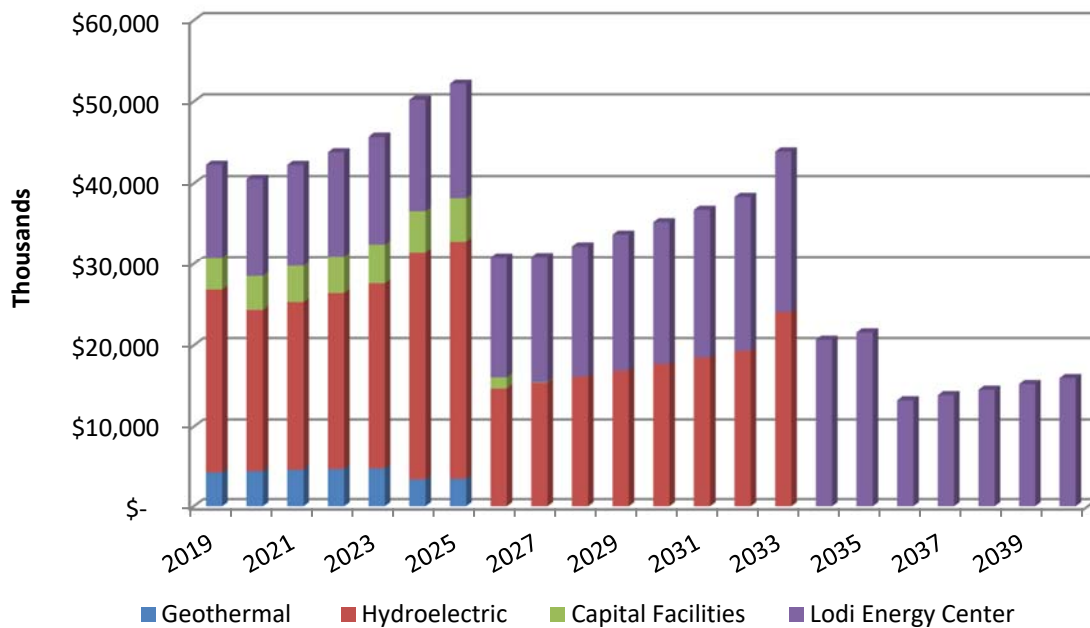
**LIABILITIES**

**Long-Term Debt, net**

*2019 Compared to 2018* - Long-term debt, net decreased \$47.3 million or 6.8% in 2019 as a result of scheduled principal payments of \$42.3 million, net premium amortization of \$2.6 million, and a net decrease of \$11.4 million related to the following refunding: Hydroelectric Project One Revenue Bonds 2019 Refunding Series A that refunded the Hydroelectric Project One Revenue Bonds 2010 Refunding Series A. These decreases were offset by an increase for the net transfer of the current portion of long-term debt of \$9.0 million. For additional detail, refer to Note E - Projects and Related Financing.

*2018 Compared to 2017* - Long-term debt, net decreased \$42.4 million or 5.8% in 2018 as a result of scheduled principal payments of \$39.8 million, net premium amortization of \$2.3 million, and a decrease for the net transfer of the current portion of long-term debt of \$2.8 million offset by a net increase of \$2.5 million related to two refunding activities: 1) Hydroelectric Project Number One Revenue Bonds 2018 Refunding Series A and B that refunded the Hydroelectric Project Number One Revenue Bonds 2008 Refunding Series C, and 2) Lodi Energy Center Revenue Refunding Bonds, Issue One, 2017 Series A that partially refunded the Lodi Energy Center Revenue Bonds, Issue One, 2010 Series A debt. 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 2040 as of June 30, 2019:



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### **Current Liabilities**

*2019 Compared to 2018* - Current liabilities increased by \$7.9 million or 8.3% in 2019. This is primarily due to increases in accounts payable of \$16.9 million for purchased energy and transmission costs offset by decreases in current portion of long-term debt of \$9.0 million.

*2018 Compared to 2017* - Current liabilities decreased by \$6.2 million or 6.1% in 2018. This is primarily due to decreases in accounts payable of \$8.4 million and decreases in accrued interest payable of \$1.9 million offset by increases in operating reserves of \$1.3 million and increases in current portion of long-term debt of \$2.8 million.

#### **Other Non-Current Liabilities**

*2019 Compared to 2018* - Non-current liabilities decreased by a net of \$4.6 million or 1.7% in 2019. This was primarily due to decreased net pension and OPEB liability of \$9.9 million offset by increased asset retirement obligations of \$1.5 million increased for inflation, increased operating reserves of \$0.3 million for interest earnings, and increased interest rate swap liability of \$3.5 million.

*2018 Compared to 2017* - Non-current liabilities increased by a net of \$12.6 million or 4.8% in 2018. This was primarily due to increased net pension and OPEB liability of \$11.4 million and increased operating reserves of \$5.7 million for budget collections offset by decreased interest rate swap liability of \$4.0 million and amortization of asset retirement obligations of \$0.5 million.

#### **Deferred Inflows**

*2019 Compared to 2018* - Total deferred inflows of resources decreased \$0.2 million or 0.2% due to deferral of certain revenues related to the amortization of construction advances and prepaids totaling \$2.8 million and net pension and OPEB expense amortization of \$2.6 million.

*2018 Compared to 2017* - Total deferred inflows of resources decreased \$2.3 million or 2.6% due to deferral of certain revenues related to the amortization of construction advances and prepaids totaling \$1.0 million and net pension and OPEB expense amortization of \$1.3 million.

#### **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, 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 from participants 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.

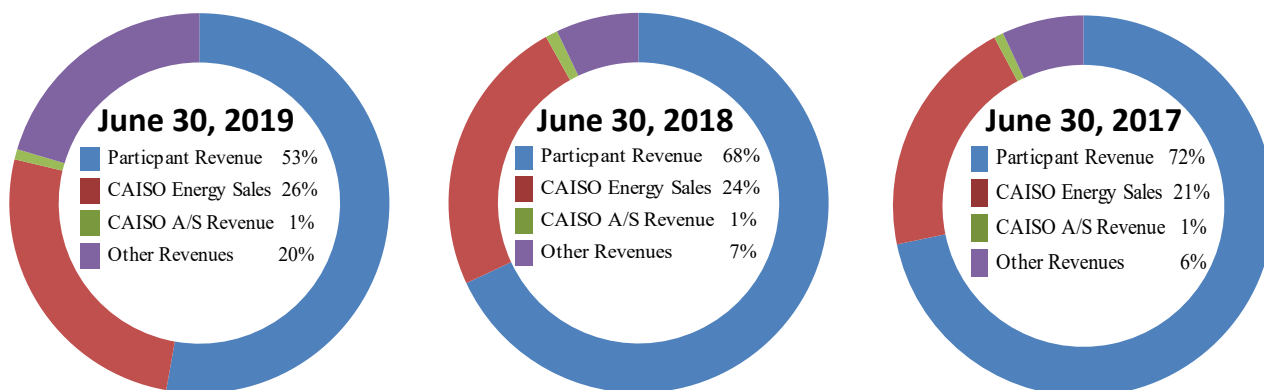
*2019 Compared to 2018* - Operating revenues for fiscal year 2019 were approximately \$136.8 million or 24.3% higher than in the prior fiscal year. This was the net result of the following: (1) revenue from non-members of \$67.1 million for their share of energy contracts and transmission costs, (2) higher overall plants' generation of 3,016,295 MWh versus 2,368,663 MWh in the prior year, and (2) higher collections for transmission costs due to increased generation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

*2018 Compared to 2017* - Operating revenues for fiscal year 2018 were approximately \$95.6 million or 20.5% higher than in the prior fiscal year. This was the net result of the following: (1) higher LEC generation of 1,075,084 MWh versus 299,107 MWh in the prior year, and (2) higher collections for transmission costs due to increased generation.

#### OPERATING REVENUES BY SOURCES



#### Operating Expenses

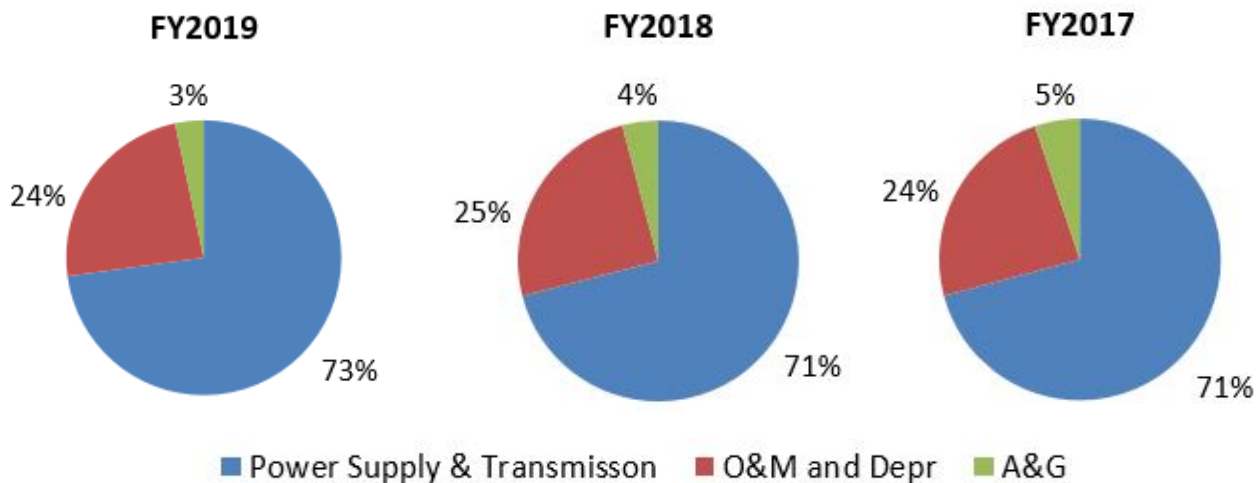
*2019 Compared to 2018* - Operating expenses were \$656.1 million in FY 2019, an increase of \$145.4 million from FY 2018. Purchased power expense was \$74.3 million higher in 2019 primarily due to increased energy purchased to fulfill energy requirements for member and non-member participants. Operations expense increased \$22.4 million primarily due to increased fuel usage for the LEC and water costs for Hydro (see Operating Revenues). Maintenance expenses were \$5.3 million higher than in FY 2019 due to increased plant maintenance project costs necessitated from increased generation. Additionally, the increase in transmission costs of \$43.4 million was due to increased generation from plants and from new non-member participants.

*2018 Compared to 2017* - Operating expenses were \$510.7 million in FY 2018, an increase of \$92.4 million from FY 2017. Purchased power expense was \$31.4 million higher in 2018 primarily due to increased energy purchased to fulfill energy requirements. Operations expense increased \$22.8 million primarily due to increased fuel usage for the LEC (see Operating Revenues). Maintenance expenses were \$4.5 million higher than in FY 2017 due to increased plant maintenance costs resulting from increased generation. Additionally, the increase in transmission costs of \$33.7 million was due to increased generation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The following charts compare the components of Operating Expenses in fiscal years ended June 30, 2019, 2018, and 2017:



### FINANCING ACTIVITIES

During 2019, 2018 and 2017 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 April 2019, the Agency issued Hydroelectric Project Number One Revenue Bonds, 2019 Refunding Series A (\$39,250,000) to refund Hydroelectric Project Number One Revenue Bond, 2010 Refunding Series A. The refunding was completed through the issuance of \$39,250,000 fixed rate debt (2019 Series A) with a yield of 1.40% with varying principal maturities ranging from \$940,000 to \$13,650,000 through July 1, 2023. The refunding is estimated to have decreased project debt service by an estimated \$8.09 million over the next 5 years, which results in an estimated economic gain to the Agency of approximately \$3.62 million.

In March 2018, the Agency issued Hydroelectric Project Number One Revenue Bonds 2018 Refunding Series A and B (\$70,215,000) to refund Hydroelectric Project Number One Revenue Bond 2008 Refunding Series C. The refunding was completed through the issuance of \$70,215,000 fixed rate debt (2018 Series A & B) with a yield of 2.01% with varying principal maturities ranging from \$839,850 to \$14,957,250 through July 1, 2024. The refunding is estimated to have decreased project debt service by an estimated \$8.34 million over the next 5 years, which results in an estimated economic gain to the Agency of approximately \$7.76 million.

In December 2017, the Agency issued Lodi Energy Center Revenue Refunding Bonds Issue One 2017 Series A (\$38,970,000) to refund a portion of Lodi Energy Center Revenue Bonds Issue One 2010 Series A. The private placement refunding was completed through the issuance of \$38,970,000 fixed rate tax exempt debt (2017 Series A) with a yield of 2.27% with varying principal maturities ranging from \$335,000 to \$7,825,000 through June 1, 2025. The refunding is estimated to have decreased project debt service by an estimated \$2.41 million over the next 6 years, which results in an estimated economic gain to the Agency of approximately \$2.22 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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. During 2018 and 2019, Standard and Poor's, Moody's, and Fitch affirmed their ratings on all projects. On May 30th, 2019 Moody's upgraded the rating on NCPA's Capital Facilities Project to A1 from A2 with an outlook of stable.

Ratings assigned to the Agency's outstanding project bonds as of June 30, 2019 are as follows:

| <b>Debt Credit Ratings:</b>    | Standard & Poor's | Fitch       | Moody's     |
|--------------------------------|-------------------|-------------|-------------|
| Geothermal                     | A- , stable       | A+, stable  | A1, stable  |
| Hydroelectric                  | A+, stable        | AA-, stable | Aa3, stable |
| Capital Facilities             | A- , stable       | Not rated   | A1, stable  |
| Lodi Energy Center (Issue One) | A- , stable       | A, stable   | A1, stable  |
| Lodi Energy Center (Issue Two) | AAA, stable       | Not rated   | Aa2, stable |

### INVESTMENT IN ASSOCIATED COMPANY

Effective June 2018, the Agency invested a 20% interest in the not-for-profit corporation Hometown Connections, Inc. (HCI) for \$265,000. HCI is a national service corporation that provides consulting, management and metering services to public power utilities on a national level. HCI has contracted with the Agency to provide monthly accounting service. This investment is accounted for using the equity method of accounting.

### 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,            |                     |
|---|---------------------|---------------------|
|   | 2019                | 2018 (Restated)     |
| ASSETS  | (in thousands)      |                     |
| <b>CURRENT ASSETS</b>                           |                     |                     |
| Cash and cash equivalents                       | \$ 43,427           | \$ 38,561           |
| Investments                                     | 41,915              | 36,963              |
| Accounts receivable                             |                     |                     |
| Participants                                    | 236                 | 950                 |
| Other   | 2,629               | 1,797               |
| Interest receivable                             | 586                 | 319                 |
| Inventory and supplies                          | 8,891               | 9,746               |
| Prepaid expenses                                | 1,679               | 1,572               |
| TOTAL CURRENT ASSETS                            | <u>99,363</u>       | <u>89,908</u>       |
| <b>RESTRICTED ASSETS</b>                        |                     |                     |
| Cash and cash equivalents                       | 57,635              | 65,435              |
| Investments                                     | 154,903             | 153,830             |
| Interest receivable                             | 774                 | 640                 |
| TOTAL RESTRICTED ASSETS                         | <u>213,312</u>      | <u>219,905</u>      |
| <b>ELECTRIC PLANT</b>                           |                     |                     |
| Electric plant in service                       | 1,506,366           | 1,504,621           |
| Less: accumulated depreciation                  | (1,004,069)         | (973,466)           |
|   | <u>502,297</u>      | <u>531,155</u>      |
| Construction work-in-progress                   | 182                 | 182                 |
| TOTAL ELECTRIC PLANT                            | <u>502,479</u>      | <u>531,337</u>      |
| <b>OTHER ASSETS</b>                             |                     |                     |
| Regulatory assets                               | 223,703             | 231,147             |
| Preliminary survey and investigation costs      | 435                 | 18                  |
| Investment in associated company                | 265                 | 265                 |
| TOTAL ASSETS                                    | <u>1,039,557</u>    | <u>1,072,580</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                     |                     |
| Excess cost on refunding of debt                | 33,271              | 41,876              |
| Pension and OPEB deferrals                      | 17,055              | 19,200              |
| Asset Retirement Obligations                    | 62,101              | 62,204              |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES            | <u>112,427</u>      | <u>123,280</u>      |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 1,151,984</u> | <u>\$ 1,195,860</u> |

**COMBINED STATEMENTS OF NET POSITION**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

|  | June 30,            |                     |
|--|---------------------|---------------------|
|  | 2019                | 2018 (Restated)     |
| LIABILITIES  | (in thousands)      |                     |
| <b>CURRENT LIABILITIES</b>   |                     |                     |
| Accounts payable and accrued expenses                                | \$ 38,887           | \$ 22,020           |
| Member advances  | 1,380               | 1,068               |
| Operating reserves   | 21,995              | 21,328              |
| Current portion of long-term debt                                    | 33,340              | 42,335              |
| Accrued interest payable   | 7,742               | 8,638               |
| TOTAL CURRENT LIABILITIES  | <u>103,344</u>      | <u>95,389</u>       |
| <b>NON-CURRENT LIABILITIES</b>                                       |                     |                     |
| Net pension and OPEB liabilities                                     | 66,126              | 76,002              |
| Operating reserves and other deposits                                | 126,551             | 126,239             |
| Interest rate swap liability   | 14,613              | 11,109              |
| Asset Retirement Obligations   | 65,155              | 63,713              |
| Long-term debt, net  | 647,273             | 694,597             |
| TOTAL NON-CURRENT LIABILITIES  | <u>919,718</u>      | <u>971,660</u>      |
| TOTAL LIABILITIES  | <u>1,023,062</u>    | <u>1,067,049</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                     |                     |
| Regulatory credits   | 84,744              | 87,548              |
| Pension and OPEB deferrals   | 5,802               | 3,195               |
| TOTAL DEFERRED INFLOWS OF RESOURCES                                  | <u>90,546</u>       | <u>90,743</u>       |
| <b>NET POSITION</b>  |                     |                     |
| Net investment in capital assets                                     | (45,572)            | (61,207)            |
| Restricted for:  |                     |                     |
| Debt service   | 47,110              | 59,140              |
| Other programs   | 2,133               | 1,235               |
| Unrestricted   | 34,705              | 38,900              |
| TOTAL NET POSITION   | <u>38,376</u>       | <u>38,068</u>       |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>OF RESOURCES AND NET POSITION | <u>\$ 1,151,984</u> | <u>\$ 1,195,860</u> |



