



AND

ASSOCIATED POWER CORPORATIONS

Combined Financial Statements Including Independent Auditors' Report

As of and For the Years Ended June 30, 2022 and 2021

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

Combined Financial Statements

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of the Northern California Power Agency and Associated Power Corporations (Agency), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note B, the Agency adopted the provisions of GASB Statement No. 87, *Leases*, effective July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the 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 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 basic financial statements, and other knowledge we obtained during our audit of the 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 audit was conducted for the purpose of forming an opinion on the 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 are presented for purposes of additional analysis and are not a required part of the 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements or to the 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 supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the schedule of generation entitlement shares as identified in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Baker Tilly US, LLP

Madison, Wisconsin
October 13, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - 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, 2022 and 2021. 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.

During the year, the impact of COVID-19 to NCPA and our members stabilized. Members' revenue and disconnections returned to pre-pandemic levels. The State of California created the California Arrearage Payment Program that offers financial assistance for California energy utility customers to help reduce past due energy bill balances accrued during the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

The Agency continues to follow California's COVID-19 regulations to ensure a safe workplace environment for employees, contractors and guests. This includes maintaining a clean workspace and appropriate physical distancing, and wearing facial coverings as required. The Agency continues to monitor the situation and make adjustments, as needed, to comply with California Occupational Safety and Health Administration.

The Agency continues to face continued drought in the western region of the country. The Agency has assisted its participants in meeting hydro generation shortfalls by procuring alternative resources to ensure their loads are met. To date, the drought has not materially impacted revenue for the Hydroelectric project. The Agency has strategically placed ancillary services from the plant into the market during times of high prices, thereby essentially offsetting the reduced generation revenue from the plant.

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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 2022, GASB Statement of Government Accounting Standards No. 87, *Leases*, established standards for certain 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. This Statement requires the measurement of lease assets and liabilities be based on the value of the contract over its life.

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 statements of net position provide 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 (REQUIRED SUPPLEMENTARY INFORMATION - 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, 2022, 2021, and 2020.

Condensed Statement of Net Position	June 30,		
	2022	(in thousands) 2021 (Restated)	2020
Assets and Deferred Outflows of Resources			
Current assets	\$ 177,909	\$ 206,369	\$ 184,673
Non-current assets	140,337	146,024	148,482
Electric plant, net	518,691	486,541	474,821
Other assets	197,060	210,264	226,154
Total Assets	1,033,997	1,049,198	1,034,130
Deferred outflows of resources	77,321	91,950	101,256
	<u>\$ 1,111,318</u>	<u>\$ 1,141,148</u>	<u>\$ 1,135,386</u>

**Liabilities, Deferred Inflows of Resources
and Net Position**

Long-term debt, net	\$ 503,352	\$ 553,778	\$ 600,636
Current liabilities	137,039	137,087	118,860
Non-current liabilities	340,297	328,350	282,347
Total Liabilities	980,688	1,019,215	1,001,843
Deferred inflows of resources	113,933	94,305	93,152
Net position:			
Net investment in capital assets	(100,776)	(109,274)	(117,426)
Restricted	56,571	42,444	30,407
Unrestricted	60,902	94,458	127,410
	<u>\$ 1,111,318</u>	<u>\$ 1,141,148</u>	<u>\$ 1,135,386</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position	Year ended June 30,		
	2022	(in thousands) 2021 (Restated)	2020
Operating revenues	\$ 879,672	\$ 807,535	\$ 604,894
Operating expenses	(842,096)	(767,990)	(565,454)
Net operating revenues	37,576	39,545	39,440
Other expenses	(35,049)	(22,205)	(27,329)
Future refundable costs	(12,122)	(15,622)	2,201
Refunds to participants	(1,336)	(14,481)	(12,297)
Change in net position	(10,931)	(12,763)	2,015
Net position, beginning of year	27,628	40,391	38,376
Net position, end of year	<u>\$ 16,697</u>	<u>\$ 27,628</u>	<u>\$ 40,391</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

2022 Compared to 2021 - Current assets decreased \$28.5 million or 13.8% from the prior year, primarily due to reduction in cash and investments resulting from the timing of payments for energy and transmission costs, offset by increase in receivables from participants for energy and transmission credited to them.

2021 Compared to 2020 - Current assets increased \$21.7 million or 11.7% from the prior year, primarily due to increase in cash and cash equivalents resulting from timing of collections and payments of debt service and increase in receivables from energy sales in June.

Non-current Assets

2022 Compared to 2021 - Non-current assets, consisting mainly of long-term investments, decreased \$5.7 million or 3.9% from the prior year. This is primarily due to temporary decreases in mark to market valuation of investments.

2021 Compared to 2020 - Non-current assets, consisting mainly of long-term investments, decreased \$2.5 million or 1.7% from the prior year. This is primarily due to temporary decreases in mark to market valuation of investments.