**COMBINED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

|                                     | Years Ended June 30, |                  |
|-------------------------------------|----------------------|------------------|
|                                     | 2019                 | 2018 (Restated)  |
|                                     | (in thousands)       |                  |
| OPERATING REVENUES                  |                      |                  |
| Participants                        | \$ 369,885           | \$ 383,271       |
| Other Third-Party                   | 329,281              | 179,121          |
| TOTAL OPERATING REVENUES            | <u>699,166</u>       | <u>562,392</u>   |
| OPERATING EXPENSES                  |                      |                  |
| Purchased power                     | 298,508              | 224,197          |
| Operations                          | 99,990               | 75,714           |
| Transmission                        | 180,633              | 137,251          |
| Depreciation                        | 30,844               | 30,915           |
| Maintenance                         | 26,836               | 21,497           |
| Administrative and general          | 19,304               | 21,140           |
| TOTAL OPERATING EXPENSES            | <u>656,115</u>       | <u>510,714</u>   |
| NET OPERATING REVENUES              | <u>43,051</u>        | <u>51,678</u>    |
| NON OPERATING (EXPENSES) REVENUES   |                      |                  |
| Interest expense                    | (39,291)             | (34,728)         |
| Interest income                     | 10,447               | 1,245            |
| Other                               | 8,070                | 7,924            |
| TOTAL NON OPERATING EXPENSES        | <u>(20,774)</u>      | <u>(25,559)</u>  |
| FUTURE RECOVERABLE AMOUNTS          | (7,791)              | (11,797)         |
| REFUNDS TO PARTICIPANTS             | <u>(14,178)</u>      | <u>(10,314)</u>  |
| INCREASE (DECREASE) IN NET POSITION | 308                  | 4,008            |
| NET POSITION, Beginning of year     | <u>38,068</u>        | <u>34,060</u>    |
| NET POSITION, End of year           | <u>\$ 38,376</u>     | <u>\$ 38,068</u> |

**COMBINED STATEMENTS OF CASH FLOW**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

|   | Years Ended June 30, |                   |
|---|----------------------|-------------------|
|   | 2019                 | 2018 (Restated)   |
|   | (in thousands)       |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                      |                   |
| Received from participants  | \$ 368,107           | \$ 382,264        |
| Received from others  | 332,238              | 178,886           |
| Payments for employee services  | (41,848)             | (38,700)          |
| Payments to suppliers for goods and services                            | (568,618)            | (439,070)         |
|   | <u>89,879</u>        | <u>83,380</u>     |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                      |                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                      |                   |
| Proceeds from maturities and sales of investments                       | 111,768              | 99,449            |
| Interest received on cash and investments                               | 4,928                | 3,246             |
| Purchase of investments   | (116,238)            | (129,244)         |
|   | <u>458</u>           | <u>(26,549)</u>   |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                      |                   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>         |                      |                   |
| Acquisition and construction of electric plant                          | (2,348)              | (2,411)           |
| Interest paid on long-term debt   | (31,234)             | (33,954)          |
| Principal repayment on long-term debt                                   | (42,335)             | (39,830)          |
| Proceeds from bond issues   | 43,158               | 117,438           |
| Payments to refund debt   | (53,987)             | (117,714)         |
|   | <u>(86,746)</u>      | <u>(76,471)</u>   |
| <b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>     |                      |                   |
| <b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>     |                      |                   |
| Other proceeds  | 7,653                | 7,906             |
| Refunds to participants   | (14,178)             | (10,314)          |
|   | <u>(6,525)</u>       | <u>(2,408)</u>    |
| <b>NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                      |                   |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                          | <u>(2,934)</u>       | <u>(22,048)</u>   |
| <b>CASH AND CASH EQUIVALENTS</b>  |                      |                   |
| Beginning of year   | <u>103,996</u>       | <u>126,044</u>    |
| End of year   | <u>\$ 101,062</u>    | <u>\$ 103,996</u> |

**COMBINED STATEMENTS OF CASH FLOW-Continued**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

|   | Years Ended June 30, |                   |
|---|----------------------|-------------------|
|   | 2019                 | 2018 (Restated)   |
|   | (in thousands)       |                   |
| RECONCILIATION OF NET OPERATING REVENUES TO<br>NET CASH FLOWS FROM OPERATING ACTIVITIES   |                      |                   |
| Operating income  | \$ 43,051            | \$ 51,678         |
| Adjustments to reconcile net operating revenues<br>to net cash from operating activities: |                      |                   |
| Depreciation  | 30,844               | 30,915            |
|   | <u>73,895</u>        | <u>82,593</u>     |
| CASH FLOWS IMPACTED BY CHANGES IN   |                      |                   |
| Accounts receivable   | (118)                | 3,900             |
| Inventory, prepaid expense, and unused vendor credits                                     | 748                  | (263)             |
| Operating reserves and other deposits   | 979                  | 7,045             |
| Member advances   | 312                  | 75                |
| Regulatory credits  | (2,804)              | (1,549)           |
| Accounts payable and other liabilities  | 16,867               | (8,421)           |
| NET CASH FROM<br>OPERATING ACTIVITIES   | <u>\$ 89,879</u>     | <u>\$ 83,380</u>  |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO<br>STATEMENTS OF NET POSITION              |                      |                   |
| Cash and cash equivalents - current assets  | \$ 43,427            | \$ 38,561         |
| Cash and cash equivalents - restricted assets   | 57,635               | 65,435            |
| End of year   | <u>\$ 101,062</u>    | <u>\$ 103,996</u> |
| NON-CASH TRANSACTIONS:  |                      |                   |
| Future recoverable/(refundable) costs   | \$ (7,791)           | \$ (11,797)       |
| Amortization  | (6,218)              | (6,783)           |
| Hydro swap change in fair value   | 3,504                | (4,064)           |
| Gain/loss on investments  | (663)                | (664)             |

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### 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 in the California Asset Management Program (CAMP), 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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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 are 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 0.2% of the average electric plant in service for the Agency during both 2019 and 2018. 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, 2019 is as follows:

|                                       | Balance<br>June 30, 2018 | Additions   | Deletions | Balance<br>June 30, 2019 |
|---------------------------------------|--------------------------|-------------|-----------|--------------------------|
|                                       | (in thousands)           |             |           |                          |
| Structures and Leasehold Improvements | \$ 320,734               | \$ 9        | \$ -      | \$ 320,743               |
| Reservoirs, Dams and Waterways        | 249,338                  | -           | -         | 249,338                  |
| Equipment                             | 759,264                  | 1,601       | (241)     | 760,624                  |
| Furniture and Fixtures                | 3,340                    | 376         | -         | 3,716                    |
|                                       | 1,332,676                | 1,986       | (241)     | 1,334,421                |
| Accumulated Depreciation              | (973,466)                | (30,844)    | 241       | (1,004,069)              |
|                                       | 359,210                  | (28,858)    | -         | 330,352                  |
| Construction Work-In-Progress         | 182                      | -           | -         | 182                      |
| Land and Land Rights                  | 171,945                  | -           | -         | 171,945                  |
| Electric Plant, Net                   | \$ 531,337               | \$ (28,858) | \$ -      | \$ 502,479               |

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

A summary of changes in electric plant for the year ended June 30, 2018 is as follows:

|                                       | Balance<br>June 30, 2017 | Additions   | Deletions | Balance<br>June 30, 2018 |
|---------------------------------------|--------------------------|-------------|-----------|--------------------------|
|                                       | (in thousands)           |             |           |                          |
| Structures and Leasehold Improvements | \$ 319,378               | \$ 1,356    | \$ -      | \$ 320,734               |
| Reservoirs, Dams and Waterways        | 249,338                  | -           | -         | 249,338                  |
| Equipment                             | 758,026                  | 1,400       | (162)     | 759,264                  |
| Furniture and Fixtures                | 3,046                    | 294         | -         | 3,340                    |
|                                       | 1,329,788                | 3,050       | (162)     | 1,332,676                |
| Accumulated Depreciation              | (942,713)                | (30,915)    | 162       | (973,466)                |
|                                       | 387,075                  | (27,865)    | -         | 359,210                  |
| Construction Work-In-Progress         | 821                      | 75          | (714)     | 182                      |
| Land and Land Rights                  | 171,945                  | -           | -         | 171,945                  |
| Electric Plant, Net                   | \$ 559,841               | \$ (27,790) | \$ (714)  | \$ 531,337               |

**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 Statement 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 and OPEB Liabilities, the Agency expects to recover these items through participant collections using the actuarially calculated amounts as represented in the respective annual and biennial actuarial valuation reports. 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 Statement No. 62.

The items of expense that have been deferred are net pension and OPEB liabilities, asset retirement obligations 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, 2019 and 2018, the Agency had accumulated regulatory assets, net of regulatory credits, of approximately \$138,959,000 and \$143,599,000, respectively.

**Investment in Associated Company** Effective June 2018, the Agency invested \$265,000 (20% interest) into Hometown Connections Inc. (a not-for-profit corporation) (HCI). HCI is a national service corporation that provides consulting, management and metering services to public power utilities on a national level. This investment is accounted for using the equity method of accounting.

**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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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 expenses, information about the fiduciary net position of the Agency's 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. Investments are reported at fair value.

**Other Post Employment Benefits (OPEB)** For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the Agency's California Employers' Retirement Benefit Trust (CERBT) Fund and additions to/deductions from Fund's fiduciary net position have been determined on the same basis as they are reported by CalPERS, the trust administrator. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Asset Retirement Obligations (ARO)** For purposes of measuring the ARO liability, and deferred outflows of resources related to ARO, information about the estimated costs have been determined by utilizing third party projections. Cost estimates are adjusted for inflation or deflation on an annual basis. Factors relating to estimated asset retirement outlays are evaluated annually to determine if one or more factors are expected to result in a significant change and if an ARO should be remeasured as a result. Deferred outflows of resources are reduced and recognized as an expense over the estimated life of the capital assets.

**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 collections 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 2019 and 2018, 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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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, 2019 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 and significant other observable inputs. 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".



## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 and 2018 were \$1,857,000 and \$2,452,000, 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, pension and OPEB deferrals and asset retirement obligations. Pension contributions made in the current year are reported as deferred outflows of resources as the CalPERS' valuation measurement date is June 30, 2017; those contributions were expensed in fiscal year 2019.

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, pension and OPEB deferrals projected in the pension and OPEB actuarial reports and funds advanced for asset retirement obligations.

**Recent Accounting Pronouncements** In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*, effective for financial statements for years beginning after June 15, 2018. The Agency elected to adopt this statement as of July 1, 2017. This statement requires the Agency to add additional note disclosures for debt, including direct borrowings and direct placements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for financial statements for years beginning after June 15, 2018. This statement requires governments to recognize a liability for legal obligations to perform future asset retirement activities related to tangible capital assets.

#### **Accounting Pronouncements Effective in Future Fiscal Years**

- **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 fiscal year 2020. 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 fiscal year 2021. The Agency has not determined the effect of the statement.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

- **GASB Statement No. 89** – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of the Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for the periods beginning after December 15, 2019, or fiscal year 2021. The Agency has not determined the effect of the statement.
- **GASB Statement No. 90** – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest*. The objective of the Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for the periods beginning after December 15, 2018, or fiscal year 2020. The Agency has not determined the effect of the statement.
- **GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of the Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement is effective for the periods beginning after December 15, 2020, or fiscal year 2022. 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 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, mid-term corporate notes, 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.

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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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. Investments in corporate bonds are limited to the top three ratings issued by nationally recognized statistical rating organizations and all investments must be investment grade. Credit rating ranges for medium term corporate notes as of June 30, 2019 and 2018 are listed below:

| Nationally Recognized Statistical Rating Agency | Credit Rating Range |
|---|---------------------|
| Standard & Poor's                               | A-/AAA              |
| Moody's   | NR/Aaa              |

**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, 2019 and June 30, 2018.

#### Concentration of Credit Risk, June 30, 2019

| Issuer:                               | Investment Type | Reported Amount | Percentage of Portfolio |
|---------------------------------------|-----------------|-----------------|-------------------------|
| Federal National Mortgage Association | Federal Agency  | 16,189,353      | 8.2%                    |
| Federal Home Loan Mortgage Corp.      | Federal Agency  | 35,727,746      | 18.2%                   |
| Federal Farm Credit Bank              | Federal Agency  | 31,207,530      | 15.9%                   |
| Federal Home Loan Bank                | Federal Agency  | 48,928,948      | 24.9%                   |

#### Concentration of Credit Risk, June 30, 2018

| Issuer:                               | Investment Type | Reported Amount | Percentage of Portfolio |
|---------------------------------------|-----------------|-----------------|-------------------------|
| Federal National Mortgage Association | Federal Agency  | 44,194,177      | 23.2%                   |
| Federal Home Loan Mortgage Corp.      | Federal Agency  | 37,424,182      | 19.6%                   |
| Federal Farm Credit Bank              | Federal Agency  | 32,732,318      | 17.2%                   |
| Federal Home Loan Bank                | Federal Agency  | 42,506,166      | 22.3%                   |

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Interest Rate Risk** Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. The Agency manages its exposure to interest rate risk by following a hold-to-maturity investment approach for some investments, 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. In addition, the Agency periodically rebalances larger fund portfolios to maintain the appropriate rate of return through market cycles; such rebalances are performed only in instances when the result of the rebalance transaction is a net gain.

The following tables reflect the carrying and fair values and the weighted average maturity in years for the Agency's investment portfolios for fiscal years ended June 30, 2019 and 2018, respectively.

Investments at June 30, 2019

| <u>Description</u>       | Carrying Value    | Fair Value        | Wtd.Avg Maturity (In years) |
|--------------------------|-------------------|-------------------|-----------------------------|
|                          | (in thousands)    |                   |                             |
| U.S. Agencies            | \$ 132,128        | \$ 132,054        | 2.34                        |
| U.S. Treasury            | 2,323             | 2,325             | 0.17                        |
| Corporate Bonds          | 60,984            | 62,439            | 3.29                        |
| <b>TOTAL INVESTMENTS</b> | <b>\$ 195,435</b> | <b>\$ 196,818</b> |                             |

Investments at June 30, 2018

| <u>Description</u>       | Carrying Value    | Fair Value        | Wtd. Avg Maturity (In years) |
|--------------------------|-------------------|-------------------|------------------------------|
|                          | (in thousands)    |                   |                              |
| U.S. Agencies            | \$ 160,079        | \$ 156,857        | 2.12                         |
| U.S. Treasury            | 1,594             | 1,591             | 0.45                         |
| Corporate Bonds          | 32,685            | 32,345            | 4.29                         |
| <b>TOTAL INVESTMENTS</b> | <b>\$ 194,358</b> | <b>\$ 190,793</b> |                              |

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

##### NOTE D -- FAIR VALUE MEASUREMENT

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, 2019. These valuations do not represent the actual terms at which new transactions could be entered into or the actual terms at which existing transactions could be liquidated. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions for interest rate swaps. The observability of inputs used to perform the measurement results in the swap fair values being categorized as Level 2.

**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

The Agency has the following fair value measurements as of June 30, 2019:

|  | Fair Value Using<br>(thousands) |  |  |  |
|--|---------------------------------|--|--|--|
|  | June 30, 2019                   | Quoted prices in<br>active markets<br>for identical<br>assets<br>(Level 1) | Significant other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| Investments by fair value level                  |                                 |  |  |  |
| Debt Securities                                  |                                 |  |  |  |
| U.S agencies                                     | \$ 132,054                      | \$ 35,434  | \$ 96,620  | \$ -   |
| U.S treasury                                     | 2,325                           | 2,325  | -  | -  |
| Corporate Bonds                                  | 62,439                          | -  | 62,439   | -  |
| Total debt securities                            | 196,818                         | 37,759   | 159,059  | -  |
| Total investments by fair value level            | \$ 196,818                      | \$ 37,759  | \$ 159,059   | \$ -   |
| Derivative Instruments by fair value level       |                                 |  |  |  |
| Swap liability instruments                       | \$ (14,613)                     | \$ -   | \$ (14,613)  | \$ -   |
| Total Derivative Instruments by fair value level | \$ (14,613)                     | \$ -   | \$ (14,613)  | \$ -   |

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

The Agency had the following fair value measurements as of June 30, 2018:

|  | Fair Value Using<br>(thousands) |  |  |  |
|--|---------------------------------|--|--|--|
|  | June 30, 2018                   | Quoted prices in<br>active markets<br>for identical<br>assets<br>(Level 1) | Significant other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| Investments by fair value level                  |                                 |  |  |  |
| Debt Securities                                  |                                 |  |  |  |
| U.S agencies                                     | \$ 156,857                      | \$ 34,810  | \$ 122,047   | \$ -   |
| U.S treasury                                     | 1,591                           | 1,591  | -  | -  |
| Corporate Bonds                                  | 32,345                          | -  | 32,345   | -  |
| Total debt securities                            | 190,793                         | 36,401   | 154,392  | -  |
| Total investments by fair value level            | \$ 190,793                      | \$ 36,401  | \$ 154,392   | \$ -   |
| Derivative Instruments by fair value level       |                                 |  |  |  |
| Swap liability instruments                       | \$ (11,109)                     | \$ -   | \$ (11,109)  | \$ -   |
| Total Derivative Instruments by fair value level | \$ (11,109)                     | \$ -   | \$ (11,109)  | \$ -   |

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
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**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**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).

|  | Balance<br>July 1, 2018 | Additions        | Retirements      | Balance<br>June 30, 2019 | Current<br>Portion |
|--|-------------------------|------------------|------------------|--------------------------|--------------------|
| (in thousands)   |                         |                  |                  |                          |                    |
| Geothermal Project   |                         |                  |                  |                          |                    |
| 2009 Series A - Original Issue Amount \$35,610<br>Serial, 4.00-5.50% through 2025                                    | \$ 5,220                | \$ -             | \$ 2,545         | \$ 2,675                 | \$ 2,675           |
| 2012 Series A - Original Issue Amount \$12,910<br>Term, 2.289% due 2023  | 6,285                   | -                | 1,340            | 4,945                    | 1,375              |
| 2016 Series A - Original Issue Amount \$17,530<br>Term, 1.670% due 2024  | 17,265                  | -                | 365              | 16,900                   | 370                |
|  | <u>28,770</u>           | <u>-</u>         | <u>4,250</u>     | <u>24,520</u>            | <u>4,420</u>       |
| Hydroelectric Project - Original Issue Amount \$195,610  |                         |                  |                  |                          |                    |
| 1992 Refunding Series A<br>Term, 6.30% due 2019  | 12,155                  | -                | 12,155           | -                        | -                  |
| 2008 Refunding Series A - Original Issue Amount \$85,160<br>Term, adjustable rate-weekly<br>reset, due 2033          | 85,160                  | -                | -                | 85,160                   | 1,520              |
| 2008 Refunding Series B (Taxable) - Original Issue Amount<br>\$3,165<br>Term, adjustable rate-weekly reset, due 2021 | 1,235                   | -                | 1,235            | -                        | -                  |
| 2010 Refunding Series A - Original Issue Amount \$101,260<br>Serial, 4.00-5.00% through 2024                         | 62,975                  | -                | 62,975           | -                        | -                  |
| 2012 Refunding Series A - Original Issue Amount \$76,665<br>Serial, 5.00% through 2033                               | 76,665                  | -                | -                | 76,665                   | -                  |
| 2012 Refunding Series B - Original Issue Amount \$7,120<br>Serial, 4.32% through 2025                                | 7,120                   | -                | -                | 7,120                    | -                  |
| 2018 Refunding Series A – Original Issue Amount \$68,875<br>Serial, 5.00% through 2025                               | 68,875                  | -                | -                | 68,875                   | 8,885              |
| 2018 Refunding Series B - Original Issue Amount \$1,340<br>Serial, 4.32% through 2025                                | 1,340                   | -                | -                | 1,340                    | 1,340              |
| 2019 Refunding Series A - Original Issue Amount \$39,250<br>Serial, 4.00-5.00% through 2025                          | -                       | 39,250           | -                | 39,250                   | 940                |
| Add: Unamortized Premium, net  | 15,742                  | 3,908            | 3,122            | 16,528                   | -                  |
| Total Hydroelectric Project  | <u>\$ 331,267</u>       | <u>\$ 43,158</u> | <u>\$ 79,487</u> | <u>\$ 294,938</u>        | <u>\$ 12,685</u>   |