Electric Plant, net

2022 Compared to 2021 - The Agency has invested approximately \$518.7 million in capital plant assets, net of accumulated depreciation and amortization, at June 30, 2022. Net capital plant assets include \$423.3 million in net utility plant and \$95.3 million in net leased assets. Net capital plant comprises approximately 46.7% of the Agency's assets and deferred outflows. The \$32.1 million or 6.6% increase from the prior year consists of an increase of \$61.4 million in additional leased assets, increase of \$4.1 million in capital plant expenditures, offset by an increase in accumulated depreciation and amortization of \$33.4 million. For additional detail, refer to Note B - Significant Accounting Policies.

2021 Compared to 2020 - The Agency has invested approximately \$486.5 million in plant assets, net of accumulated depreciation and amortization, at June 30, 2021. Net capital plants assets include \$449.2 million in net utility plant and \$37.3 million in net leased assets. Net capital plant comprises approximately 42.4% of the Agency's assets and deferred outflows. The \$11.7 million or 2.5% increase from the prior year consists of an increase of \$37.8 million in additional leased assets, increase of \$4.4 million in capital plant expenditures, offset by an increase in accumulated depreciation and amortization of \$30.5 million. For additional detail, refer to Note B - Significant Accounting Policies.

Deferred Outflows

2022 Compared to 2021 - Total deferred outflows of resources decreased \$14.6 million or 15.9% due to the scheduled amortization and write-off of excess of cost on refunding of debt totaling \$10.5 million, decrease of deferred pension and OPEB contributions of \$4.0 million and decrease of deferred ARO of \$0.1 million.

2021 Compared to 2020 - Total deferred outflows of resources decreased \$9.3 million or 9.2% due to the scheduled amortization of excess of cost on refunding of debt of \$10.4 million, increase of deferred pension and OPEB contributions of \$1.2 million and decrease of deferred ARO of \$0.1 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

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

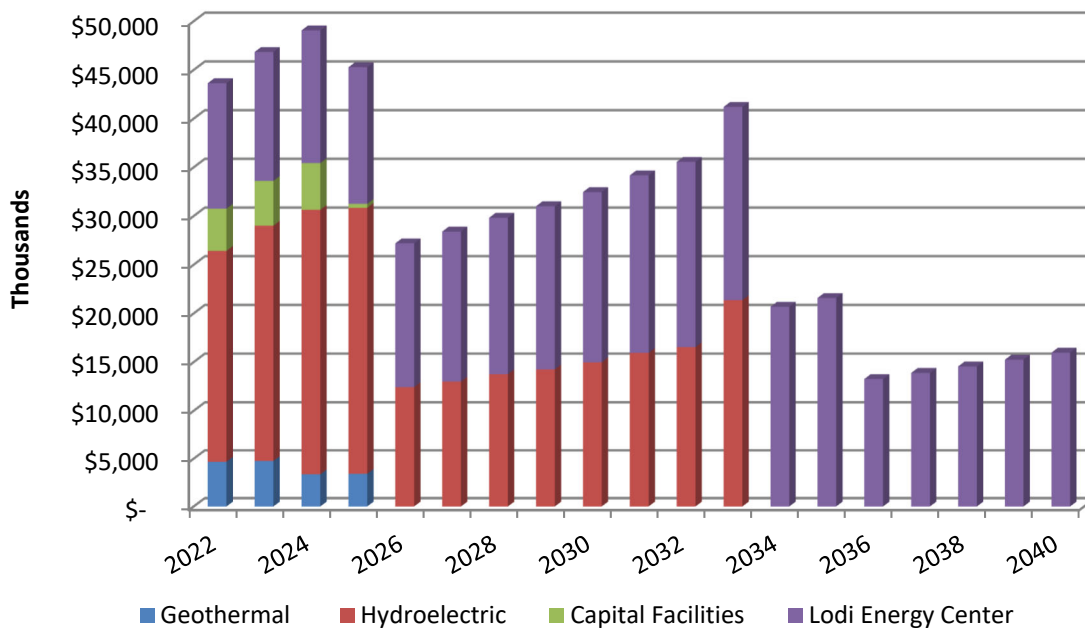
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Long-Term Debt, net

2022 Compared to 2021 - Long-term debt, net decreased \$50.4 million or 9.1% in 2022 as a result of scheduled principal payments of \$43.4 million, net premium amortization of \$7.9 million, offset a net increase for the net transfer of the current portion of long-term debt of \$0.9 million. For additional detail, refer to Note F - Projects and Related Financing.

2021 Compared to 2020 - Long-term debt, net decreased \$46.9 million or 7.8% in 2021 as a result of scheduled principal payments of \$40.4 million, and net premium amortization of \$3.5 million. The net decrease also includes a decrease for the net transfer of the current portion of long-term debt of \$3.0 million. For additional detail, refer to Note F - Projects and Related Financing.

The following table shows the Agency’s scheduled annual debt service principal payments through FY 2040 as of June 30, 2022:



MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

Current Liabilities

2022 Compared to 2021 - Current liabilities decreased by \$0.1 million or 0.1% in 2022. This is primarily due to increases in lease liabilities of \$5.7 million. The current liabilities also include increases in the current portion of long-term debt of \$0.9 million, decreases in project operating reserves of \$3.6 million, decreases in accounts payable of \$1.5 million and decreases in accrued interest payable of \$1.6 million.