**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
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|  | Balance<br>July 1, 2018 | Additions        | Retirements      | Balance<br>June 30, 2019 | Current<br>Portion |
|--|-------------------------|------------------|------------------|--------------------------|--------------------|
| Capital Facilities Project – Original Issue Amount \$55,120<br>2010 Refunding Series A<br>Serial, 2.00-5.25% through 2026            | \$ 33,640               | \$ -             | \$ 3,995         | \$ 29,645                | \$ 4,195           |
| Add: Unamortized Premium   | 582                     | -                | 162              | 420                      | -                  |
| Total Capital Facilities Project   | <u>34,222</u>           | <u>-</u>         | <u>4,157</u>     | <u>30,065</u>            | <u>4,195</u>       |
| Lodi Energy Center, Issue One<br>2010 Series A - Original Issue Amount \$78,330<br>Serial, 3.00-5.00% through 2020                   | 12,125                  | -                | 5,915            | 6,210                    | 6,210              |
| 2010 Series B (Federally Taxable - Direct Payment Build<br>America Bonds) - Original Issue Amount \$176,625<br>Term, 7.311% due 2040 | 176,625                 | -                | -                | 176,625                  | -                  |
| Lodi Energy Center, Issue Two<br>2010 Series A - Original Issue Amount \$30,540<br>Serial, 3.00-5.00% through 2019                   | 4,960                   | -                | 4,960            | -                        | -                  |
| 2010 Series B (Federally Taxable - Direct Payment Build<br>America Bonds) - Original Issue Amount \$110,225<br>Term, 4.63% due 2020  | 5,210                   | -                | -                | 5,210                    | 5,210              |
| Term, 5.679% due 2035  | 105,015                 | -                | -                | 105,015                  | -                  |
| Lodi Energy Center, Issue One<br>2017 Series A – Original Issue Amount \$38,970<br>Serial, 2.70% through 2025                        | 38,635                  | -                | 605              | 38,030                   | 620                |
| Add: Unamortized Premium   | 103                     | -                | 103              | -                        | -                  |
| Total Lodi Energy Center Project   | <u>342,673</u>          | <u>-</u>         | <u>11,583</u>    | <u>331,090</u>           | <u>12,040</u>      |
| Total Long-Term Debt, Net  | <u>\$ 736,932</u>       | <u>\$ 43,158</u> | <u>\$ 99,477</u> | <u>\$ 680,613</u>        | <u>\$ 33,340</u>   |

**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Debt service requirements for each of the next five years and in five-year cumulative increments thereafter as of June 30, 2019:

|                               | Revenue Bonds     |                   | Notes from Direct Placements |                 | Total               |
|-------------------------------|-------------------|-------------------|------------------------------|-----------------|---------------------|
|                               | Principal         | Interest          | Principal                    | Interest        |                     |
|                               | (in thousands)    |                   |                              |                 |                     |
| 2020                          | \$ 30,975         | \$ 35,603         | \$ 2,365                     | \$ 1,251        | \$ 70,194           |
| 2021                          | 30,580            | 34,426            | 11,745                       | 1,199           | 77,950              |
| 2022                          | 31,865            | 32,570            | 12,005                       | 951             | 77,391              |
| 2023                          | 33,485            | 30,601            | 11,505                       | 698             | 76,289              |
| 2024                          | 39,240            | 28,408            | 11,005                       | 464             | 79,117              |
| 2025-2029                     | 168,190           | 111,577           | 11,250                       | 235             | 291,252             |
| 2030-2034                     | 174,935           | 62,787            | -                            | -               | 237,722             |
| 2035-2039                     | 78,545            | 22,090            | -                            | -               | 100,635             |
| 2040                          | 15,975            | 1,168             | -                            | -               | 17,143              |
| Add: Unamortized Bond Premium | 16,948            | -                 | -                            | -               | 16,948              |
|                               | <u>\$ 620,738</u> | <u>\$ 359,230</u> | <u>\$ 59,875</u>             | <u>\$ 4,798</u> | <u>\$ 1,044,641</u> |

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.

Changes in long-term debt obligations for the year ended June 30, 2019, are as follows:

|                               | Balance at<br>July 1, 2018 | Increases        | Decreases        | Balance at<br>June 30, 2019 | Due Within<br>One Year |
|-------------------------------|----------------------------|------------------|------------------|-----------------------------|------------------------|
|                               | (in thousands)             |                  |                  |                             |                        |
| Revenue bonds                 | \$ 658,320                 | \$ 39,250        | \$ 93,780        | \$ 603,790                  | \$ 30,975              |
| Notes from direct placements  | 62,185                     | -                | 2,310            | 59,875                      | 2,365                  |
| Add: Unamortized Premium, net | 16,427                     | 3,908            | 3,387            | 16,948                      | -                      |
| Total                         | <u>\$ 736,932</u>          | <u>\$ 43,158</u> | <u>\$ 99,477</u> | <u>\$ 680,613</u>           | <u>\$ 33,340</u>       |

The Agency's outstanding notes from direct placements of \$59,875 contain provisions that in an event of default, outstanding amounts become immediately due if (1) the Agency is unable to pay the principal or interest when due, (2) files bankruptcy or becomes insolvent, or (3) S&P issues a downgrade below "BBB-."

**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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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. Detailed information about the refunding transactions follow.

On April 2, 2019, the Agency issued Hydroelectric Project Number One Revenue Bonds, 2019 Refunding Series A, in the amount of \$39,250,000 with an average interest rate of 4.9126% to refund \$52,845,000 of outstanding Hydroelectric Project Number One Revenue Bonds, 2010 Refunding Series A with an average interest rate of 4.9003%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position.

The cash flow requirements on the old bonds prior to the refunding was \$52,959,312 from July 1, 2018 through July 1, 2023. The cash flow requirements on the new bonds are \$44,871,942 from July 1, 2018 through July 1, 2023. The refunding resulted in an economic gain of \$3,616,515.

On April 4, 2018, the Agency issued Hydroelectric Project Number One Revenue Bonds, 2018 Refunding Series A and B, in the amount of \$70,215,000 with an average interest rate of 4.9839% to refund \$77,130,000 of outstanding Hydroelectric Project Number One Revenue Bonds, 2008 Refunding Series C with an average interest rate of 4.9958%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position.

The cash flow requirements on the old bonds prior to the refunding was \$92,246,125 from July 1, 2018 through July 1, 2024. The cash flow requirements on the new bonds are \$83,907,340 from July 1, 2018 through July 1, 2024. The refunding resulted in an economic gain of \$7,759,171.

On December 20, 2017, the Agency issued Lodi Energy Center Revenue Refunding Bonds, Issue One 2017 Series A, in the amount of \$38,970,000 with an average interest rate of 2.2700% to advance refund \$36,020,000 of outstanding Lodi Energy Center Revenue Bonds, Issue One, 2010 Series A with an average interest rate of 4.9400%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position.

The cash flow requirements on the old bonds prior to the advance refunding was \$46,101,000 from June 1, 2018 through June 1, 2025. The cash flow requirements on the new bonds are \$43,691,674 from June 1, 2018 through June 1, 2025. The refunding resulted in an economic gain of \$2,215,579.

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Accordingly, some of these defeased debt issues have been considered extinguished for financial reporting purposes. At year-end, the following defeased debt remained outstanding:

|                |                                 | 2019           | 2018       |
|----------------|---------------------------------|----------------|------------|
|                |                                 | (in thousands) |            |
| Hydroelectric: | Project No. One, 1985 Series A  | \$ 12,150      | \$ 12,150  |
|                | Project No. One, 1986 Series A  | 31,360         | 31,360     |
|                | Project No. One, 2008 Series C  | -              | 77,130     |
|                | Project No. One, 2010 Series A  | 52,845         | -          |
|                |                                 | 96,355         | 120,640    |
| LEC:           | Issue One, 2010 Series A        | 36,020         | 36,020     |
|                | Total Defeased Debt Outstanding | \$ 132,375     | \$ 156,660 |

**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 Federal Energy Regulatory Commission project license term of 30 to 50 years.

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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 2023 to 2032 maturities of the 1998 Hydroelectric Refunding Series A bonds. 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 were 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 that have since expired, being substituted with letters of credit with the Bank of Montreal in 2014. On April 30th 2019, the Agency terminated the 2008 Hydroelectric, Series B swap with Citigroup, and on May 14th, the outstanding principal of \$910,000 on the 2008 Hydroelectric, Series B bonds was called for redemption. On June 24<sup>th</sup>, 2019 the agency completed a Letter of Credit substitution for the 2008 Hydroelectric, Series A bonds replacing the Bank of Montreal with Bank of America. The Letter of Credit expires on June 21, 2024.

The payment of principal and interest on the outstanding 2008 Hydroelectric Refunding Series A (\$85,160,000) bonds 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 remaining swap for the 2008 Hydroelectric Refunding Series A (\$85,160,000) is a separate pay-fixed, receive-variable interest rate swap to produce savings or to result in lower costs over the life of the transaction than what the Agency would have paid using fixed-rate debt. While the swap is a derivative instrument and carries additional risks, the Agency's swap policy and favorable negotiations have helped to reduce such risks.

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2008 Hydroelectric Refunding Revenue Bonds  
Forward Starting Swaps

| <u>Associated Interest Rate Swaps starting April 2, 2008</u> | <u>Series A</u>                         | <u>Series B (Taxable)</u>               |
|--|---|---|
| Counterparty to Interest Rate Swap                           | Citigroup<br>Financial<br>Products Inc. | Citigroup<br>Financial<br>Products Inc. |
| Notional Value of Interest Rate Swap                         | \$ 85,160,000                           | \$ 0                                    |
| Fair Value--Due from (to) Counterparty                       | \$(14,613,128)                          | \$ 0                                    |
| 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                            | June 24, 2019                           |
|  | <u>Terms</u>                            | <u>Rates</u>                            |
|  | <u>Fixed</u>                            | <u>3.819 %</u>                          |
| Payments to (from) Counterparty                              | 54% LIBOR+.54%*                         | <u>(1.830) %</u>                        |
| Variable Payments (from) to Counterparty                     |   | 100% of LIBOR*                          |
| Net Interest Rate Swap Payments                              |   | <u>1.989 %</u>                          |
| Variable-Rate Bond Payments                                  | SIFMA**                                 | <u>1.277 %</u>                          |
|  |   | SIFMA**                                 |
|  |   | <u>0.000 %</u>                          |
| Effective Interest Rate on Bonds                             |   | <u>3.266 %</u>                          |
|  |   | <u>(0.000) %</u>                        |

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 \$14,613,000 and \$11,109,000 at June 30, 2019 and June 30, 2018, 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 was \$3.5 million and \$4.1 million for years ended June 30, 2019 and 2018, respectively and are 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 \$1.6 million and \$2.0 million, which is recorded as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position for FY 2019 and FY 2018, respectively. The value of the swaps noted above reflects the estimated fair value of the swaps at June 30, 2019 and 2018 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.

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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, 2019, credit ratings of the counterparties to the swaps were as follows:

| <u>Swap Counterparty &amp; Agency's Insurer</u>                           | <u>Standard &amp; Poor's</u> | <u>Moody's</u> |
|---|------------------------------|----------------|
| Citigroup Financial Products Inc.   | A+                           | Aa3            |
| National Public Finance Guarantee formerly MBIA<br>(the Agency's insurer) | NR                           | Baa2           |

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 heated to steam and used in the turbine to produce augmented power and emissions control.

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**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 6.2% in 2019 and 2018 due to federal government budget sequestration. Such payments may continue to be affected by sequestrations.

#### **NOTE F – ASSET RETIREMENT OBLIGATION**

NCPA constructed and operates generating plants, transmission, and other tangible assets that are used to provide its members with a portion of their power needs. For some of those assets, there are legally enforceable liabilities that require removal, disposal, remediation and other activities associated with their future retirement or with the termination of leases and licenses. The Agency has recognized Asset Retirement Obligations for those future asset retirement activities.



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**Restatement of Prior Year Balances**

FY 2018 balances have been restated for the effect of implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*. The Agency has restated its previously reported amounts for the year ended June 30, 2018 and the impact of the restatement are as follows:

|   | Year ended June 30, 2018 (in thousands) |                               |                    |
|---|---|-------------------------------|--------------------|
|   | <u>As restated</u>                      | <u>As previously reported</u> | <u>Restatement</u> |
| Deferred Outflows –<br>Asset Retirement Obligations       | \$ 62,204                               | \$ -                          | \$ 62,204          |
| Operating Reserves and Other Deposits                     | (126,239)                               | (144,406)                     | 18,167             |
| Non-current Liabilities –<br>Asset Retirement Obligations | (63,713)                                | -                             | (63,713)           |
| Deferred Inflows – Regulatory Credits                     | (87,548)                                | (70,890)                      | (16,658)           |
| Operating Revenues - Participants                         | (383,271)                               | (381,762)                     | (1,509)            |
| ARO Expense   | 1,509                                   | -                             | 1,509              |

**Geothermal Plant Decommissioning**

The Agency developed the geothermal project (the “Geothermal Project”) located on federal land in certain areas of Sonoma and Lake Counties, California (the “Geysers Area”). In addition to the geothermal leasehold, wells, gathering system and related facilities, the Geothermal Project consists of two electric generating stations (Plant 1 and Plant 2), with combined 165 MW (nameplate rating) turbine generator units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Steam for NCPA’s geothermal plants comes from lands in the Geysers Area, which are leased by NCPA from the federal government. NCPA operates these steam-supply areas. Operation of the geothermal plants at high generation levels, together with high steam usage by others in the same area, resulted in a decline in the steam production from the steam wells at a rate greater than expected. As a result, NCPA partnered with other geothermal operators in the Geysers Area to finance and construct the Southeast Geysers Effluent Pipeline Project, which was completed in September 1997 and began operating soon thereafter. With the reduced rate of steam production decline, the useful life of the plant and associated tangible assets is projected through fiscal year 2059.

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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 was still being produced, NCPA had a preferential right to renew the leasehold for a second term. In 2013, NCPA renewed the leasehold. The leasehold also requires NCPA to remove its leasehold improvements including the geothermal plants and steam gathering system when and if NCPA abandons the leasehold. Additionally, the United States Department of the Interior and Bureau of Land Management State issued the License for Electric Power Plant Site Utilizing Geothermal Resources. The license requires that NCPA remove all structures, machinery, and other equipment and restore the land within one year following the termination of the license.

The Agency authorized a decommissioning study for the Geothermal Project, and Black and Veatch provided that study to NCPA in December 2016. The study included detailed cost estimates totaling approximately \$59.3 million (figures compiled prior to fiscal year 2016) for all retirement obligation activities. The study also projected the costs through 2020 using an Extrapolation Escalation Methodology for the following categories: 1) direct labor and subcontract costs less salvage value; 2) indirect costs; 3) construction equipment; 4) engineering and construction management; 5) and contingency. NCPA personnel then calculated the effective change between the escalated 2016 base and 2020 escalated costs to develop a composite escalation rate and assumed that the escalation rate was applicable evenly for each of the five years beginning in 2016; the resulting calculated annual escalation factor was 2.26%. The estimated retirement obligation costs for years ended June 30, 2019 and 2018 are \$64,820,000 and \$63,387,189, respectively. The annual retirement expense for years ended June 30, 2019 and 2018 are \$1,544,165 and \$1,509,219, respectively.

NCPA has been collecting monies to pay the expected decommissioning costs since 2007 and holds \$20.2 million in a restricted reserve for such purpose as of June 30, 2019. The initial ARO recognition included a reclassification of that reserve from a liability to the members to a deferred inflow that will be reduced as the decommissioning costs are funded in the future.

#### **Lodi Energy Center and Capital Facilities Project Well Plugging**

The agency owns and operates the Lodi Energy Center (LEC) and Capital Facilities projects located in Lodi, California.

The Lodi Energy Center is a 296 megawatt base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine). The electric generation components (the "Power Island") of the Lodi Energy Center consists of the following components: (1) one natural gas-fired Siemens STGS-5000F combustion turbine-generator (CTG), with an evaporative cooling system and dry low-NOx combustors to control air emissions; (2) one 3-pressure heat recovery steam generator (HRSG), (3) a selective catalytic reduction (SCR) and carbon monoxide ("CO") catalyst to further control NOx and CO emissions, respectively; (4) one Siemens SST-900RH condensing steam turbine generator ("STG"); (5) one natural gas-fired auxiliary boiler; (6) one 7-cell draft evaporative cooling tower; and (7) associated support equipment. The Lodi Energy Center was placed into commercial operation on November 27, 2012. There is also a Class I Underground Injection Control Well, located at the West side of White Slough Water Treatment Plant at LEC. The useful life of the plant and associated tangible assets including the injection well is projected through fiscal year 2040.

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The Capital Facilities Project consists of a natural gas-fired combustion turbine power generating station, Unit One, with a design rating of 49.9 MW located in the City of Lodi. Construction of the Project began in September 1993, with commercial operation commencing in 1996. The power generating station consists of a single natural gas-fired steam injected gas turbine, generator, and required auxiliary and electrical interconnection systems. Additionally, the STIG project includes a Class I Underground Injection Control Well, located at the West side of White Slough Water Treatment Plant. The useful life of the plant and associated tangible assets including the injection well is projected through fiscal year 2040.

The LEC and Capital Facilities projects are located on property owned by the City of Lodi (City). The Agency entered into the Second Amended and Restated Ground Lease by and between the City of Lodi (Landlord) and the Northern California Power Agency (Tenant), dated April 29, 2013. The agreement requires that upon termination of the lease, NCPA must abandon and close any and all injection wells utilized on the premises with the exception of the Southeast Corner Test Well, which is the responsibility of the City. Additionally, Federal Environmental Protection Agency (EPA) regulations set forth requirements in subpart F of 40 CFR part 144 for the Federal Underground Injection Control (UIC) program and the plugging of injection wells.

The Agency commissioned engineering firm AECOM to develop construction cost estimates for closing the wells. The firm's estimates were included in Exhibit Q-1, Plugging and Abandonment Plan, Stig-1 & LEC-1 in a 2019 EPA permit filing. The estimated cost of plugging the Lodi Entergy Center injection well totaled \$0.169 million, and the estimated cost of plugging the Capital Facilities injection well totaled \$0.149 million. The estimated costs are based on mobilization/demobilization, construction costs, contingency, and engineering and field oversight costs. The assumed escalation factor for these projects is 2.58% based on the 2018 Handy Handy-Whitman Index of Public Utility Construction Costs (Bulletin No. 187).

The estimated retirement obligation costs for the LEC well plugging is \$178,173 with an annual retirement obligation expense of \$7,756 for year ended June 30, 2019. The estimated retirement obligation costs for the LEC well plugging is \$173,690 with an annual retirement obligation expense of \$7,552 for year ended June 30, 2018. The estimated retirement obligation costs for the Capital Facilities Project well plugging is \$156,538 with an annual retirement obligation expense of \$6,814 for year ended June 30, 2019. The estimated retirement obligation costs for the Capital Facilities Project well plugging is \$152,599 with an annual retirement obligation expense of \$6,635 for year ended June 30, 2019.

Currently there are no assets restricted for payment of the injection well closures. To meet the legally required funding and assurance provisions of the injection well closures, NCPA files with the EPA annually. This filing includes a financial test to demonstrate financial assurance, as specified in subpart F of 40 CFR part 144.

#### **NOTE G -- 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.

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**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, 2019 and 2018, are summarized as follows:

| Hire date   | Prior to<br>January 1, 2013 | On or After<br>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              | 32.649%                     | 32.649%                        |

**Employees Covered** – At June 30, 2019 and 2018, the following employees were covered by the benefit terms for each Plan:

|  | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Inactive employees or beneficiaries currently receiving benefits | 135         | 126         |
| Inactive employees entitled to but not yet receiving benefits    | 14          | 21          |
| Active employees   | <u>150</u>  | <u>150</u>  |
| Total  | <u>299</u>  | <u>297</u>  |

**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, 2018 and 2017 (the measurement dates), the average active employee contribution rates were 7.704% and 8.380%, respectively, of annual pay and the Agency’s contribution rates are 35.006% and 36.355%, respectively, of annual payroll. Employer contribution rates may change if plan contracts are amended.

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### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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**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 prior year end, using annual actuarial valuations as of the previous year end and rolled forward to the measurement date, 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, 2019 and 2018 were determined using the following actuarial assumptions:

|                           | <u>2019</u>      | <u>2018</u>      |
|---------------------------|------------------|------------------|
| Valuation Date            | June 30, 2017    | June 30, 2016    |
| Measurement Date          | June 30, 2018    | June 30, 2017    |
| Actuarial Cost Method     | Entry-Age Normal | Entry-Age Normal |
| Actuarial Assumptions:    |                  |                  |
| Discount Rate             | 7.15%            | 7.15%            |
| Inflation                 | 2.75%            | 2.75%            |
| Payroll Growth            | 3.00%            | 3.00%            |
| Projected Salary Increase | 2.75%-8.50% (1)  | 3.2%-12.2% (1)   |
| Investment Rate of Return | 7.5% (2)         | 7.5% (2)         |
| Mortality                 | (3)              | (3)              |

(1) Depending on age and service.

(2) Net of pension plan investment expenses, including inflation.

(3) Derived using CalPERS' specific membership data with projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

## NOTES TO COMBINED FINANCIAL STATEMENTS

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**Discount Rate** The discount rate used to measure the total pension liability was 7.15% 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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 7.15% 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 7.30%. For the measurement year ended June 30, 2018 and 2017, 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.

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. Although CalPERS implemented the discount rate reduction over a three year period to mitigate the impact to employer agencies, the GASB 68 Accounting Report assumed that the effective discount rate is 7.15% effective for fiscal year 2018 forward.

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. In addition, the Agency has a budget policy that mandates an annual reconciliation of budgeted versus actual pension costs. The policy requires that positive budget variances are contributed as payments against the unfunded liability at year end.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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.

For measurement period ending June 30, 2018:

| Asset Class      | Strategic Allocation | Real Return<br>Years 1-10 <sup>1</sup> | Real Return<br>Years 11+ <sup>2</sup> |
|------------------|----------------------|--|---------------------------------------|
| Global Equity    | 49.00%               | 4.80%                                  | 5.98%                                 |
| Private Equity   | 8.00%                | 6.30%                                  | 7.23%                                 |
| Fixed Income     | 22.00%               | 1.00%                                  | 2.62%                                 |
| Liquidity        | 3.00%                | 0.00%                                  | -0.92%                                |
| Real Estate      | 12.00%               | 3.75%                                  | 4.93%                                 |
| Inflation Assets | 6.00%                | 0.77%                                  | 1.81%                                 |
| Other            | 0.00%                | 0.00%                                  | 0.00%                                 |

<sup>1</sup> An expected inflation of 2.0% used for this period

<sup>2</sup> An expected inflation of 2.9% used for this period

For measurement period ending June 30, 2017:

| Asset Class      | Strategic Allocation | Real Return<br>Years 1-10 <sup>1</sup> | Real Return<br>Years 11+ <sup>2</sup> |
|------------------|----------------------|--|---------------------------------------|
| Global Equity    | 47.00%               | 4.90%                                  | 5.38%                                 |
| Private Equity   | 12.00%               | 6.60%                                  | 6.63%                                 |
| Fixed Income     | 19.00%               | 0.80%                                  | 2.27%                                 |
| Liquidity        | 2.00%                | -0.40%                                 | -0.90%                                |
| Real Estate      | 11.00%               | 2.80%                                  | 5.21%                                 |
| Inflation Assets | 6.00%                | 0.60%                                  | 1.39%                                 |
| Other            | 3.00%                | 3.90%                                  | 5.36%                                 |

<sup>3</sup> An expected inflation of 2.5% used for this period

<sup>4</sup> An expected inflation of 3.0% used for this period

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Changes in the Net Pension Liability**

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

| Description   | Increase/(Decrease)     |                             |                               |
|---|-------------------------|-----------------------------|-------------------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| <b>Balance at June 30, 2018</b>                                       | \$ 158,591,178          | \$ 90,091,516               | \$ 68,499,662                 |
| Service cost incurred   | 3,511,108               | -                           | 3,511,108                     |
| Interest on total pension liability                                   | 10,837,217              | -                           | 10,837,217                    |
| Differences between actual and expected experience                    | (324,038)               | -                           | (324,038)                     |
| Change in assumption  | (4,902,279)             | -                           | (4,902,279)                   |
| Change in benefits  | -                       | -                           | -                             |
| Net Plan to Plan Resource Movement                                    | -                       | (226)                       | 226                           |
| Contributions – employer  | -                       | 7,769,425                   | (7,769,425)                   |
| Contributions – employee  | -                       | 1,532,206                   | (1,532,206)                   |
| Net investment income`  | -                       | 7,654,116                   | (7,654,116)                   |
| Differences between projected and actual earnings on plan investments | -                       | -                           | -                             |
| Benefit payments  | (7,101,870)             | (7,101,870)                 | -                             |
| Administrative expense  | -                       | (140,387)                   | 140,387                       |
| Other Miscellaneous Income/(Expense)                                  | -                       | (266,598)                   | 266,598                       |
| Net changes   | 2,020,138               | 9,446,666                   | (7,426,528)                   |
| <b>Balance at June 30, 2019</b>                                       | \$ 160,611,316          | \$ 99,538,182               | \$ 61,073,134                 |

| Description   | Increase/(Decrease)     |                             |                               |
|---|-------------------------|-----------------------------|-------------------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| <b>Balance at June 30, 2017</b>                                       | \$ 143,919,618          | \$ 79,331,018               | \$ 64,588,600                 |
| Service cost incurred   | 3,548,776               | -                           | 3,548,776                     |
| Interest on total pension liability                                   | 10,678,090              | -                           | 10,678,090                    |
| Differences between actual and expected experience                    | (1,980,198)             | -                           | (1,980,198)                   |
| Change in assumption  | 8,835,307               | -                           | 8,835,307                     |
| Change in benefits  | -                       | -                           | -                             |
| Contributions – employer  | -                       | 6,752,236                   | (6,752,236)                   |
| Contributions – employee  | -                       | 1,556,483                   | (1,556,483)                   |
| Net investment income   | -                       | 8,979,321                   | (8,979,321)                   |
| Differences between projected and actual earnings on plan investments | -                       | -                           | -                             |
| Benefit payments  | (6,410,415)             | (6,410,415)                 | -                             |
| Administrative expense  | -                       | (117,127)                   | 117,127                       |
| Net changes   | 14,671,560              | 10,760,498                  | 3,911,062                     |
| <b>Balance at June 30, 2018</b>                                       | \$ 158,591,178          | \$ 90,091,516               | \$ 68,499,662                 |



**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**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 (6.15% for 2019 and 6.15% for 2018) or 1-percentage point higher (8.15% for 2019 and 8.15% for 2018) than the current rate:

| 2019                                | Discount Rate – 1%<br>(6.15%) | Current Discount<br>Rate (7.15%) | Discount Rate + 1%<br>(8.15%) |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| <b>Plan's Net Pension Liability</b> | \$ 82,076,995                 | \$ 61,073,134                    | \$ 43,589,609                 |

| 2018                                | Discount Rate – 1%<br>(6.15%) | Current Discount<br>Rate (7.15%) | Discount Rate + 1%<br>(8.15%) |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| <b>Plan's Net Pension Liability</b> | \$ 89,937,527                 | \$ 68,499,662                    | \$ 50,727,512                 |

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the years ending June 30, 2019 and 2018, the Agency incurred pension expense of \$6,195,239 and \$8,048,230, respectively. At June 30, 2019 and 2018, the Agency has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

| 2019  | Deferred Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date                      | \$ 8,703,934                      | \$ -                             |
| Changes in assumptions  | 4,417,653                         | (3,818,726)                      |
| Differences between actual and expected experience                        | 156,022                           | (1,303,551)                      |
| Net differences between projected and actual earnings on plan investments | 102,772                           | -                                |
| <b>Total</b>  | <b>\$ 13,380,381</b>              | <b>\$ (5,122,277)</b>            |

| 2018  | Deferred Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date                      | \$ 7,769,768                      | \$ -                             |
| Changes in assumptions  | 6,626,480                         | (672,759)                        |
| Differences between actual and expected experience                        | 297,861                           | (1,895,832)                      |
| Net differences between projected and actual earnings on plan investments | 1,050,762                         | -                                |
| <b>Total</b>  | <b>\$ 15,744,871</b>              | <b>\$ (2,568,591)</b>            |

Pension contributions subsequent to measurement date of \$8,703,934 and \$7,769,768 reported as deferred outflows of resources for years ending June 30, 2019 and 2018, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020 and 2019, respectively.

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
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**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

For reporting year ended June 30, 2019, amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in future pension expense as follows:

| <b>Measurement Period Ended June 30:</b> | <b>Deferred Outflows/(Inflows) of Resources</b> |                  |
|--|---|------------------|
| 2019                                     | \$  | 1,412,266        |
| 2020                                     |   | 668,694          |
| 2021                                     |   | (2,164,769)      |
| 2022                                     |   | (362,021)        |
| 2023                                     |   | -                |
| Thereafter                               |   | -                |
| Total                                    | \$  | <u>(445,830)</u> |

For reporting year ended June 30, 2018, amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in future pension expense as follows:

| <b>Measurement Period Ended June 30:</b> | <b>Deferred Outflows/(Inflows) of Resources</b> |                  |
|--|---|------------------|
| 2018                                     | \$  | 962,526          |
| 2019                                     |   | 2,921,531        |
| 2020                                     |   | 2,177,959        |
| 2021                                     |   | (655,504)        |
| 2022                                     |   | -                |
| Thereafter                               |   | -                |
| Total                                    | \$  | <u>5,406,512</u> |

**Payable to the Pension Plan** At June 30, 2019 and 2018 the Agency did not have an outstanding amount of contributions payable to the pension plan required for the years ended.

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE H -- OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan**

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. CalPERS issues publicly available reports that include the net changes in Fiduciary Net Position by Employer that can be found on the CalPERS website.

The Agency makes its Actuarially Determined Contribution (ADC) to this OPEB plan annually. The ADC represents the service cost plus an amortized amount of net OPEB liabilities (NOL). The amortization of NOL is based on a 30 year level dollar amount on a “closed” basis. There are 25 years remaining as of the measurement date of June 30, 2018.

**Summary of certain plan provisions and benefits in effect during fiscal year ended June 30, 2019:**

|                                  |  |
|----------------------------------|--|
| Required service for eligibility | Pre-1/1/2009 Hires, 5 full-time years<br>On or After 1/1/2009 Hires, 5 full-time years and<br>minimum 10 years CalPERS service |
| Minimum retirement age           | 50   |
| Benefit payments                 | Monthly for life   |
| Vesting for eligible employees   | Pre-1/1/2009 Hires, 100% at 5 years<br>On or After 1/1/2009 Hires, 50% at 10 years;<br>5%/year up to 100% at 20 years          |
| Maximum monthly benefit          | 90% of Sacramento Kaiser Family rate   |

**Employees Covered** – At June 30, 2019 and 2018, the following employees were covered by the benefit terms for each Plan:

|  | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Inactive employees or beneficiaries currently receiving benefits | 133         | 133         |
| Inactive employees entitled to but not yet receiving benefits    | -           | -           |
| Active employees   | <u>150</u>  | <u>150</u>  |
| Total  | <u>283</u>  | <u>283</u>  |

**Contributions** The Actuarially Determined Contribution (ADC) 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, 2017 actuarial valuation (rollforward to June 30, 2018) 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, 2019, the Agency had 150 active eligible employees and 133 retirees drawing benefits under this program.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The ADC and funded status of the plan 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 ADC (based on actuarially established rates) was determined as part of a June 30, 2017 actuarial valuation (rollforward to June 30, 2018) using the entry age normal actuarial cost method. The primary actuarial assumptions included: valuation using the Entry Age Normal Cost Method, 6.75% annual discount rate, payroll growth of 3.80% to 9.40%, 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.

The Agency has a budget policy that mandates an annual reconciliation of budgeted versus actual OPEB costs. The policy requires that positive budget variances are contributed as payments against the unfunded liability at fiscal year end. Additionally, effective 1/1/2019, NCPA created a third tier level for OPEB for employees hired after that date. Employees in tier three are eligible for Agency payment of 90% of the CalPERS medicare rate; Tier 1 and Tier 2 employees are eligible for Agency payment of 90% of the Sacramento Regional Kaiser Family Rate. The change will be included in the fiscal year 2020 actuarial valuation update and has no impact to fiscal year 2019 and will reduce NCPA's OPEB liability on a going forward basis as the Agency hires future employees.

**Net OPEB Liability** The Agency's net liability for the OPEB Plan is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability of the Plan is measured at prior year end, using annual actuarial valuations as of the previous year end and rolled forward to the measurement date, using standard update procedures. A summary of principal assumptions and methods used to determine the net OPEB liability is shown below.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**Actuarial Assumptions** The total OPEB liabilities as of June 30, 2019 and 2018 are determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                             | <u>2019</u>      | <u>2018</u>      |
|-----------------------------|------------------|------------------|
| Valuation Date              | June 30, 2017    | June 30, 2017    |
| Measurement Date            | June 30, 2018    | June 30, 2017    |
| Actuarial Cost Method       | Entry-Age Normal | Entry-Age Normal |
| Actuarial Assumptions:      |                  |                  |
| Discount Rate               | 6.75%            | 6.75%            |
| Inflation                   | 2.50%            | 2.50%            |
| Payroll Growth              | 3.80%-9.40%      | 3.80%-9.40%      |
| Projected Salary Increase   | Varies (1)       | Varies (1)       |
| Investment Rate of Return   | 6.75% (2)        | 6.75% (2)        |
| Mortality                   | (3)              | (3)              |
| Healthcare cost trend rates | (4)              | (4)              |

(1) Depending on age and service.

(2) Net of OPEB trust investment expenses, including inflation.

(3) Mortality rates are based on the 2016 California PERS (CalPERS) Pension report and includes a projection to 2028 using scale BB to account for anticipated future mortality improvement.

(4) Medical inflation was based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend. A margin to reflect the impact of the excise tax in future years is reflected in the assumed trend. The trend also reflects the removal of the Health Insurer Fee for calendar year 2019. This fee will be assessed again in calendar year 2020.

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**NORTHERN CALIFORNIA POWER AGENCY  
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**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Discount Rate** The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the Agency's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability. To the extent that OPEB trust assets are insufficient to finance all OPEB benefits, the discount rate should be based on 20-year tax-exempt AA or higher Municipal Bonds as of the measurement date.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (net of administrative expenses):

For measurement period ending June 30, 2018:

| <b>Asset Class</b>                      | <b>Target Allocation</b> | <b>Long-Term<br/>Expected Real Rate<br/>of Return</b> |
|---|--------------------------|---|
| Global Equity                           | 57.00%                   | 7.92%   |
| US Fixed Income                         | 27.00%                   | 6.83%   |
| Treasury Inflation-Protected Securities | 5.00%                    | 3.95%   |
| Real Estate Investment Trusts           | 8.00%                    | 7.56%   |
| Commodities                             | 3.00%                    | 5.47%   |

For measurement period ending June 30, 2017:

| <b>Asset Class</b>                      | <b>Target Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|---|--------------------------|---|
| Global Equity                           | 57.00%                   | 7.92%   |
| US Fixed Income                         | 27.00%                   | 6.83%   |
| Treasury Inflation-Protected Securities | 5.00%                    | 3.95%   |
| Real Estate Investment Trusts           | 8.00%                    | 7.56%   |
| Commodities                             | 3.00%                    | 5.47%   |

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Changes in the Net OPEB Liability**

| Description   | Increase/(Decrease)     |                             |                               |
|---|-------------------------|-----------------------------|-------------------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| <b>Balance at June 30, 2018</b>                                       | \$ 34,809,706           | \$ 27,307,506               | \$ 7,502,200                  |
| Service cost incurred   | 970,972                 | -                           | 970,972                       |
| Interest on total OPEB liability                                      | 2,354,734               | -                           | 2,354,734                     |
| Differences between actual and expected experience                    | -                       | -                           | -                             |
| Change in assumption  | -                       | -                           | -                             |
| Change in benefits  | -                       | -                           | -                             |
| Contributions – employer  | -                       | 3,642,455                   | (3,642,455)                   |
| Contributions – employee  | -                       | -                           | -                             |
| Net investment income   | -                       | 2,147,351                   | (2,147,351)                   |
| Differences between projected and actual earnings on plan investments | -                       | -                           | -                             |
| Benefit payments  | (1,821,195)             | (1,821,195)                 | -                             |
| Administrative expense  | -                       | (14,755)                    | 14,755                        |
| Net changes   | 1,504,511               | 3,953,856                   | (2,449,345)                   |
| <b>Balance at June 30, 2019</b>                                       | \$ 36,314,217           | \$ 31,261,362               | \$ 5,052,855                  |

| Description   | Increase/(Decrease)     |                             |                               |
|---|-------------------------|-----------------------------|-------------------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| <b>Balance at June 30, 2017</b>                                       | \$ 33,365,151           | \$ 22,735,392               | \$ 10,629,759                 |
| Service cost incurred   | 909,576                 | -                           | 909,576                       |
| Interest on total OPEB liability                                      | 2,256,395               | -                           | 2,256,395                     |
| Differences between actual and expected experience                    | -                       | -                           | -                             |
| Change in assumption  | -                       | -                           | -                             |
| Change in benefits  | -                       | -                           | -                             |
| Contributions – employer  | -                       | 3,914,644                   | (3,914,644)                   |
| Contributions – employee  | -                       | -                           | -                             |
| Net investment income   | -                       | 2,390,569                   | (2,390,569)                   |
| Differences between projected and actual earnings on plan investments | -                       | -                           | -                             |
| Benefit payments  | (1,721,416)             | (1,721,416)                 | -                             |
| Administrative expense  | -                       | (11,683)                    | 11,683                        |
| Net changes   | 1,444,555               | 4,572,114                   | (3,127,559)                   |
| <b>Balance at June 30, 2018</b>                                       | \$ 34,809,706           | \$ 27,307,506               | \$ 7,502,200                  |