2021 Compared to 2020 - Current liabilities increased by \$18.2 million or 15.3% in 2021. This is primarily due to increases in accounts payable of \$12.7 million for accrued purchased energy, transmission costs and natural gas. The current liabilities increase also includes increases in the current portion of long-term debt of \$3.0 million and increases in project operating reserves of \$3.8 million and decreases in accrued interest payable of \$1.8 million.

Other Non-Current Liabilities

2022 Compared to 2021 - Non-current liabilities increased by a net amount of \$11.9 million or 3.6% in 2022. This was primarily due to increased lease liability of \$52.3 million and increased asset retirement obligations of \$1.5, offset by decreased net pension and OPEB obligations of \$21.0 million, decreased operating reserves of \$4.9 million for operating reserves and termination of interest rate swap liability of \$16.0 million.

2021 Compared to 2020 - Non-current liabilities increased by a net amount of \$46.0 million or 16.3% in 2021. This was primarily due to the implementation of lease liabilities resulting in \$36.7 million in liabilities not previously recognized. Additionally, there were increased operating reserves of \$10.7 million for deposits and interest earnings, and increased asset retirement obligations of \$1.5 million offset by decreased interest rate swap liability of \$2.9 million.

Deferred Inflows

2022 Compared to 2021 - Total deferred inflows of resources increased \$19.6 million or 20.8% due to deferral of certain gains related to pension and OPEB liability of \$17.7 million and deferral of refunding gains of \$5.2 million. These deferrals are offset by a decrease in deferrals of certain revenues related to the amortization of construction advances and operating fixed assets totaling \$3.3 million.

2021 Compared to 2020 - Total deferred inflows of resources increased \$1.2 million or 1.2% due to deferral of certain revenues related to the amortization of construction advances and operating fixed assets totaling \$3.7 million offset by reduction in net pension and OPEB expense liability of \$2.5 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 F 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.

2022 Compared to 2021 - Operating revenues for fiscal year 2022 were approximately \$72.1 million or 8.9% more than in the prior fiscal year. This was the net result of increased revenue from members of \$139.3 million for the sale of

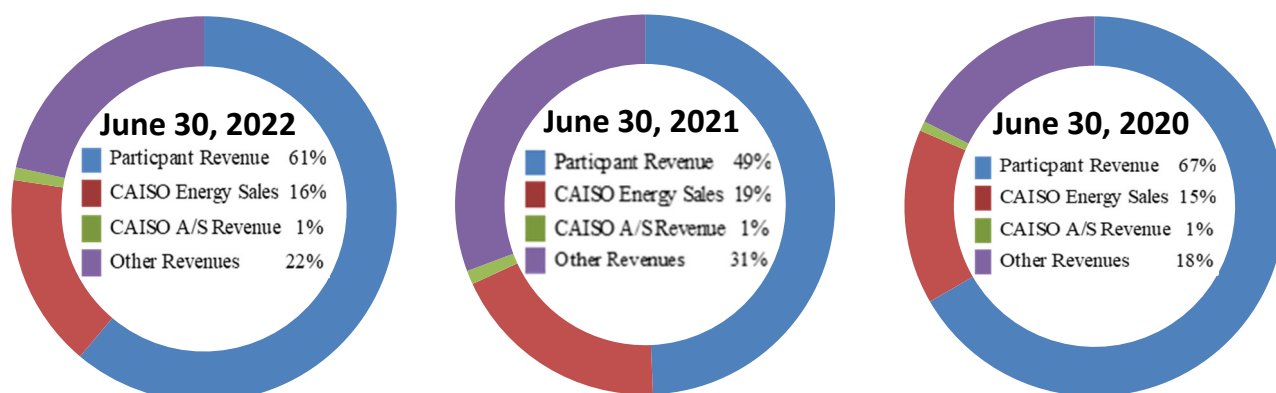
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

energy, offset by decreased non-member revenue of \$67.2 million for their share of energy contracts and transmission costs.

2021 Compared to 2020 - Operating revenues for fiscal year 2021 were approximately \$202.6 million or 33.5% more than in the prior fiscal year. This was the net result of the following: (1) increased revenue from non-members of \$117.8 million for their share of energy contracts and transmission costs, and (2) higher overall plants' generation of 2,250,590 MWh versus 1,979,967 MWh in the prior year.