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plan, calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

| <b>2019</b>                      | <b>Discount Rate – 1%<br/>(5.75%)</b> | <b>Current Discount<br/>Rate (6.75%)</b> | <b>Discount Rate + 1%<br/>(7.75%)</b> |
|----------------------------------|---------------------------------------|--|---------------------------------------|
| <b>Plan's Net OPEB Liability</b> | \$ 9,327,391                          | \$ 5,052,855                             | \$ 1,495,493                          |

| <b>2018</b>                      | <b>Discount Rate – 1%<br/>(5.75%)</b> | <b>Current Discount<br/>Rate (6.75%)</b> | <b>Discount Rate + 1%<br/>(7.75%)</b> |
|----------------------------------|---------------------------------------|--|---------------------------------------|
| <b>Plan's Net OPEB Liability</b> | \$ 11,650,819                         | \$ 7,502,200                             | \$ 4,051,503                          |

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.**

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| <b>2019</b>                      | <b>Healthcare Costs<br/>Trend Rate – 1%</b> | <b>Current Healthcare<br/>Costs Trend<br/>Rate</b> | <b>Healthcare Costs<br/>Trend Rate + 1%</b> |
|----------------------------------|---|--|---|
| <b>Plan's Net OPEB Liability</b> | \$ 1,345,813                                | \$ 5,052,855                                       | \$ 9,688,171                                |

| <b>2018</b>                      | <b>Healthcare Costs<br/>Trend Rate – 1%</b> | <b>Current Healthcare<br/>Costs Trend<br/>Rate</b> | <b>Healthcare Costs<br/>Trend Rate + 1%</b> |
|----------------------------------|---|--|---|
| <b>Plan's Net OPEB Liability</b> | \$ 4,147,668                                | \$ 7,502,200                                       | \$ 11,678,446                               |



**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ending June 30, 2019, and 2018, the Agency incurred OPEB expense of \$1,234,406 and \$1,413,889, respectively. At June 30, 2019, and 2018, the Agency has deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

| 2019  | Deferred Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| OPEB contributions subsequent to measurement date                         | \$ 3,674,502                      | \$ -                             |
| Differences between actual and expected experience                        |                                   |                                  |
| Changes in consumption  | -                                 | -                                |
| Net differences between projected and actual earnings on plan investments | -                                 | (679,990)                        |
| <b>Total</b>  | <b>\$ 3,674,502</b>               | <b>\$ (679,990)</b>              |

| 2018  | Deferred Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| OPEB contributions subsequent to measurement date                         | \$ 3,454,933                      | \$ -                             |
| Changes in assumptions  | -                                 | -                                |
| Differences between actual and expected experience                        | -                                 | -                                |
| Net differences between projected and actual earnings on plan investments | -                                 | (626,804)                        |
| <b>Total</b>  | <b>\$ 3,454,933</b>               | <b>\$ (626,804)</b>              |

Amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in future OPEB expense as follows:

| <b>Measurement Period Ended June 30, 2019:</b> | <b>Deferred Outflows/(Inflows) of<br/>Resources</b> |
|--|---|
| 2019   | \$ -  |
| 2020   | (209,915)   |
| 2021   | (209,915)   |
| 2022   | (209,917)   |
| 2023   | (50,243)  |
| Thereafter                                     | -   |
| <b>Total</b>                                   | <b>\$ (679,990)</b>                                 |

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

| <b>Measurement Period Ended June 30, 2018:</b> | <b>Deferred Outflows/(Inflows) of Resources</b> |                  |
|--|---|------------------|
| 2018   | \$  | (156,701)        |
| 2019   |   | (156,701)        |
| 2020   |   | (156,701)        |
| 2021   |   | (156,701)        |
| 2022   |   | -                |
| Thereafter                                     |   | -                |
| Total  | \$  | <u>(626,804)</u> |

**Payable to the OPEB Plan** At June 30, 2019 and 2018, the Agency did not have an outstanding amount of contributions payable to the OPEB plan required for the year ended.

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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### NOTE I -- COMMITMENTS AND CONTINGENCIES

**Power Purchase Contracts** The Agency had commitments of approximately \$6.5 million in connection with various power purchase contracts as of June 30, 2019. The contracts, extending through December 2021, 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.

**Resource Adequacy Contracts** The Agency had commitments of approximately \$1.03 million in connection with various resource adequacy capacity contracts as of June 30, 2019. The contracts, extending through December 2021, are normal purchases at agreed to contract prices for fixed quantities of capacity. Certain of the Agency's members have individually entered into other long-term capacity contracts.

**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 \$713,000. The Agency's firm natural gas pipeline transportation capacity is scheduled by Mercuria Energy Gas Trading, LLC (Mercuria) 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 had approximately \$7.2 million of gas purchase commitments at June 30, 2019. The commitments, extending through December 2021, 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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

##### 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.

Following a July 10, 2018 FERC order generally accepting the CAISO and CALPX's filings calculating the refunds owed by all participants in the ISO and PX markets, the California parties have begun the process of reconciling the amounts recorded by the ISO and PX with all the settlements entered into by the California Parties (including the settlement with NCPA). Following that process, some adjustments may need to be made to account for differences between the interest owed and interest actually collected on certain escrow accounts. NCPA is unlikely to be affected by any such adjustments.

**Greenhouse Gas (GHG) Emissions** The California Global Warming Solutions Act of 2006 (also known as California Assembly Bill 32 or AB 32) requires the gradual reduction of state-wide GHG emissions to the 1990 level by 2020. The California Air Resources Board (CARB) is the state agency charged with monitoring GHG levels and adopting regulations to implement and enforce AB 32. The CARB has approved various regulations, including regulations that established a state-wide, comprehensive "cap-and-trade" program that sets a gradually declining limit (or "cap") on the amount of GHGs that may be emitted by the major sources of GHG emissions each year. GHG emissions are measured in metric tons (MT) of carbon dioxide-equivalent greenhouse gases (CO<sub>2e</sub>) per year.

The cap and trade program's first two-year compliance period, which began January 1, 2013, applies to the electricity generation and large industrial sectors. The next compliance period, from January 1, 2015 through December 31, 2017, expanded to include the natural gas supply and transportation sectors, effectively covering all the capped sectors until 2020. In July 2017, CARB adopted an updated set of cap-and-trade regulations that extends the cap-and-trade program to 2030. The updated regulations continue the direct allocation of allowances to distribution utilities which in turn can be transferred by members to the Agency.

The Agency's Lodi Energy Center gas plant, Steam Injected Gas Turbine gas plant and electricity imports (purchased power) are subject to the compliance rules established by CARB for the cap-and-trade program. As such, the Agency acquires sufficient compliance instruments to cover its compliance obligations or receives transfers of required compliance instruments from its project participants. At June 30, 2019, the Agency had cumulative compliance obligation of 764,634 MT with 1,030,567 MT of acquired allowances to meet its compliance obligation. At June 30, 2018, the Agency had cumulative compliance obligation of 1,093,971 MT with 1,242,482 MT of acquired allowances to meet its compliance obligation.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

#### AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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 recovered \$531,317 from the project insurance policy in fiscal year 2017. Additionally, the Agency seeks to recover 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 Collierville Power House. Damage and reparation costs are estimated to be \$4.5 million. Construction was completed in late summer 2018, and final invoices are pending. The Agency recovered \$2,100,000 from the project insurance policy in fiscal year 2018.

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 totaled approximately \$2.2 million. Construction was completed in fall 2017. The Agency recovered \$1,270,036 from the project insurance policy in fiscal year 2018. On February 14, 2017, a Presidential Disaster Declaration was issued including federal disaster assistance. The Agency seeks to recover public assistance grants and will record those proceeds in other non-operating revenue in the fiscal year in which they are received.

#### NOTE J – SUBSEQUENT EVENTS

On 5/17/19, the Agency Finance Committee supported staff's recommendation to issue Request Proposals for Underwriter and Direct Placement Services for a refunding of the Capital Facilities Bonds, Series 2010A, and on 8/13/19, the committee members supported staff's recommendation to select JP Morgan as the underwriter for the refunding. The bonds are callable in February 2020, and the bond documents will be included in the October 24th Commission Agenda for approval. The scheduled closing date for the bonds is November 20, 2019.

# 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 Measurement Years \***

|  | FY 2018               | FY 2017               | FY 2016               | FY 2015               | FY 2014               |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>   |                       |                       |                       |                       |                       |
| Service cost   | \$ 3,511,108          | \$ 3,548,776          | \$ 3,152,017          | \$ 3,256,167          | \$ 3,220,329          |
| Interest on total pension liability  | 10,837,217            | 10,678,090            | 10,328,232            | 9,734,270             | 9,285,364             |
| Differences between expected and actual experience                         | (324,038)             | (1,980,198)           | 581,539               | (1,437,389)           | -                     |
| Changes in assumptions   | (4,902,279)           | 8,835,307             | -                     | (2,354,661)           | -                     |
| Changes in benefits  | -                     | -                     | -                     | -                     | -                     |
| Benefit payments, including refunds of employee contributions              | (7,101,870)           | (6,410,415)           | (5,988,393)           | (5,522,982)           | (5,059,144)           |
| <b>Net change in total pension liability</b>                               | <b>2,020,138</b>      | <b>14,671,560</b>     | <b>8,073,395</b>      | <b>3,675,405</b>      | <b>7,446,549</b>      |
| <b>Total pension liability - beginning</b>                                 | <b>158,591,178</b>    | <b>143,919,618</b>    | <b>135,846,223</b>    | <b>132,170,818</b>    | <b>124,724,269</b>    |
| <b>Total pension liability - ending (a)</b>                                | <b>\$ 160,611,316</b> | <b>\$ 158,591,178</b> | <b>\$ 143,919,618</b> | <b>\$ 135,846,223</b> | <b>\$ 132,170,818</b> |
| <b>Plan fiduciary net position</b>   |                       |                       |                       |                       |                       |
| Contributions - employer   | \$ 7,769,425          | \$ 6,752,236          | \$ 5,406,928          | \$ 5,584,985          | \$ 5,507,642          |
| Contributions - employee   | 1,532,206             | 1,556,483             | 1,453,722             | 1,433,343             | 1,410,488             |
| Net investment income  | 7,654,116             | 8,979,321             | 434,144               | 1,754,108             | 10,868,237            |
| Benefit payments   | (7,101,870)           | (6,410,415)           | (5,988,393)           | (5,522,982)           | (5,059,144)           |
| Administrative and other expense   | (407,211)             | (117,127)             | (47,581)              | (87,934)              | -                     |
| <b>Net change in plan fiduciary net position</b>                           | <b>9,446,666</b>      | <b>10,760,498</b>     | <b>1,258,820</b>      | <b>3,161,520</b>      | <b>12,727,223</b>     |
| <b>Plan fiduciary net position - beginning</b>                             | <b>90,091,182</b>     | <b>79,331,018</b>     | <b>78,072,198</b>     | <b>74,910,678</b>     | <b>62,183,455</b>     |
| <b>Plan fiduciary net position - ending (b)</b>                            | <b>\$ 99,538,182</b>  | <b>\$ 90,091,516</b>  | <b>\$ 79,331,018</b>  | <b>\$ 78,072,198</b>  | <b>\$ 74,910,678</b>  |
| <b>Net pension liability - ending (a)-(b)</b>                              | <b>\$ 61,073,134</b>  | <b>\$ 68,499,662</b>  | <b>\$ 64,588,600</b>  | <b>\$ 57,774,025</b>  | <b>\$ 57,260,140</b>  |
| Plan fiduciary net position as a percentage of the total pension liability | 61.97%                | 56.81%                | 55.12%                | 57.47%                | 56.68%                |
| Covered - employee payroll   | \$ 19,045,878         | \$ 18,573,174         | \$ 18,121,290         | \$ 18,365,293         | \$ 17,596,462         |
| Net pension liability as percentage of covered-employee payroll            | 320.66%               | 368.81%               | 356.42%               | 314.58%               | 325.41%               |

**Notes to Schedule:**

**Benefit changes** The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2018. This applies for voluntary benefit changes as well as any offers to Two Years Additional Service Credit (aka Golden Handshakes).

**Changes in assumptions** In 2017, CalPERS reduced the discount rate from 7.65% to 7.15%. 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. Accordingly, 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 reflect this required methodology change.

\* Measurement fiscal year 2014 was the first year of implementation, therefore only five years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION - Continued**  
**(UNAUDITED)**  
**NORTHERN CALIFORNIA POWER AGENCY**  
**AND ASSOCIATED POWER CORPORATIONS**

**Schedule of Pension Plan Contributions**  
**Last 10 Fiscal Years \***

|  | FY 2019        | FY 2018        | FY 2017        | FY 2016       | FY 2015       |
|--|----------------|----------------|----------------|---------------|---------------|
| Actuarially Determined Contribution                                    | \$ 6,837,159   | \$ 6,263,130   | \$ 5,715,970   | \$ 5,406,928  | \$ 5,065.861  |
| Contributions in Relation to the Actuarially Determined Contribution   | (8,703,934)    | (7,769,768)    | (6,752,236)    | (5,406,928)   | (5,584.985)   |
| Contribution Deficiency (Excess)                                       | \$ (1,866,775) | \$ (1,506,638) | \$ (1,036,266) | \$ -          | \$ (519.124)  |
| Covered-Employee Payroll <sup>1</sup>                                  | \$ 20,379,246  | \$ 19,045,878  | \$ 18,573,174  | \$ 18,121,290 | \$ 18,365,293 |
| Contributions as a Percentage of Covered-Employee Payroll <sup>1</sup> | 42.71%         | 40.79%         | 36.35%         | 29.84%        | 30.41%        |

<sup>1</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Pensionable earnings are covered employee payroll reduced for earnings and other earnings adjustments not subject to pension contributions.

\* Fiscal year 2015 was the first year of implementation, therefore only five years are shown.



**REQUIRED SUPPLEMENTARY INFORMATION- Continued  
(UNAUDITED)  
NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS**

**Schedule of Changes in the Net OPEB Liability and  
Related Ratios Last 10 Measurement Years \***

|   | <b>FY 2018</b>       | <b>FY 2017</b>       |
|---|----------------------|----------------------|
| <b>Total OPEB Liability</b>   |                      |                      |
| Service cost  | \$ 970,972           | \$ 909,576           |
| Interest on total OPEB liability  | 2,354,734            | 2,256,395            |
| Differences between expected and actual experience                      | -                    | -                    |
| Changes in assumptions  | -                    | -                    |
| Changes in benefits   | -                    | -                    |
| Benefit payments, including refunds of employee contributions           | (1,821,195)          | (1,721,416)          |
| <b>Net change in total OPEB liability</b>                               | <b>1,504,511</b>     | <b>1,444,555</b>     |
| <b>Total OPEB liability - beginning</b>                                 | <b>34,809,706</b>    | <b>33,365,151</b>    |
| <b>Total OPEB liability - ending (a)</b>                                | <b>\$ 36,314,217</b> | <b>\$ 34,809,706</b> |
| <b>Plan fiduciary net position</b>                                      |                      |                      |
| Contributions - employer  | \$ 3,642,455         | \$ 3,914,644         |
| Contributions - employee  | -                    | -                    |
| Net investment income   | 2,147,351            | 2,390,569            |
| Benefit payments  | (1,821,195)          | (1,721,416)          |
| Administrative expense  | (14,755)             | (11,683)             |
| <b>Net change in plan fiduciary net position</b>                        | <b>3,953,856</b>     | <b>4,572,114</b>     |
| <b>Plan fiduciary net position - beginning</b>                          | <b>27,307,506</b>    | <b>22,735,392</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                         | <b>\$ 31,261,362</b> | <b>\$ 27,307,506</b> |
| <b>Net OPEB liability - ending (a)-(b)</b>                              | <b>\$ 5,052,855</b>  | <b>\$ 7,502,200</b>  |
| <br>  |                      |                      |
| Plan fiduciary net position as a percentage of the total OPEB liability | 86.09%               | 78.45%               |
| <br>  |                      |                      |
| Covered - employee payroll  | \$ 19,556,204        | \$ 18,573,174        |
| Net OPEB liability as percentage of covered-employee payroll            | 25.84%               | 40.39%               |

**Notes to Schedule:**

**Benefit changes** The benefit payments for FY 2018 and FY 2017 consist of pay-as-you-go cost of \$1,426,947 and \$1,394,637, respectively, plus estimated implicit rate subsidy of \$394,248 and \$326,779, respectively.

**Changes in assumptions** NCPA funds, at minimum, the Actuarially Determined Contribution to the OPEB fund. During measurement period ending June 30, 2017, discount rate decreased from 7.00% to 6.75%.

\* Measurement fiscal year 2017 was the first year of implementation, therefore only two years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION - Continued**  
**(UNAUDITED)**  
**NORTHERN CALIFORNIA POWER AGENCY**  
**AND ASSOCIATED POWER CORPORATIONS**

**Schedule of OPEB Plan Contributions**  
**Last 10 Fiscal Years \***

|  | <b>FY 2019</b>        | <b>FY 2018</b>        |
|--|-----------------------|-----------------------|
| Actuarially Determined Contribution                                    | \$ 1,676,000          | \$ 1,426,947          |
| Contributions in Relation to the Actuarially Determined Contribution   | (3,674,502)           | (3,454,933)           |
| Contribution Deficiency (Excess)                                       | <u>\$ (1,998,502)</u> | <u>\$ (2,027,985)</u> |
| Covered-Employee Payroll   | \$ 20,379,247         | \$ 19,556,203         |
| Contributions as a Percentage of Covered-Employee Payroll <sup>1</sup> | 18.03%                | 17.67%                |

\* Fiscal year 2018 was the first year of implementation, therefore only two years are shown.