OPERATING REVENUES BY SOURCES



Operating Expenses

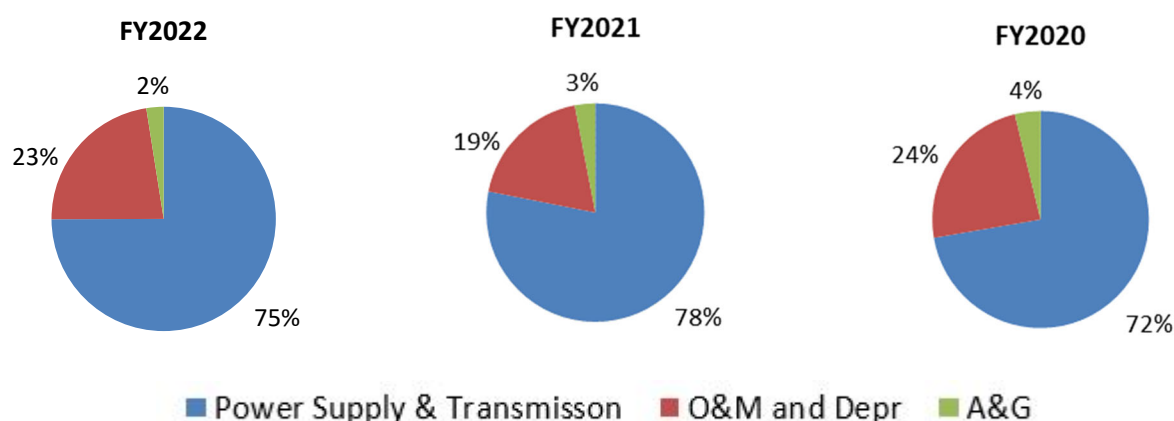
2022 Compared to 2021 - Operating expenses were \$842.1 million in FY 2022, an increase of \$74.1 million from FY 2021. Purchased power expense was \$1.7 million higher in FY 2022 primarily due to increased energy purchased to fulfill energy requirements for member and non-member participants. Operations expense increased \$39.3 million primarily due to increased fuel usage for the natural gas combustion turbine plants. Transmission expense increased \$29.0 million primarily due to increased ISO wheeling charges. Maintenance expenses were \$7.7 million higher in FY 2022 primarily due to increased maintenance projects at the plants resulting in higher maintenance costs.

2021 Compared to 2020 - Operating expenses were \$768.7 million in FY 2021, an increase of \$202.5 million from FY 2020. Purchased power expense was \$190.7 million higher in 2021 primarily due to increased energy purchased to fulfill energy requirements for member and non-member participants. Operations expense increased \$17.6 million primarily due to increased fuel usage for the natural gas combustion turbine plants. Maintenance expenses were \$6.7 million lower in FY 2021 primarily due to a lower inventory adjustment and reduced maintenance projects at the plants resulting in lower maintenance costs.

MANAGEMENT’S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

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

The following charts compare the components of Operating Expenses in fiscal years ended June 30, 2022, 2021, and 2020:



FINANCING ACTIVITIES

In April 2022, the Agency issued Hydroelectric Project Number One Revenue Bonds, 2022 Refunding Series A (\$120,300,000) to refund Hydroelectric Project Number One Revenue Bond, 2012 Refunding Series A and Hydroelectric Project Number One Revenue Bond, 2008 Refunding Series A and 2022 Refunding Series B (\$12,010,000) to terminate the variable rate swap. The refunding was completed through the issuance of \$132,310,000 fixed rate debt (2022 Series A and B) with a yield of 1.84% with varying principal maturities ranging from a total of \$1,770,000 to \$21,370,000 through July 1, 2032. The refunding is estimated to have decreased project debt service by an estimated \$28.34 million over the next 10 years, which results in an estimated economic gain to the Agency of approximately \$12.25 million.

The Agency on a periodic basis has informal discussions and formal presentations with each of the credit rating agencies in order to maintain ongoing communications. During fiscal year 2022, Fitch performed a surveillance review for the Lodi Energy Center project and concluded no change to the existing rating or outlook; Fitch also affirmed the AA- rating on the Hydroelectric project during the year. In fiscal year 2022, Moody’s affirmed the Aa3 rating on the Hydroelectric project and issued a credit opinion on the Lodi Energy Center project affirming the A1 rating with a stable outlook.

Ratings assigned to the Agency’s outstanding project bonds as of June 30, 2022 are as follows:

Debt Credit Ratings:	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

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED)

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

INVESTMENT IN ASSOCIATED COMPANY

Effective June 2018, the Agency invested a 16.67% 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 services. 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.

CONTACTING AGENCY MANAGEMENT

This financial report is designed to provide our members, investors, and creditors with a general overview of Northern California Power Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Northern California Power Agency, 651 Commerce Drive, Roseville, CA 95678.