**Valuation Date:**

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine Contributions Rates:

|                             |   |
|-----------------------------|---|
| Actuarial cost method       | Entry Age Normal Cost Method  |
| Amortization method         | Level percentage of payroll, closed   |
| Amortization period         | 15 years  |
| Asset valuation method      | 5 year smoothed market  |
| Discount rate               | 6.75 percent  |
| Healthcare cost trend rates | 3.50% for pre-65 and 2.25% for post-65  |
| Salary increases            | 3.00 percent  |
| Investment rate of return   | 6.75 percent  |
| Retirement age              | In the 2017 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.   |
| Mortality                   | Rates based on statistics taken from the latest California PERS (CalPERS) Pension Valuation Report. The mortality rates include an assumed improvement in future mortality based on Scale BB projected to 2028. |

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS

(000's omitted)

June 30, 2019

|  | GENERATING & TRANSMISSION RESOURCES |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
|--|-------------------------------------|-------------------|-----------------------------------|-----------------|-----------------------|-------------------------|--------------------------------------|----------------------------------|-------------------|---------------------|
|  | Geothermal                          | Hydroelectric     | Multiple<br>Capital<br>Facilities | CT<br>No. One   | Lodi<br>Energy Center | Transmission<br>No. One | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency   | Combined            |
| <b>ASSETS</b>  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| <b>CURRENT ASSETS</b>                                  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Cash and cash equivalents                              | \$ 1                                | \$ -              | \$ 1                              | \$ 1            | \$ 75                 | \$ -                    | \$ -                                 | \$ 633                           | \$ 42,716         | \$ 43,427           |
| Investments  | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | -                                | 41,915            | 41,915              |
| Accounts receivable                                    |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Participants   | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | 43                               | 193               | 236                 |
| Other  | 275                                 | -                 | -                                 | -               | -                     | -                       | 1,901                                | -                                | 453               | 2,629               |
| Interest receivable                                    | -                                   | -                 | -                                 | -               | -                     | -                       | 153                                  | 3                                | 430               | 586                 |
| Inventory and supplies                                 | 4,509                               | 1,574             | 246                               | 359             | 2,203                 | -                       | -                                    | -                                | -                 | 8,891               |
| Prepaid expenses                                       | 320                                 | 392               | 30                                | 45              | 301                   | -                       | -                                    | 40                               | 551               | 1,679               |
| Due from Agency and other programs*                    | 11,510                              | 15,722            | 2,104                             | 1,203           | 11,737                | -                       | 27,476                               | 8,352                            | (78,104)          | -                   |
| <b>TOTAL CURRENT ASSETS</b>                            | <b>16,615</b>                       | <b>17,688</b>     | <b>2,381</b>                      | <b>1,608</b>    | <b>14,316</b>         | <b>-</b>                | <b>29,530</b>                        | <b>9,071</b>                     | <b>8,154</b>      | <b>99,363</b>       |
| <b>RESTRICTED ASSETS</b>                               |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Cash and cash equivalents                              | 7,641                               | 20,507            | 1,488                             | -               | 3,244                 | -                       | 3,729                                | -                                | 21,026            | 57,635              |
| Investments  | 24,212                              | 24,974            | 4,660                             | -               | 21,496                | -                       | 25,702                               | -                                | 53,859            | 154,903             |
| Interest receivable                                    | 142                                 | 181               | 16                                | -               | 87                    | -                       | -                                    | -                                | 348               | 774                 |
| <b>TOTAL RESTRICTED ASSETS</b>                         | <b>31,995</b>                       | <b>45,662</b>     | <b>6,164</b>                      | <b>-</b>        | <b>24,827</b>         | <b>-</b>                | <b>29,431</b>                        | <b>-</b>                         | <b>75,233</b>     | <b>213,312</b>      |
| <b>ELECTRIC PLANT</b>                                  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Electric plant in service                              | 571,460                             | 395,080           | 64,852                            | 36,552          | 423,853               | 7,736                   | -                                    | 839                              | 5,994             | 1,506,366           |
| Less: accumulated depreciation                         | (539,326)                           | (271,697)         | (50,567)                          | (34,670)        | (96,170)              | (7,736)                 | -                                    | (502)                            | (3,401)           | (1,004,069)         |
|  | 32,134                              | 123,383           | 14,285                            | 1,882           | 327,683               | -                       | -                                    | 337                              | 2,593             | 502,297             |
| Construction work-in-progress                          | -                                   | -                 | -                                 | -               | 182                   | -                       | -                                    | -                                | -                 | 182                 |
| <b>TOTAL ELECTRIC PLANT</b>                            | <b>32,134</b>                       | <b>123,383</b>    | <b>14,285</b>                     | <b>1,882</b>    | <b>327,865</b>        | <b>-</b>                | <b>-</b>                             | <b>337</b>                       | <b>2,593</b>      | <b>502,479</b>      |
| <b>OTHER ASSETS</b>                                    |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Regulatory assets                                      | (348)                               | 132,764           | 8,889                             | -               | 24,684                | -                       | -                                    | -                                | 57,714            | 223,703             |
| Preliminary survey and investigation costs             | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | 435                              | -                 | 435                 |
| Investment in associated company                       | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | -                                | 265               | 265                 |
| <b>TOTAL OTHER ASSETS</b>                              | <b>(348)</b>                        | <b>132,764</b>    | <b>8,889</b>                      | <b>-</b>        | <b>24,684</b>         | <b>-</b>                | <b>-</b>                             | <b>435</b>                       | <b>57,979</b>     | <b>224,403</b>      |
| <b>TOTAL ASSETS</b>                                    | <b>80,396</b>                       | <b>319,497</b>    | <b>31,719</b>                     | <b>3,490</b>    | <b>391,692</b>        | <b>-</b>                | <b>58,961</b>                        | <b>9,843</b>                     | <b>143,959</b>    | <b>1,039,557</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Excess cost on refunding of debt                       | 1,335                               | 29,332            | 782                               | -               | 1,822                 | -                       | -                                    | -                                | -                 | 33,271              |
| Pension and OPEB deferrals                             | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | -                                | 17,055            | 17,055              |
| Asset Retirement Obligations                           | 61,766                              | -                 | 157                               | -               | 178                   | -                       | -                                    | -                                | -                 | 62,101              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>            | <b>63,101</b>                       | <b>29,332</b>     | <b>939</b>                        | <b>-</b>        | <b>2,000</b>          | <b>-</b>                | <b>-</b>                             | <b>-</b>                         | <b>17,055</b>     | <b>112,427</b>      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> | <b>\$ 143,497</b>                   | <b>\$ 348,829</b> | <b>\$ 32,658</b>                  | <b>\$ 3,490</b> | <b>\$ 393,692</b>     | <b>\$ -</b>             | <b>\$ 58,961</b>                     | <b>\$ 9,843</b>                  | <b>\$ 161,014</b> | <b>\$ 1,151,984</b> |

\* Eliminated in Combination

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2019

|   | GENERATING & TRANSMISSION RESOURCES |                   |                                   |                 |                       |              | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency   | Combined            |
|---|-------------------------------------|-------------------|-----------------------------------|-----------------|-----------------------|--------------|--------------------------------------|----------------------------------|-------------------|---------------------|
|   | Geothermal                          | Hydroelectric     | Multiple<br>Capital<br>Facilities | CT<br>No. One   | Lodi<br>Energy Center | Transmission |                                      |                                  |                   |                     |
| <b>LIABILITIES</b>  |                                     |                   |                                   |                 |                       |              |                                      |                                  |                   |                     |
| <b>CURRENT LIABILITIES</b>  |                                     |                   |                                   |                 |                       |              |                                      |                                  |                   |                     |
| Accounts payable and accrued expenses   | \$ 314                              | \$ 1,080          | \$ 1                              | \$ 520          | \$ 620                | \$ -         | \$ 28,219                            | \$ -                             | \$ 8,133          | \$ 38,887           |
| Member advances   | 791                                 | -                 | -                                 | -               | -                     | -            | -                                    | 589                              | -                 | 1,380               |
| Operating reserves  | 5,298                               | 250               | 513                               | 2,669           | 13,265                | -            | -                                    | -                                | -                 | 21,995              |
| Current portion of long-term debt   | 4,420                               | 12,685            | 4,195                             | -               | 12,040                | -            | -                                    | -                                | -                 | 33,340              |
| Accrued interest payable  | 264                                 | 5,675             | 635                               | -               | 1,168                 | -            | -                                    | -                                | -                 | 7,742               |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>11,087</b>                       | <b>19,690</b>     | <b>5,344</b>                      | <b>3,189</b>    | <b>27,093</b>         | <b>-</b>     | <b>28,219</b>                        | <b>589</b>                       | <b>8,133</b>      | <b>103,344</b>      |
| <b>NON-CURRENT LIABILITIES</b>  |                                     |                   |                                   |                 |                       |              |                                      |                                  |                   |                     |
| Net pension and OPEB liabilities  | -                                   | -                 | -                                 | -               | -                     | -            | -                                    | -                                | 66,126            | 66,126              |
| Operating reserves and other deposits   | 1,500                               | 14,971            | -                                 | -               | 1,159                 | -            | 29,584                               | 4,104                            | 75,233            | 126,551             |
| Interest rate swap liability  | -                                   | 14,613            | -                                 | -               | -                     | -            | -                                    | -                                | -                 | 14,613              |
| Asset Retirement Obligations  | 64,820                              | -                 | 157                               | -               | 178                   | -            | -                                    | -                                | -                 | 65,155              |
| Long-term debt, net   | 20,100                              | 282,253           | 25,870                            | -               | 319,050               | -            | -                                    | -                                | -                 | 647,273             |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  | <b>86,420</b>                       | <b>311,837</b>    | <b>26,027</b>                     | <b>-</b>        | <b>320,387</b>        | <b>-</b>     | <b>29,584</b>                        | <b>4,104</b>                     | <b>141,359</b>    | <b>919,718</b>      |
| <b>TOTAL LIABILITIES</b>  | <b>97,507</b>                       | <b>331,527</b>    | <b>31,371</b>                     | <b>3,189</b>    | <b>347,480</b>        | <b>-</b>     | <b>57,803</b>                        | <b>4,693</b>                     | <b>149,492</b>    | <b>1,023,062</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                     |                   |                                   |                 |                       |              |                                      |                                  |                   |                     |
| Regulatory credits  | 36,037                              | 3,620             | 864                               | 2,054           | 38,709                | -            | -                                    | 337                              | 3,123             | 84,744              |
| Pension and OPEB deferrals  | -                                   | -                 | -                                 | -               | -                     | -            | -                                    | -                                | 5,802             | 5,802               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>36,037</b>                       | <b>3,620</b>      | <b>864</b>                        | <b>2,054</b>    | <b>38,709</b>         | <b>-</b>     | <b>-</b>                             | <b>337</b>                       | <b>8,925</b>      | <b>90,546</b>       |
| <b>NET POSITION</b>   |                                     |                   |                                   |                 |                       |              |                                      |                                  |                   |                     |
| Net investment in capital assets  | (4,553)                             | (21,580)          | (6,698)                           | -               | (12,741)              | -            | -                                    | -                                | -                 | (45,572)            |
| Restricted for:   | -                                   | -                 | -                                 | -               | -                     | -            | -                                    | -                                | -                 | -                   |
| Debt service  | 8,867                               | 19,114            | 5,529                             | -               | 13,600                | -            | -                                    | -                                | -                 | 47,110              |
| Other programs  | 363                                 | 1,745             | 1                                 | -               | 24                    | -            | -                                    | -                                | -                 | 2,133               |
| Unrestricted  | 5,276                               | 14,403            | 1,591                             | (1,753)         | 6,620                 | -            | 1,158                                | 4,813                            | 2,597             | 34,705              |
| <b>TOTAL NET POSITION</b>   | <b>9,953</b>                        | <b>13,682</b>     | <b>423</b>                        | <b>(1,753)</b>  | <b>7,503</b>          | <b>-</b>     | <b>1,158</b>                         | <b>4,813</b>                     | <b>2,597</b>      | <b>38,376</b>       |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND NET POSITION</b> | <b>\$ 143,497</b>                   | <b>\$ 348,829</b> | <b>\$ 32,658</b>                  | <b>\$ 3,490</b> | <b>\$ 393,692</b>     | <b>\$ -</b>  | <b>\$ 58,961</b>                     | <b>\$ 9,843</b>                  | <b>\$ 161,014</b> | <b>\$ 1,151,984</b> |

SUPPLEMENTARY 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, 2019

|  | GENERATING & TRANSMISSION RESOURCES |                  |                                   |                   |                       |              |                                      |                                  |                 | Combined         |
|--|-------------------------------------|------------------|-----------------------------------|-------------------|-----------------------|--------------|--------------------------------------|----------------------------------|-----------------|------------------|
|  | Geothermal                          | Hydroelectric    | Multiple<br>Capital<br>Facilities | CT<br>No. One     | Lodi<br>Energy Center | Transmission | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency |                  |
| <b>OPERATING REVENUES</b>                      |                                     |                  |                                   |                   |                       |              |                                      |                                  |                 |                  |
| Participants                                   | \$ 446                              | \$ 13,675        | \$ 4,949                          | \$ 7,304          | \$ 18,448             | \$ -         | \$ 303,346                           | \$ 20,705                        | \$ 1,012        | \$ 369,885       |
| Other Third-party                              | 36,274                              | 45,105           | 2,137                             | 2,016             | 78,574                | -            | 162,460                              | 2,711                            | 4               | 329,281          |
| <b>TOTAL OPERATING REVENUES</b>                | <b>36,720</b>                       | <b>58,780</b>    | <b>7,086</b>                      | <b>9,320</b>      | <b>97,022</b>         | <b>-</b>     | <b>465,806</b>                       | <b>23,416</b>                    | <b>1,016</b>    | <b>699,166</b>   |
| <b>OPERATING EXPENSES</b>                      |                                     |                  |                                   |                   |                       |              |                                      |                                  |                 |                  |
| Purchased power                                | 693                                 | 3,701            | 175                               | 381               | 4,620                 | -            | 288,938                              | -                                | -               | 298,508          |
| Operations                                     | 18,072                              | 4,491            | 2,193                             | 2,139             | 56,659                | -            | 4,276                                | 12,160                           | -               | 99,990           |
| Transmission                                   | 269                                 | 454              | 50                                | 209               | 757                   | -            | 178,889                              | 5                                | -               | 180,633          |
| Depreciation                                   | 3,914                               | 9,471            | 2,204                             | 192               | 14,617                | -            | -                                    | 104                              | 342             | 30,844           |
| Maintenance                                    | 9,265                               | 4,242            | 660                               | 7,520             | 5,025                 | -            | -                                    | 124                              | -               | 26,836           |
| Administrative and general                     | 4,176                               | 5,020            | 626                               | 809               | 4,974                 | -            | -                                    | 7,425                            | (3,726)         | 19,304           |
| Intercompany (sales) purchases, net*           | (702)                               | 277              | 73                                | 101               | 313                   | -            | -                                    | (62)                             | -               | -                |
| <b>TOTAL OPERATING EXPENSES</b>                | <b>35,687</b>                       | <b>27,656</b>    | <b>5,981</b>                      | <b>11,351</b>     | <b>86,965</b>         | <b>-</b>     | <b>472,103</b>                       | <b>19,756</b>                    | <b>(3,384)</b>  | <b>656,115</b>   |
| <b>NET OPERATING REVENUES</b>                  | <b>1,033</b>                        | <b>31,124</b>    | <b>1,105</b>                      | <b>(2,031)</b>    | <b>10,057</b>         | <b>-</b>     | <b>(6,297)</b>                       | <b>3,660</b>                     | <b>4,400</b>    | <b>43,051</b>    |
| <b>NON OPERATING (EXPENSES) REVENUES</b>       |                                     |                  |                                   |                   |                       |              |                                      |                                  |                 |                  |
| Interest expense                               | (787)                               | (22,289)         | (1,487)                           | -                 | (14,728)              | -            | -                                    | -                                | -               | (39,291)         |
| Interest income                                | 1,325                               | 1,640            | 166                               | 1                 | 1,303                 | -            | 1,813                                | 100                              | 4,099           | 10,447           |
| Other  | 5                                   | 5                | 2,473                             | 1                 | 5,176                 | -            | 64                                   | 44                               | 302             | 8,070            |
| <b>TOTAL NON OPERATING (EXPENSES) REVENUES</b> | <b>543</b>                          | <b>(20,644)</b>  | <b>1,152</b>                      | <b>2</b>          | <b>(8,249)</b>        | <b>-</b>     | <b>1,877</b>                         | <b>144</b>                       | <b>4,401</b>    | <b>(20,774)</b>  |
| <b>FUTURE RECOVERABLE AMOUNTS</b>              | <b>(565)</b>                        | <b>(1,977)</b>   | <b>(2,083)</b>                    | <b>-</b>          | <b>911</b>            | <b>-</b>     | <b>-</b>                             | <b>-</b>                         | <b>(4,077)</b>  | <b>(7,791)</b>   |
| <b>REFUNDS TO PARTICIPANTS</b>                 | <b>(2,981)</b>                      | <b>(2,208)</b>   | <b>(160)</b>                      | <b>902</b>        | <b>1,540</b>          | <b>-</b>     | <b>(2,518)</b>                       | <b>(5,789)</b>                   | <b>(2,964)</b>  | <b>(14,178)</b>  |
| <b>INCREASE (DECREASE) IN NET POSITION</b>     | <b>(1,970)</b>                      | <b>6,295</b>     | <b>14</b>                         | <b>(1,127)</b>    | <b>4,259</b>          | <b>-</b>     | <b>(6,938)</b>                       | <b>(1,985)</b>                   | <b>1,760</b>    | <b>308</b>       |
| <b>NET POSITION, Beginning of year</b>         | <b>11,923</b>                       | <b>7,387</b>     | <b>409</b>                        | <b>(626)</b>      | <b>3,244</b>          | <b>-</b>     | <b>8,096</b>                         | <b>6,798</b>                     | <b>837</b>      | <b>38,068</b>    |
| <b>NET POSITION, End of year</b>               | <b>\$ 9,953</b>                     | <b>\$ 13,682</b> | <b>\$ 423</b>                     | <b>\$ (1,753)</b> | <b>\$ 7,503</b>       | <b>\$ -</b>  | <b>\$ 1,158</b>                      | <b>\$ 4,813</b>                  | <b>\$ 2,597</b> | <b>\$ 38,376</b> |