Agency Financials

COMBINED STATEMENTS OF NET POSITION

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

	June 30,	
	2022	2021 (Restated)
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Restricted	\$ 53,301	\$ 56,133
Unrestricted	55,571	81,103
Investments		
Restricted	12,969	17,301
Unrestricted	14,411	25,614
Accounts receivable		
Participants	22,257	174
Other	9,463	16,132
Interest receivable	667	775
Inventory and supplies	6,055	5,888
Prepaid expenses	3,215	3,249
TOTAL CURRENT ASSETS	<u>177,909</u>	<u>206,369</u>
NON-CURRENT ASSETS		
Investments		
Restricted	6,048	4,401
Unrestricted	134,289	141,623
Electric plant in service, including lease assets	1,600,677	1,535,135
Less: accumulated depreciation and amortization	(1,082,013)	(1,048,594)
Construction work-in-progress	27	-
TOTAL NON-CURRENT ASSETS	<u>659,028</u>	<u>632,565</u>
OTHER ASSETS		
Regulatory assets	184,932	209,999
Net OPEB assets - Restricted	11,863	-
Investment in associated company	265	265
TOTAL OTHER ASSETS	<u>197,060</u>	<u>210,264</u>
TOTAL ASSETS	<u>1,033,997</u>	<u>1,049,198</u>
DEFERRED OUTFLOWS OF RESOURCES		
Excess cost on refunding of debt	1,416	11,969
Pension and OPEB deferrals	14,141	18,099
Asset retirement obligations	61,764	61,882
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>77,321</u>	<u>91,950</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,111,318</u>	<u>\$ 1,141,148</u>

COMBINED STATEMENTS OF NET POSITION**NORTHERN CALIFORNIA POWER AGENCY
AND ASSOCIATED POWER CORPORATIONS**

	June 30,	
	2022	2021 (Restated)
	(in thousands)	
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 61,287	\$ 62,820
Member advances	993	993
Operating reserves	19,557	23,160
Current portion of lease liability	6,303	567
Current portion of long-term debt	44,315	43,400
Accrued interest payable	4,584	6,147
TOTAL CURRENT LIABILITIES	137,039	137,087
NON-CURRENT LIABILITIES		
Net pension and OPEB liabilities	41,975	62,959
Operating reserves and other deposits	139,607	144,492
Interest rate swap liability		16,045
Asset retirement obligations	69,677	68,136
Long-term lease liability	89,038	36,718
Long-term debt, net	503,352	553,778
TOTAL NON-CURRENT LIABILITIES	843,649	882,128
TOTAL LIABILITIES	980,688	1,019,215
DEFERRED INFLOWS OF RESOURCES		
Regulatory credits	88,796	92,118
Pension and OPEB deferrals	19,949	2,187
Deferred gain on debt refunding	5,188	
TOTAL DEFERRED INFLOWS OF RESOURCES	113,933	94,305
NET POSITION		
Net investment in capital assets	(100,776)	(109,274)
Restricted	56,571	42,444
Unrestricted	60,902	94,458
TOTAL NET POSITION	16,697	27,628
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,111,318	\$ 1,141,148

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

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

	Years Ended June 30,	
	2022	2021 (Restated)
	(in thousands)	
OPERATING REVENUES		
Participants	\$ 537,723	\$ 398,399
Other Third-Party	341,949	409,136
TOTAL OPERATING REVENUES	<u>879,672</u>	<u>807,535</u>
OPERATING EXPENSES		
Purchased power	416,422	414,705
Operations	128,671	89,397
Transmission	214,673	185,713
Depreciation and amortization	33,545	30,550
Maintenance	27,909	24,239
Administrative and general	20,876	23,386
TOTAL OPERATING EXPENSES	<u>842,096</u>	<u>767,990</u>
NET OPERATING REVENUES	<u>37,576</u>	<u>39,545</u>
NON OPERATING (EXPENSES) REVENUES		
Interest expense	(26,169)	(30,862)
Interest income (loss)	(9,926)	848
Loss on swap termination	(11,928)	-
Other	12,974	7,809
TOTAL NON OPERATING EXPENSES	<u>(35,049)</u>	<u>(22,205)</u>
FUTURE RECOVERABLE AMOUNTS	<u>(12,122)</u>	<u>(15,622)</u>
REFUNDS TO PARTICIPANTS	<u>(1,336)</u>	<u>(14,481)</u>
(DECREASE) INCREASE IN NET POSITION	(10,931)	(12,763)
NET POSITION, Beginning of year	<u>27,628</u>	<u>40,391</u>
NET POSITION, End of year	<u>\$ 16,697</u>	<u>\$ 27,628</u>

COMBINED STATEMENTS OF CASH FLOW**NORTHERN CALIFORNIA POWER AGENCY
AND ASSOCIATED POWER CORPORATIONS**

	Years Ended June 30,	
	2022	2021 (Restated)
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from participants	\$ 517,571	\$ 402,244
Received from others	343,597	412,380
Payments for employee services	(44,565)	(44,501)
Payments to suppliers for goods and services	(780,245)	(683,996)
NET CASH FLOWS FROM OPERATING ACTIVITIES	36,358	86,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and sales of investments	184,923	184,269
Interest received on cash and investments	3,085	3,805
Purchase of investments	(175,000)	(176,310)
NET CASH FLOWS FROM INVESTING ACTIVITIES	13,008	11,764
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of electric plant	(4,270)	(4,472)
Insurance receipts on asset disposals	-	6,549
Swap termination fee	(11,928)	-
Interest paid on lease liability	(1,254)	(703)
Interest paid on long-term debt	(26,128)	(28,045)
Payments on lease liability	(3,369)	(519)
Principal repayment on long-term debt	(43,389)	(39,890)
Proceeds from bond issues	157,405	-
Payments to refund debt	(155,885)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(88,818)	(67,080)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Other proceeds	12,297	7,894
Refunds to participants	(1,209)	(14,157)
NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	11,088	(6,263)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(28,364)	24,548
CASH AND CASH EQUIVALENTS		
Beginning of year	137,236	112,688
End of year	\$ 108,872	\$ 137,236

COMBINED STATEMENTS OF CASH FLOW-Continued

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

	Years Ended June 30,	
	2022	2021 (Restated)
	(in thousands)	
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 37,576	\$ 39,545
Adjustments to reconcile net operating revenues to net cash from operating activities:		
Depreciation and amortization	33,545	30,550
	<u>71,121</u>	<u>70,095</u>
CASH FLOWS IMPACTED BY CHANGES IN		
Accounts receivable	(15,414)	(9,332)
Inventory, prepaid expense, and unused vendor credits	(133)	(1,259)
Operating reserves and other deposits	(8,488)	14,524
Regulatory assets	(11,059)	(3,752)
Regulatory credits	1,864	3,703
Accounts payable and other liabilities	(1,533)	12,148
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 36,358</u>	<u>\$ 86,127</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash and cash equivalents - current assets	\$ 53,301	\$ 56,133
Cash and cash equivalents - restricted assets	55,571	81,103
	<u>\$ 108,872</u>	<u>\$ 137,236</u>
NON-CASH TRANSACTIONS:		
Lease assets	\$ 60,959	\$ 37,803
Future recoverable/(refundable) costs	(12,122)	(15,622)
Amortization	(7,122)	(6,812)
Interest rate swap change in fair value	(16,045)	(2,923)
Gain/loss on investments	(227)	257

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 F – 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). When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed. 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Custodial credit risk for cash deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 110% to 150% of the Agency's cash on deposit. All of the Agency's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions.

Investments The Agency's investments are reported at fair value. Realized and unrealized gains and losses are included in interest income in the Statement of Revenue, Expenses and Changes in Net Position.

Accounts Receivable Accounts Receivable consists primarily of amounts due from participants and other governmental entities related to sales of energy and transmission. Amounts are deemed to be collectible and as such, no allowance for uncollectible accounts has been recorded.

Inventory and Supplies Inventory and supplies consist primarily of spare parts for the maintenance of plant assets and are stated at average cost.

Restricted Assets Cash and cash equivalents, investments and related accrued interest, which are restricted under terms of certain agreements, trust indentures or laws and regulations limiting the use of such funds, are included in restricted assets. When NCPA has restricted assets for specific purposes, and restricted and unrestricted resources are available for use, it is NCPA's policy to use restricted resources first, then unrestricted resources as they are needed.

Electric Plant, including Lease Assets Electric plant in service is recorded at historical cost. The cost of additions, renewals and betterments in excess of \$25,000 for plant assets and \$5,000 for all other assets are capitalized; repairs and minor replacements are charged to operating expenses as incurred. Depreciation and amortization expense are computed using the straight-line method over the estimated useful lives of the related assets. The provision for depreciation and amortizations was approximately 2.0% of the average electric plant in service for the Agency during both 2022 and 2021. Depreciation and amortization are 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
Lease Assets	Term of the lease

NOTES TO COMBINED FINANCIAL STATEMENTS

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

A summary of changes in electric plant for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
	(in thousands)			
Structures and Leasehold				
Improvements	\$ 321,804	\$ 366	\$ -	\$ 322,170
Reservoirs, Dams and Waterways	249,338	-	-	249,338
Equipment	750,326	3,208	(126)	753,408
Furniture and Fixtures	3,919	667	-	4,586
Lease Assets	37,803	61,427	-	99,230
	1,363,190	65,668	(126)	1,428,732
Accumulated Depreciation and Amortization	(1,048,594)	(33,545)	126	(1,082,013)
	314,596	32,123	-	346,719
Construction Work-In-Progress	-	27	-	27
Land and Land Rights	171,945	-	-	171,945
Electric Plant, Net	\$ 486,541	\$ 32,150	\$ -	\$ 518,691

A summary of changes in electric plant for the year ended June 30, 2021 (restated) is as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
	(in thousands)			
Structures and Leasehold				
Improvements	\$ 320,779	\$ 1,594	\$ (569)	\$ 321,804
Reservoirs, Dams and Waterways	249,338	-	-	249,338
Equipment	747,717	2,811	(202)	750,326
Furniture and Fixtures	3,911	62	(54)	3,919
Lease Assets	37,803	-	-	37,803
	1,359,548	4,467	(825)	1,363,190
Accumulated Depreciation and Amortization	(1,018,869)	(30,550)	825	(1,048,594)
	340,679	(26,083)		314,596
Construction Work-In-Progress	-	-	-	-
Land and Land Rights	171,945	-	-	171,945
Electric Plant, Net	\$ 512,624	\$ (26,083)	\$ -	\$ 486,541

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Construction Work-In-Progress Construction work-in-progress (CWIP) includes the capitalized cost of land, material, equipment, labor, and an allocated portion of general and administrative expenses related to the development of electric plant. In addition, CWIP ultimately includes costs incurred prior to commencement of commercial operations during the test and start-up phase of projects.