\* Eliminated in Combination

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENTS OF CASH FLOW

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2019

|   | GENERATING & TRANSMISSION RESOURCES |                 |                                   |                |                       |              |                                      |                                  |                 |                   |
|---|-------------------------------------|-----------------|-----------------------------------|----------------|-----------------------|--------------|--------------------------------------|----------------------------------|-----------------|-------------------|
|   | Geothermal                          | Hydroelectric   | Multiple<br>Capital<br>Facilities | CT<br>No. One  | Lodi<br>Energy Center | Transmission | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency | Combined<br>Total |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                                     |                 |                                   |                |                       |              |                                      |                                  |                 |                   |
| Received from participants  | \$ 930                              | \$ 13,139       | \$ 4,872                          | \$ 7,154       | \$ 16,263             | \$ -         | \$ 303,346                           | \$ 21,767                        | \$ 636          | \$ 368,107        |
| Received from others  | 35,084                              | 42,988          | 2,137                             | 2,016          | 78,574                | -            | 164,132                              | 2,711                            | 4,596           | 332,238           |
| Payments for employee services  | (13,711)                            | (5,931)         | (982)                             | (1,822)        | (6,983)               | -            | -                                    | (12,419)                         | -               | (41,848)          |
| Payments to suppliers for goods and services                            | (18,656)                            | (12,146)        | (2,355)                           | (5,711)        | (66,842)              | -            | (454,203)                            | (11,659)                         | 2,954           | (568,618)         |
| Payments from(to) other programs *                                      | 702                                 | (277)           | (73)                              | (101)          | (313)                 | -            | -                                    | 62                               | -               | -                 |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                         | <b>4,349</b>                        | <b>37,773</b>   | <b>3,599</b>                      | <b>1,536</b>   | <b>20,699</b>         | <b>-</b>     | <b>13,275</b>                        | <b>462</b>                       | <b>8,186</b>    | <b>89,879</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                                     |                 |                                   |                |                       |              |                                      |                                  |                 |                   |
| Proceeds from maturities and sales of investments                       | 14,191                              | 42,455          | 4,952                             | -              | 22,706                | -            | 9,014                                | -                                | 18,450          | 111,768           |
| Interest received on cash and investments                               | 816                                 | 634             | 68                                | 1              | 735                   | -            | 1,173                                | 97                               | 1,404           | 4,928             |
| Purchase of investments   | (15,813)                            | (34,183)        | (4,496)                           | -              | (22,500)              | -            | (14,787)                             | -                                | (24,459)        | (116,238)         |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>                         | <b>(806)</b>                        | <b>8,906</b>    | <b>524</b>                        | <b>1</b>       | <b>941</b>            | <b>-</b>     | <b>(4,600)</b>                       | <b>97</b>                        | <b>(4,605)</b>  | <b>458</b>        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>         |                                     |                 |                                   |                |                       |              |                                      |                                  |                 |                   |
| Acquisition and construction of electric plant                          | (1,492)                             | (259)           | (372)                             | (35)           | (47)                  | -            | -                                    | (100)                            | (43)            | (2,348)           |
| Interest paid on long-term debt   | (619)                               | (14,428)        | (1,614)                           | -              | (14,573)              | -            | -                                    | -                                | -               | (31,234)          |
| Principal repayment on long-term debt                                   | (4,250)                             | (22,610)        | (3,995)                           | -              | (11,480)              | -            | -                                    | -                                | -               | (42,335)          |
| Proceeds from bond issues   | -                                   | 43,158          | -                                 | -              | -                     | -            | -                                    | -                                | -               | 43,158            |
| Payments to refund debt   | -                                   | (53,987)        | -                                 | -              | -                     | -            | -                                    | -                                | -               | (53,987)          |
| <b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>     | <b>(6,361)</b>                      | <b>(48,126)</b> | <b>(5,981)</b>                    | <b>(35)</b>    | <b>(26,100)</b>       | <b>-</b>     | <b>-</b>                             | <b>(100)</b>                     | <b>(43)</b>     | <b>(86,746)</b>   |
| <b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>     |                                     |                 |                                   |                |                       |              |                                      |                                  |                 |                   |
| Other proceeds  | 5                                   | 5               | 2,473                             | 1              | 5,176                 | -            | 64                                   | (373)                            | 302             | 7,653             |
| Refunds to participants   | (2,981)                             | (2,208)         | (160)                             | 902            | 1,540                 | -            | (2,518)                              | (5,789)                          | (2,964)         | (14,178)          |
| Payments from(to) other programs *                                      | 4,936                               | (5,018)         | 106                               | (2,405)        | (3,064)               | -            | (10,230)                             | 6,265                            | 9,410           | -                 |
| <b>NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b>1,960</b>                        | <b>(7,221)</b>  | <b>2,419</b>                      | <b>(1,502)</b> | <b>3,652</b>          | <b>-</b>     | <b>(12,684)</b>                      | <b>103</b>                       | <b>6,748</b>    | <b>(6,525)</b>    |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                          | <b>(858)</b>                        | <b>(8,668)</b>  | <b>561</b>                        | <b>-</b>       | <b>(808)</b>          | <b>-</b>     | <b>(4,009)</b>                       | <b>562</b>                       | <b>10,286</b>   | <b>(2,934)</b>    |
| Beginning of year   | 8,500                               | 29,175          | 928                               | 1              | 4,127                 | -            | 7,738                                | 71                               | 53,456          | 103,996           |
| End of year   | \$ 7,642                            | \$ 20,507       | \$ 1,489                          | \$ 1           | \$ 3,319              | \$ -         | \$ 3,729                             | \$ 633                           | \$ 63,742       | \$ 101,062        |

\* Eliminated in Combination

SUPPLEMENTARY 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, 2019

|   | GENERATING & TRANSMISSION RESOURCES |                  |                                   |                 |                       |              |                                      |                                  |                 |                  |
|---|-------------------------------------|------------------|-----------------------------------|-----------------|-----------------------|--------------|--------------------------------------|----------------------------------|-----------------|------------------|
|   | Geothermal                          | Hydroelectric    | Multiple<br>Capital<br>Facilities | CT<br>No. One   | Lodi<br>Energy Center | Transmission | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency | Combined         |
| <b>RECONCILIATION OF NET OPERATING REVENUES TO<br/>NET CASH FLOWS FROM OPERATING ACTIVITIES</b> |                                     |                  |                                   |                 |                       |              |                                      |                                  |                 |                  |
| Operating income  | \$ 1,033                            | \$ 31,124        | \$ 1,105                          | \$ (2,031)      | \$ 10,057             | \$ -         | \$ (6,297)                           | \$ 3,660                         | \$ 4,400        | \$ 43,051        |
| Adjustments to reconcile net operating revenues<br>to net cash from operating activities:       |                                     |                  |                                   |                 |                       |              |                                      |                                  |                 |                  |
| Depreciation  | 3,914                               | 9,471            | 2,204                             | 192             | 14,617                | -            | -                                    | 104                              | 342             | 30,844           |
|   | 4,947                               | 40,595           | 3,309                             | (1,839)         | 24,674                | -            | (6,297)                              | 3,764                            | 4,742           | 73,895           |
| <b>CASH FLOWS IMPACTED BY CHANGES IN</b>  |                                     |                  |                                   |                 |                       |              |                                      |                                  |                 |                  |
| Accounts receivable   | (275)                               | -                | -                                 | -               | 59                    | -            | (732)                                | 691                              | 139             | (118)            |
| Inventory and prepaid expense   | (30)                                | (536)            | 392                               | 1,039           | (107)                 | -            | -                                    | (29)                             | 19              | 748              |
| Operating reserves and other deposits   | (915)                               | (2,117)          | (1)                               | 1,966           | (941)                 | -            | 2,404                                | (3,834)                          | 4,417           | 979              |
| Member advances   | -                                   | -                | -                                 | -               | -                     | -            | -                                    | 312                              | -               | 312              |
| Regulatory credits  | 484                                 | (536)            | (77)                              | (150)           | (2,244)               | -            | -                                    | 59                               | (340)           | (2,804)          |
| Accounts payable  | 138                                 | 367              | (24)                              | 520             | (742)                 | -            | 17,900                               | (501)                            | (791)           | 16,867           |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   | <b>\$ 4,349</b>                     | <b>\$ 37,773</b> | <b>\$ 3,599</b>                   | <b>\$ 1,536</b> | <b>\$ 20,699</b>      | <b>\$ -</b>  | <b>\$ 13,275</b>                     | <b>\$ 462</b>                    | <b>\$ 8,186</b> | <b>\$ 89,879</b> |
| <b>RECONCILIATION OF CASH AND CASH<br/>EQUIVALENTS TO STATEMENTS OF NET POSITION</b>            |                                     |                  |                                   |                 |                       |              |                                      |                                  |                 |                  |
| Cash and cash equivalents - current assets  | \$ 1                                | \$ -             | \$ 1                              | \$ 1            | \$ 75                 | \$ -         | \$ -                                 | \$ 633                           | \$ 42,716       | \$ 43,427        |
| Cash and cash equivalents - restricted assets   | 7,641                               | 20,507           | 1,488                             | -               | 3,244                 | -            | 3,729                                | -                                | 21,026          | 57,635           |
| End of year   | \$ 7,642                            | \$ 20,507        | \$ 1,489                          | \$ 1            | \$ 3,319              | \$ -         | \$ 3,729                             | \$ 633                           | \$ 63,742       | \$ 101,062       |

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS

(000's omitted)

June 30, 2018

|  | GENERATING & TRANSMISSION RESOURCES |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
|--|-------------------------------------|-------------------|-----------------------------------|-----------------|-----------------------|-------------------------|--------------------------------------|----------------------------------|-------------------|---------------------|
|  | Geothermal                          | Hydroelectric     | Multiple<br>Capital<br>Facilities | CT<br>No. One   | Lodi<br>Energy Center | Transmission<br>No. One | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency   | Combined            |
| <b>ASSETS</b>  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| <b>CURRENT ASSETS</b>                                  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Cash and cash equivalents                              | \$ 1                                | \$ -              | \$ 1                              | \$ 1            | \$ 73                 | \$ -                    | \$ -                                 | \$ 71                            | \$ 38,414         | \$ 38,561           |
| Investments  | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | -                                | 36,963            | 36,963              |
| Accounts receivable                                    |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Participants   | -                                   | -                 | -                                 | -               | 59                    | -                       | -                                    | 734                              | 157               | 950                 |
| Other  | -                                   | -                 | -                                 | -               | -                     | -                       | 1,169                                | -                                | 628               | 1,797               |
| Interest receivable                                    | -                                   | -                 | -                                 | -               | -                     | -                       | 84                                   | -                                | 235               | 319                 |
| Inventory and supplies                                 | 4,509                               | 1,079             | 642                               | 1,405           | 2,111                 | -                       | -                                    | -                                | -                 | 9,746               |
| Prepaid expenses                                       | 290                                 | 351               | 26                                | 38              | 286                   | -                       | -                                    | 11                               | 570               | 1,572               |
| Due from Agency and other programs*                    | 16,446                              | 10,704            | 2,210                             | (1,202)         | 8,673                 | -                       | 17,246                               | 14,617                           | (68,694)          | -                   |
| <b>TOTAL CURRENT ASSETS</b>                            | <b>21,246</b>                       | <b>12,134</b>     | <b>2,879</b>                      | <b>242</b>      | <b>11,202</b>         | <b>-</b>                | <b>18,499</b>                        | <b>15,433</b>                    | <b>8,273</b>      | <b>89,908</b>       |
| <b>RESTRICTED ASSETS</b>                               |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Cash and cash equivalents                              | 8,499                               | 29,175            | 927                               | -               | 4,054                 | -                       | 7,738                                | -                                | 15,042            | 65,435              |
| Investments  | 20,590                              | 32,248            | 5,018                             | -               | 21,114                | -                       | 19,358                               | -                                | 55,502            | 153,830             |
| Interest receivable                                    | 89                                  | 173               | 16                                | -               | 91                    | -                       | -                                    | -                                | 271               | 640                 |
| <b>TOTAL RESTRICTED ASSETS</b>                         | <b>29,178</b>                       | <b>61,596</b>     | <b>5,961</b>                      | <b>-</b>        | <b>25,259</b>         | <b>-</b>                | <b>27,096</b>                        | <b>-</b>                         | <b>70,815</b>     | <b>219,905</b>      |
| <b>ELECTRIC PLANT</b>                                  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Electric plant in service                              | 570,210                             | 394,821           | 64,844                            | 36,517          | 423,805               | 7,736                   | -                                    | 739                              | 5,949             | 1,504,621           |
| Less: accumulated depreciation                         | (535,654)                           | (262,226)         | (48,363)                          | (34,478)        | (81,554)              | (7,736)                 | -                                    | (398)                            | (3,057)           | (973,466)           |
|  | 34,556                              | 132,595           | 16,481                            | 2,039           | 342,251               | -                       | -                                    | 341                              | 2,892             | 531,155             |
| Construction work-in-progress                          | -                                   | -                 | -                                 | -               | 182                   | -                       | -                                    | -                                | -                 | 182                 |
| <b>TOTAL ELECTRIC PLANT</b>                            | <b>34,556</b>                       | <b>132,595</b>    | <b>16,481</b>                     | <b>2,039</b>    | <b>342,433</b>        | <b>-</b>                | <b>-</b>                             | <b>341</b>                       | <b>2,892</b>      | <b>531,337</b>      |
| <b>OTHER ASSETS</b>                                    |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Regulatory assets                                      | 217                                 | 134,741           | 10,608                            | -               | 23,789                | -                       | -                                    | -                                | 61,792            | 231,147             |
| Preliminary survey and investigation costs             | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | 18                               | -                 | 18                  |
| Investment in associated companies                     | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | -                                | 265               | 265                 |
| <b>TOTAL OTHER ASSETS</b>                              | <b>217</b>                          | <b>134,741</b>    | <b>10,608</b>                     | <b>-</b>        | <b>23,789</b>         | <b>-</b>                | <b>-</b>                             | <b>18</b>                        | <b>62,057</b>     | <b>231,430</b>      |
| <b>TOTAL ASSETS</b>                                    | <b>85,197</b>                       | <b>341,066</b>    | <b>35,929</b>                     | <b>2,281</b>    | <b>402,683</b>        | <b>-</b>                | <b>45,595</b>                        | <b>15,792</b>                    | <b>144,037</b>    | <b>1,072,580</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                                     |                   |                                   |                 |                       |                         |                                      |                                  |                   |                     |
| Excess cost on refunding of debt                       | 1,585                               | 37,268            | 893                               | -               | 2,130                 | -                       | -                                    | -                                | -                 | 41,876              |
| Pension deferrals                                      | 61,878                              | -                 | 153                               | -               | 173                   | -                       | -                                    | -                                | -                 | 62,204              |
| Asset Retirement Obligations                           | -                                   | -                 | -                                 | -               | -                     | -                       | -                                    | -                                | 19,200            | 19,200              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>            | <b>63,463</b>                       | <b>37,268</b>     | <b>1,046</b>                      | <b>-</b>        | <b>2,303</b>          | <b>-</b>                | <b>-</b>                             | <b>-</b>                         | <b>19,200</b>     | <b>123,280</b>      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> | <b>\$ 148,660</b>                   | <b>\$ 378,334</b> | <b>\$ 36,975</b>                  | <b>\$ 2,281</b> | <b>\$ 404,986</b>     | <b>\$ -</b>             | <b>\$ 45,595</b>                     | <b>\$ 15,792</b>                 | <b>\$ 163,237</b> | <b>\$ 1,195,860</b> |

\* Eliminated in Combination



SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

June 30, 2018

|   | GENERATING & TRANSMISSION RESOURCES |                   |                                   |                 |                       |              |                  | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency     | Combined |
|---|-------------------------------------|-------------------|-----------------------------------|-----------------|-----------------------|--------------|------------------|--------------------------------------|----------------------------------|---------------------|----------|
|   | Geothermal                          | Hydroelectric     | Multiple<br>Capital<br>Facilities | CT<br>No. One   | Lodi<br>Energy Center | Transmission |                  |                                      |                                  |                     |          |
| <b>LIABILITIES</b>  |                                     |                   |                                   |                 |                       |              |                  |                                      |                                  |                     |          |
| <b>CURRENT LIABILITIES</b>  |                                     |                   |                                   |                 |                       |              |                  |                                      |                                  |                     |          |
| Accounts payable and accrued expenses   | \$ 176                              | \$ 713            | \$ 25                             | \$ -            | \$ 1,362              | \$ -         | \$ 10,319        | \$ 501                               | \$ 8,924                         | \$ 22,020           |          |
| Member advances   | 791                                 | -                 | -                                 | -               | -                     | -            | -                | 277                                  | -                                | 1,068               |          |
| Operating reserves  | 6,213                               | 249               | 514                               | 703             | 13,649                | -            | -                | -                                    | -                                | 21,328              |          |
| Current portion of long-term debt   | 4,250                               | 22,610            | 3,995                             | -               | 11,480                | -            | -                | -                                    | -                                | 42,335              |          |
| Accrued interest payable  | 347                                 | 6,364             | 710                               | -               | 1,217                 | -            | -                | -                                    | -                                | 8,638               |          |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>11,777</b>                       | <b>29,936</b>     | <b>5,244</b>                      | <b>703</b>      | <b>27,708</b>         | <b>-</b>     | <b>10,319</b>    | <b>778</b>                           | <b>8,924</b>                     | <b>95,389</b>       |          |
| <b>NON-CURRENT LIABILITIES</b>  |                                     |                   |                                   |                 |                       |              |                  |                                      |                                  |                     |          |
| Net pension liability   | -                                   | -                 | -                                 | -               | -                     | -            | -                | -                                    | 76,002                           | 76,002              |          |
| Operating reserves and other deposits   | 1,500                               | 17,089            | -                                 | -               | 1,716                 | -            | 27,180           | 7,938                                | 70,816                           | 126,239             |          |
| Interest rate swap liability  | 63,387                              | -                 | 153                               | -               | 173                   | -            | -                | -                                    | -                                | 63,713              |          |
| Asset Retirement Obligations  | -                                   | 11,109            | -                                 | -               | -                     | -            | -                | -                                    | -                                | 11,109              |          |
| Long-term debt, net   | 24,520                              | 308,657           | 30,228                            | -               | 331,192               | -            | -                | -                                    | -                                | 694,597             |          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  | <b>89,407</b>                       | <b>336,855</b>    | <b>30,381</b>                     | <b>-</b>        | <b>333,081</b>        | <b>-</b>     | <b>27,180</b>    | <b>7,938</b>                         | <b>146,818</b>                   | <b>971,660</b>      |          |
| <b>TOTAL LIABILITIES</b>  | <b>101,184</b>                      | <b>366,791</b>    | <b>35,625</b>                     | <b>703</b>      | <b>360,789</b>        | <b>-</b>     | <b>37,499</b>    | <b>8,716</b>                         | <b>155,742</b>                   | <b>1,067,049</b>    |          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                     |                   |                                   |                 |                       |              |                  |                                      |                                  |                     |          |
| Regulatory credits  | 35,553                              | 4,156             | 941                               | 2,204           | 40,953                | -            | -                | 278                                  | 3,463                            | 87,548              |          |
| Pension deferrals   | -                                   | -                 | -                                 | -               | -                     | -            | -                | -                                    | 3,195                            | 3,195               |          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>35,553</b>                       | <b>4,156</b>      | <b>941</b>                        | <b>2,204</b>    | <b>40,953</b>         | <b>-</b>     | <b>-</b>         | <b>278</b>                           | <b>6,658</b>                     | <b>90,743</b>       |          |
| <b>NET POSITION</b>   |                                     |                   |                                   |                 |                       |              |                  |                                      |                                  |                     |          |
| Net investment in capital assets  | (3,980)                             | (37,214)          | (7,137)                           | -               | (12,876)              | -            | -                | -                                    | -                                | (61,207)            |          |
| Restricted for:   |                                     |                   |                                   |                 |                       |              |                  |                                      |                                  |                     |          |
| Debt service  | 8,555                               | 32,488            | 5,251                             | -               | 12,846                | -            | -                | -                                    | -                                | 59,140              |          |
| Other programs  | (204)                               | 1,560             | -                                 | -               | (121)                 | -            | -                | -                                    | -                                | 1,235               |          |
| Unrestricted  | 7,552                               | 10,553            | 2,295                             | (626)           | 3,395                 | -            | 8,096            | 6,798                                | 837                              | 38,900              |          |
| <b>TOTAL NET POSITION</b>   | <b>11,923</b>                       | <b>7,387</b>      | <b>409</b>                        | <b>(626)</b>    | <b>3,244</b>          | <b>-</b>     | <b>8,096</b>     | <b>6,798</b>                         | <b>837</b>                       | <b>38,068</b>       |          |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND NET POSITION</b> | <b>\$ 148,660</b>                   | <b>\$ 378,334</b> | <b>\$ 36,975</b>                  | <b>\$ 2,281</b> | <b>\$ 404,986</b>     | <b>\$ -</b>  | <b>\$ 45,595</b> | <b>\$ 15,792</b>                     | <b>\$ 163,237</b>                | <b>\$ 1,195,860</b> |          |