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 Other Post-Employment Benefits (OPEB) Liabilities, the Agency expects to recover these items through participant collections using the actuarially calculated amounts due 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, swap termination payment 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 through debt issuance have also been deferred to future years. As of June 30, 2022, and 2021, the Agency had accumulated regulatory assets, net of regulatory credits, of approximately \$96,136,000 and \$117,881,000, respectively.

Investment in Associated Company Effective June 2018, the Agency invested \$265,000 (16.67% 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.

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.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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.

Leases For the purposes of measuring the lease asset and liability, interest expense and amortization expense, the present value of future payments is determined using the interest rate implicit in the lease, if available, or the incremental borrowing rate for the Agency. Any payments made to the lessor at or before the commencement of the lease term would also be included in the measurement of the lease asset, and amortized over the life of the lease. Lease modifications are only remeasured if the remeasurement would result in a material change from the initial or previous measurement. See Note E – Leases.

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 F - 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.

Changes in long-term operating reserves for the year ended June 30, 2022, are as follows:

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022
(in thousands)				
General Operating Reserve	\$ 83,933	\$ 2,564	\$ 13,752	\$ 72,745
CAISO Security & SC Balancing Account	38,473	18,940	16,396	41,017
Capital Development Reserve	18,992	2,526	-	21,518
Power Management Service	1,342	114	-	1,456
Transmission Upgrade & GHG Allowances	252	5,420	4,301	1,371
Special Fund Reserve	1,500	-	-	1,500
	<u>\$ 144,492</u>	<u>\$ 29,564</u>	<u>\$ 34,449</u>	<u>\$ 139,607</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Changes in long-term operating reserves for the year ended June 30, 2021, are as follows:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
	(in thousands)			
General Operating Reserve	\$ 82,488	\$ 6,343	\$ 4,898	\$ 83,933
CAISO Security & SC Balancing Account	30,633	8,253	413	38,473
Capital Development Reserve	17,211	4,649	2,868	18,992
Power Management Service	1,697	1,004	1,359	1,342
Transmission Upgrade & GHG Allowances	218	1,555	1,521	252
Special Fund Reserve	1,500	-	-	1,500
	\$ 133,747	\$ 21,804	\$ 11,059	\$ 144,492

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 2022 and 2021, no amounts were specifically collected for rate stabilization.

The Agency's collection rates for electric service are not subject to the regulatory jurisdiction of the California Public Utilities Commission (CPUC) or FERC. Rather, the Agency's rates are established annually in connection with its budget, which is approved by its governing Commission.

Power, Transmission and Fuel Forward Transactions In the normal course of its business, the Agency is required to manage loads, resources, and energy price risk on behalf of its members. Consequently, the Agency buys and sells power, transmission, and fuel in wholesale markets as required. The Agency does not enter into such agreements solely for trading purposes. All such transactions are normal purchases and sales subject to settlement at the agreed to contract prices for quantities delivered. While authorized to transact forward purchase contracts for terms of up to five years, forward contract purchases at fiscal year ended June 30, 2022 were for periods not greater than three 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 J - 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 D – Fair Value Measurement.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Swaps - The fiscal year 2021 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 were 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. The net mark-to-market value at June 30, 2022 are zero related to the swap termination on May 5, 2022. See Note F – Projects and Related Financing.

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, or laws and regulations of other governments.

Unrestricted - This component consists of net position that does not meet the definition of “net investment in capital assets” or “restricted”. This component includes regulatory assets and credits regardless of the classification of the underlying assets and liabilities.

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, 2022 and 2021 were \$5,678,000 and \$5,363,000, 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 F – 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, 2021; those contributions were expensed in fiscal year 2022.

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 October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish a new term to replace the previous term used by state and local governments. The Statement is effective for the periods ending after December 15, 2021, or fiscal year 2022. The Agency does not prepare Annual Comprehensive Financial Report.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32*. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units, (2) mitigate costs associated with the reporting of certain fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. The Statement is effective for the periods beginning after June 15, 2021, or fiscal year 2022. This standard did not have an impact on the Agency.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objective of the Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The Statement is effective for the periods beginning after June 15, 2021 or fiscal year 2022. This standard did not have an impact on the Agency.

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, 2020 or fiscal year 2022. The Agency did not have any Majority Equity Interest during FY 2022 and FY 2021.

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, 2020 or fiscal year 2022. The Agency did not incur any construction interest during FY 2022 and FY 2021.