SUPPLEMENTARY 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, 2018

|  | GENERATING & TRANSMISSION RESOURCES |                 |                                   |                 |                       |              |                                      |                                  |                 | Combined         |
|--|-------------------------------------|-----------------|-----------------------------------|-----------------|-----------------------|--------------|--------------------------------------|----------------------------------|-----------------|------------------|
|  | Geothermal                          | Hydroelectric   | Multiple<br>Capital<br>Facilities | CT<br>No. One   | Lodi<br>Energy Center | Transmission | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency |                  |
| <b>OPERATING REVENUES</b>                      |                                     |                 |                                   |                 |                       |              |                                      |                                  |                 |                  |
| Participants                                   | \$ 5,912                            | \$ 18,964       | \$ 6,453                          | \$ 1,556        | \$ 26,570             | \$ -         | \$ 303,116                           | \$ 19,875                        | \$ 825          | \$ 383,271       |
| Other third-party                              | 28,381                              | 28,445          | 1,194                             | 2,523           | 51,455                | -            | 64,476                               | 2,647                            | -               | 179,121          |
| <b>TOTAL OPERATING REVENUES</b>                | <b>34,293</b>                       | <b>47,409</b>   | <b>7,647</b>                      | <b>4,079</b>    | <b>78,025</b>         | <b>-</b>     | <b>367,592</b>                       | <b>22,522</b>                    | <b>825</b>      | <b>562,392</b>   |
| <b>OPERATING EXPENSES</b>                      |                                     |                 |                                   |                 |                       |              |                                      |                                  |                 |                  |
| Purchased power                                | 400                                 | 2,841           | 364                               | 392             | 4,789                 | -            | 215,411                              | -                                | -               | 224,197          |
| Operations                                     | 17,100                              | 3,971           | 1,763                             | 1,844           | 37,784                | -            | 3,452                                | 9,800                            | -               | 75,714           |
| Transmission                                   | 302                                 | (32)            | (20)                              | (10)            | 812                   | -            | 136,194                              | 5                                | -               | 137,251          |
| Depreciation                                   | 3,897                               | 9,663           | 2,207                             | 184             | 14,612                | -            | -                                    | 40                               | 312             | 30,915           |
| Maintenance                                    | 5,348                               | 8,198           | 677                               | 1,937           | 5,224                 | -            | -                                    | 113                              | -               | 21,497           |
| Administrative and general                     | 4,946                               | 4,691           | 724                               | 775             | 4,402                 | -            | -                                    | 7,834                            | (2,232)         | 21,140           |
| Intercompany (sales) purchases, net*           | (666)                               | 270             | 64                                | 111             | 295                   | -            | -                                    | (74)                             | -               | -                |
| <b>TOTAL OPERATING EXPENSES</b>                | <b>31,327</b>                       | <b>29,602</b>   | <b>5,779</b>                      | <b>5,233</b>    | <b>67,918</b>         | <b>-</b>     | <b>355,057</b>                       | <b>17,718</b>                    | <b>(1,920)</b>  | <b>510,714</b>   |
| <b>NET OPERATING REVENUES</b>                  | <b>2,966</b>                        | <b>17,807</b>   | <b>1,868</b>                      | <b>(1,154)</b>  | <b>10,107</b>         | <b>-</b>     | <b>12,535</b>                        | <b>4,804</b>                     | <b>2,745</b>    | <b>51,678</b>    |
| <b>NON OPERATING (EXPENSES) REVENUES</b>       |                                     |                 |                                   |                 |                       |              |                                      |                                  |                 |                  |
| Interest expense                               | (946)                               | (15,901)        | (2,696)                           | -               | (15,185)              | -            | -                                    | -                                | -               | (34,728)         |
| Interest income                                | 320                                 | 446             | 8                                 | -               | 172                   | -            | 428                                  | 43                               | (172)           | 1,245            |
| Other  | 20                                  | 3,564           | 1,471                             | -               | 2,440                 | -            | -                                    | 44                               | 385             | 7,924            |
| <b>TOTAL NON OPERATING (EXPENSES) REVENUES</b> | <b>(606)</b>                        | <b>(11,891)</b> | <b>(1,217)</b>                    | <b>-</b>        | <b>(12,573)</b>       | <b>-</b>     | <b>428</b>                           | <b>87</b>                        | <b>213</b>      | <b>(25,559)</b>  |
| <b>FUTURE RECOVERABLE AMOUNTS</b>              | <b>(516)</b>                        | <b>(11,268)</b> | <b>(856)</b>                      | <b>-</b>        | <b>2,144</b>          | <b>-</b>     | <b>-</b>                             | <b>-</b>                         | <b>(1,301)</b>  | <b>(11,797)</b>  |
| <b>REFUNDS TO PARTICIPANTS</b>                 | <b>(2,994)</b>                      | <b>(1,058)</b>  | <b>(151)</b>                      | <b>428</b>      | <b>(2,641)</b>        | <b>-</b>     | <b>(1,099)</b>                       | <b>(2,585)</b>                   | <b>(214)</b>    | <b>(10,314)</b>  |
| <b>INCREASE (DECREASE) IN NET POSITION</b>     | <b>(1,150)</b>                      | <b>(6,410)</b>  | <b>(356)</b>                      | <b>(726)</b>    | <b>(2,963)</b>        | <b>-</b>     | <b>11,864</b>                        | <b>2,306</b>                     | <b>1,443</b>    | <b>4,008</b>     |
| <b>NET POSITION, Beginning of year</b>         | <b>13,073</b>                       | <b>13,797</b>   | <b>765</b>                        | <b>100</b>      | <b>6,207</b>          | <b>-</b>     | <b>(3,768)</b>                       | <b>4,492</b>                     | <b>(606)</b>    | <b>34,060</b>    |
| <b>NET POSITION, End of year</b>               | <b>\$ 11,923</b>                    | <b>\$ 7,387</b> | <b>\$ 409</b>                     | <b>\$ (626)</b> | <b>\$ 3,244</b>       | <b>\$ -</b>  | <b>\$ 8,096</b>                      | <b>\$ 6,798</b>                  | <b>\$ 837</b>   | <b>\$ 38,068</b> |

\* Eliminated in Combination

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENTS OF CASH FLOW

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS  
(000's omitted)

For the Year Ended June 30, 2018

|   | GENERATING & TRANSMISSION RESOURCES |                 |                                   |               |                       |              |                                      |                                  |                 |                   |
|---|-------------------------------------|-----------------|-----------------------------------|---------------|-----------------------|--------------|--------------------------------------|----------------------------------|-----------------|-------------------|
|   | Geothermal                          | Hydroelectric   | Multiple<br>Capital<br>Facilities | CT<br>No. One | Lodi<br>Energy Center | Transmission | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency | Combined<br>Total |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                                     |                 |                                   |               |                       |              |                                      |                                  |                 |                   |
| Received from participants  | \$ 5,617                            | \$ 19,098       | \$ 6,462                          | \$ 1,873      | \$ 25,144             | \$ -         | \$ 303,724                           | \$ 19,237                        | \$ 1,109        | \$ 382,264        |
| Received from others  | 28,381                              | 29,613          | 1,194                             | 2,523         | 51,455                | -            | 73,173                               | 2,647                            | (10,100)        | 178,886           |
| Payments for employee services  | (12,252)                            | (5,784)         | (957)                             | (1,395)       | (6,670)               | -            | -                                    | (11,642)                         | -               | (38,700)          |
| Payments to suppliers for goods and services                            | (14,277)                            | (13,979)        | (2,520)                           | (3,503)       | (44,863)              | -            | (364,213)                            | 1,700                            | 2,585           | (439,070)         |
| Payments from(to) other programs *                                      | 666                                 | (270)           | (64)                              | (111)         | (295)                 | -            | -                                    | 74                               | -               | -                 |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                         | <b>8,135</b>                        | <b>28,678</b>   | <b>4,115</b>                      | <b>(613)</b>  | <b>24,771</b>         | <b>-</b>     | <b>12,684</b>                        | <b>12,016</b>                    | <b>(6,406)</b>  | <b>83,380</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                                     |                 |                                   |               |                       |              |                                      |                                  |                 |                   |
| Proceeds from maturities and sales of investments                       | 14,191                              | 30,136          | 4,952                             | -             | 22,706                | -            | 9,014                                | -                                | 18,450          | 99,449            |
| Interest received on cash and investments                               | 482                                 | 511             | 59                                | -             | 401                   | -            | 571                                  | 43                               | 1,179           | 3,246             |
| Purchase of investments   | (18,217)                            | (34,217)        | (5,012)                           | -             | (23,937)              | -            | (10,029)                             | -                                | (37,832)        | (129,244)         |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>                         | <b>(3,544)</b>                      | <b>(3,570)</b>  | <b>(1)</b>                        | <b>-</b>      | <b>(830)</b>          | <b>-</b>     | <b>(444)</b>                         | <b>43</b>                        | <b>(18,203)</b> | <b>(26,549)</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>         |                                     |                 |                                   |               |                       |              |                                      |                                  |                 |                   |
| Acquisition and construction of electric plant                          | (711)                               | (547)           | (18)                              | (272)         | (240)                 | -            | -                                    | (76)                             | (547)           | (2,411)           |
| Interest paid on long-term debt   | (778)                               | (15,856)        | (1,783)                           | -             | (15,537)              | -            | -                                    | -                                | -               | (33,954)          |
| Principal repayment on long-term debt                                   | (3,995)                             | (21,385)        | (3,760)                           | -             | (10,690)              | -            | -                                    | -                                | -               | (39,830)          |
| Proceeds from bond issues   | -                                   | 78,468          | -                                 | -             | 38,970                | -            | -                                    | -                                | -               | 117,438           |
| Payments to refund debt   | -                                   | (78,948)        | -                                 | -             | (38,766)              | -            | -                                    | -                                | -               | (117,714)         |
| <b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>     | <b>(5,484)</b>                      | <b>(38,268)</b> | <b>(5,561)</b>                    | <b>(272)</b>  | <b>(26,263)</b>       | <b>-</b>     | <b>-</b>                             | <b>(76)</b>                      | <b>(547)</b>    | <b>(76,471)</b>   |
| <b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>     |                                     |                 |                                   |               |                       |              |                                      |                                  |                 |                   |
| Other proceeds  | 20                                  | 3,564           | 1,471                             | -             | 2,440                 | -            | -                                    | 26                               | 385             | 7,906             |
| Refunds to participants   | (2,994)                             | (1,058)         | (151)                             | 428           | (2,641)               | -            | (1,099)                              | (2,585)                          | (214)           | (10,314)          |
| Payments from(to) other programs *                                      | 1,888                               | 7,907           | 97                                | 457           | 1,474                 | -            | (7,296)                              | (9,392)                          | 4,865           | -                 |
| <b>NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b>(1,086)</b>                      | <b>10,413</b>   | <b>1,417</b>                      | <b>885</b>    | <b>1,273</b>          | <b>-</b>     | <b>(8,395)</b>                       | <b>(11,951)</b>                  | <b>5,036</b>    | <b>(2,408)</b>    |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                          | <b>(1,979)</b>                      | <b>(2,747)</b>  | <b>(30)</b>                       | <b>-</b>      | <b>(1,049)</b>        | <b>-</b>     | <b>3,845</b>                         | <b>32</b>                        | <b>(20,120)</b> | <b>(22,048)</b>   |
| Beginning of year   | 10,479                              | 31,922          | 958                               | 1             | 5,176                 | -            | 3,893                                | 39                               | 73,576          | 126,044           |
| End of year   | \$ 8,500                            | \$ 29,175       | \$ 928                            | \$ 1          | \$ 4,127              | \$ -         | \$ 7,738                             | \$ 71                            | \$ 53,456       | \$ 103,996        |

\* Eliminated in Combination

SUPPLEMENTARY 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, 2018

|   | GENERATING & TRANSMISSION RESOURCES |                  |                                   |                 |                       |              |                                      |                                  |                   |                  |
|---|-------------------------------------|------------------|-----------------------------------|-----------------|-----------------------|--------------|--------------------------------------|----------------------------------|-------------------|------------------|
|   | Geothermal                          | Hydroelectric    | Multiple<br>Capital<br>Facilities | CT<br>No. One   | Lodi<br>Energy Center | Transmission | Purchased<br>Power &<br>Transmission | Associated<br>Member<br>Services | Other<br>Agency   | Combined         |
| <b>RECONCILIATION OF NET OPERATING REVENUES TO<br/>NET CASH FLOWS FROM OPERATING ACTIVITIES</b> |                                     |                  |                                   |                 |                       |              |                                      |                                  |                   |                  |
| Operating income  | \$ 2,966                            | \$ 17,807        | \$ 1,868                          | \$ (1,154)      | \$ 10,107             | \$ -         | \$ 12,535                            | \$ 4,804                         | \$ 2,745          | \$ 51,678        |
| Adjustments to reconcile net operating revenues<br>to net cash from operating activities:       |                                     |                  |                                   |                 |                       |              |                                      |                                  |                   |                  |
| Depreciation  | 3,897                               | 9,664            | 2,206                             | 183             | 14,613                | -            | -                                    | 40                               | 312               | 30,915           |
|   | 6,863                               | 27,471           | 4,074                             | (971)           | 24,720                | -            | 12,535                               | 4,844                            | 3,057             | 82,593           |
| <b>CASH FLOWS IMPACTED BY CHANGES IN</b>  |                                     |                  |                                   |                 |                       |              |                                      |                                  |                   |                  |
| Accounts receivable   | -                                   | -                | 64                                | 225             | (59)                  | -            | 4,589                                | (686)                            | (233)             | 3,900            |
| Inventory, prepaid expense, and unused vendor credits   | 44                                  | (77)             | (2)                               | (4)             | (26)                  | -            | -                                    | 7                                | (205)             | (263)            |
| Operating reserves and other deposits   | 1,929                               | 1,168            | 1                                 | 60              | 1,244                 | -            | 4,716                                | 7,899                            | (9,972)           | 7,045            |
| Member advances   | -                                   | -                | -                                 | -               | -                     | -            | -                                    | 75                               | -                 | 75               |
| Regulatory credits  | (715)                               | 133              | (54)                              | 93              | (1,368)               | -            | -                                    | (27)                             | 389               | (1,549)          |
| Accounts payable  | 14                                  | (17)             | 32                                | (16)            | 260                   | -            | (9,156)                              | (96)                             | 558               | (8,421)          |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   | <b>\$ 8,135</b>                     | <b>\$ 28,678</b> | <b>\$ 4,115</b>                   | <b>\$ (613)</b> | <b>\$ 24,771</b>      | <b>\$ -</b>  | <b>\$ 12,684</b>                     | <b>\$ 12,016</b>                 | <b>\$ (6,406)</b> | <b>\$ 83,380</b> |
| <b>RECONCILIATION OF CASH AND CASH<br/>EQUIVALENTS TO STATEMENTS OF NET POSITION</b>            |                                     |                  |                                   |                 |                       |              |                                      |                                  |                   |                  |
| Cash and cash equivalents - current assets  | \$ 1                                | \$ -             | \$ 1                              | \$ 1            | \$ 73                 | \$ -         | \$ -                                 | \$ 71                            | \$ 38,414         | \$ 38,561        |
| Cash and cash equivalents - restricted assets   | 8,499                               | 29,175           | 927                               | -               | 4,054                 | -            | 7,738                                | -                                | 15,042            | 65,435           |
| End of year   | \$ 8,500                            | \$ 29,175        | \$ 928                            | \$ 1            | \$ 4,127              | \$ -         | \$ 7,738                             | \$ 71                            | \$ 53,456         | \$ 103,996       |

GENERATION ENTITLEMENT SHARES - UNAUDITED

NORTHERN CALIFORNIA POWER AGENCY  
AND ASSOCIATED POWER CORPORATIONS

|  | Table of Generation Entitlement Shares |                                  |                               |                               |                             | LEC Debt Shares          |                          |
|--|--|----------------------------------|-------------------------------|-------------------------------|-----------------------------|--------------------------|--------------------------|
|  | Geothermal<br>Project No. 3            | Hydroelectric<br>Project No. One | Capital Facilities<br>Project | Combustion<br>Turbine No. One | Lodi Energy<br>Center (LEC) | LEC Indenture<br>Group A | LEC Indenture<br>Group B |
| <b>NCPA Member Participants:</b>       |  |                                  |                               |                               |                             |                          |                          |
| Alameda                                | 16.8825%                               | 10.0000%                         | 19.0000%                      | 21.8200%                      |                             |                          |                          |
| BART                                   |  |                                  |                               |                               | 6.6000%                     | 11.8310%                 |                          |
| Biggs                                  | 0.2270%                                |                                  |                               | 0.1970%                       | 0.2679%                     | 0.4802%                  |                          |
| Gridley                                | 0.3360%                                |                                  |                               | 0.3500%                       | 1.9643%                     | 3.5212%                  |                          |
| Healdsburg                             | 3.6740%                                | 1.6600%                          |                               | 5.8330%                       | 1.6428%                     | 2.9448%                  |                          |
| Lodi                                   | 10.2800%                               | 10.3700%                         | 39.5000%                      | 13.3930%                      | 9.5000%                     | 17.0295%                 |                          |
| Lompoc                                 | 3.6810%                                | 2.3000%                          | 5.0000%                       | 5.8330%                       | 2.0357%                     | 3.6491%                  |                          |
| Palo Alto                              |  | 22.9200%                         |                               |                               |                             |                          |                          |
| Plumas-Sierra REC                      | 0.7010%                                | 1.6900%                          |                               | 1.8170%                       | 0.7857%                     | 1.4084%                  |                          |
| Roseville                              | 7.8830%                                | 12.0000%                         | 36.5000%                      |                               |                             |                          |                          |
| Santa Clara                            | 44.3905%                               | 37.0200%                         |                               | 41.6670%                      | 25.7500%                    | 46.1588%                 |                          |
| Ukiah                                  | 5.6145%                                | 2.0400%                          |                               | 9.0900%                       | 1.7857%                     | 3.2010%                  |                          |
| <b>Other Participants:</b>             |  |                                  |                               |                               |                             |                          |                          |
| Azuza                                  |  |                                  |                               |                               | 2.7857%                     | 4.9936%                  |                          |
| California Dept. of Water Resources    |  |                                  |                               |                               | 33.5000%                    | 100.0000%                |                          |
| Modesto Irrigation District            |  |                                  |                               |                               | 10.7143%                    |                          |                          |
| Power & Water Resources Pooling Agency |  |                                  |                               |                               | 2.6679%                     | 4.7824%                  |                          |
| Turlock Irrigation District            | 6.3305%                                |                                  |                               |                               |                             |                          |                          |
|  | <u>100.0000%</u>                       | <u>100.0000%</u>                 | <u>100.0000%</u>              | <u>100.0000%</u>              | <u>100.0000%</u>            | <u>100.000%</u>          |                          |
|  | 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.