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 June 15, 2021 or fiscal year 2022. The Agency implemented the standard effective July 1, 2021 and prior year balances were restated to comply with the standard. See Notes E.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form on December 31, 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The Statement originally is effective for the periods beginning after June 15, 2020, or fiscal year 2021. GASB 93 postponed implementation to periods beginning after June 15, 2021 or fiscal year 2022. The Agency do not currently has any obligations tied to the Interbank Offered Rates.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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Accounting Pronouncements Effective in Future Fiscal Years

- **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 originally is effective for the periods beginning after December 15, 2020, or fiscal year 2022. GASB 95 postponed implementation to periods beginning after December 15, 2021 or fiscal year 2023. The Agency has not determined the effect of the statement.
- **GASB Statement No. 94** – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or non-governmental entity) to provide public services by conveying control of the right to operate or use a non-financial asset, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. The Statement is effective for the periods beginning after June 15, 2022, or fiscal year 2023. The Agency has not determined the effect of the statement.
- **GASB Statement No. 96** – In June 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement:
 1. Defines a SBITA,
 2. Establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability,
 3. Provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and
 4. Requires note disclosure regarding a SBITA.

The Statement is effect for the periods beginning after June 15, 2022, or fiscal year 2023. The Agency has not determined the effect of the statement.

- **GASB Statement No. 99** – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of the Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature. The Agency has not determined the effect of the statement.
- **GASB Statement No. 100** – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The objective of the Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for the periods beginning after June 15, 2023 or fiscal year 2024. The Agency has not determined the effect of the statement.

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- GASB Statement No. 101** – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement is effective for the periods beginning after December 15, 2023 or fiscal year 2025. 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.

Prior Year Restatement As a result of implementing GASB Statement No. 87, *Leases*, certain balances at June 30, 2021 were restated for comparative purpose. The objective of the Statement is to recognize in the Financial Statements certain lease assets and liabilities for leases. The restated amounts for FY 2021 are as follows:

(In thousands)	As Reported - Original	Adjustments	As Reported - Restated
Electric plant in service	\$ 1,497,332	\$ 37,803	\$ 1,535,135
Accumulated depreciation and amortization	(1,048,076)	(518)	(1,048,594)
Current portion of lease liability	-	(567)	(567)
Long term lease liability	-	(36,718)	(36,718)
	\$ 449,256	\$ -	\$ 449,256

Effective July 1, 2021, the Agency modified its methodology on calculating restricted and unrestricted net positions. Regulatory assets and liabilities are deemed to be unrestricted, regardless of the classification of the underlying asset or liability. The restated net position amounts for FY 2021 are as follows:

(In thousands)	As Reported - Original	Adjustments	As Reported - Restated
Investment in capital assets	\$ (25,088)	\$ (84,186)	\$ (109,274)
Restricted	42,444	-	42,444
Unrestricted	10,272	84,186	94,458
	\$ 27,628	\$ -	\$ 27,628

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.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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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 securities owned by, or held on behalf of, the Agency are held by either the Agency's custodian, U.S. Bank Global Custody Services, or its revenue bond trustee, U.S. Bank Trust, N.A.

The Agency's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of the portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk To mitigate the risk that an issuer will not fulfill its obligation to the investment, the Agency limits investments in non-federally secured instruments to those rated, at a minimum, "A" rating category or equivalent for long/medium term notes by a nationally recognized statistical rating organization. Investments in municipal bonds, corporate bonds, and certificates of deposit are limited to the top three ratings issued by nationally recognized statistical rating organizations and all investments must be investment grade. Credit rating ranges and minimum rating requirements for the Agency's investments as of June 30, 2022 are listed below:

Description	Min Rating	Credit Rating	
		Moody's	S&P
U.S. Agencies	N/A	Aaa/NR	AA+/NR
U.S. Treasury	N/A	NR	NR
Municipal Bonds	A	A1/Aaa	A/AAA
Corporate Bonds	A-	A3/Aaa	A-/AAA
Certificates of Deposit	A-	NR	NR
Local Agency Investment Fund	N/A	NR	NR

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.

NOTES TO COMBINED FINANCIAL STATEMENTS

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Capitalization, credit worthiness, experience, reference checks and services offered criteria are evaluated when selecting a custodian.

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of NCPA's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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, 2022 and June 30, 2021.

Concentration of Credit Risk, June 30, 2022

Issuer:	Investment Type	Reported Amount	Percentage of Portfolio
(in thousands)			
Federal Home Loan Bank	Federal Agency	\$23,602	10.4%
Federal Farm Credit Bank	Federal Agency	\$17,690	7.8%

Concentration of Credit Risk, June 30, 2021

Issuer:	Investment Type	Reported Amount	Percentage of Portfolio
(in thousands)			
Federal Farm Credit Bank	Federal Agency	\$30,336	10.9%
Federal Home Loan Bank	Federal Agency	\$18,107	6.5%

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.

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The following tables reflect the carrying and fair values and the weighted average maturity in years for the Agency's investment portfolio for fiscal years ended June 30, 2022 and 2021, respectively.

Investments at June 30, 2022	Carrying Value	Fair Value	Wtd. Avg Maturity (In years)
<u>Description</u>			
	(in thousands)		
U.S. Agencies	\$ 54,860	\$ 50,652	4.22
U.S. Treasury	12,662	12,636	0.56
Municipal Bonds	33,458	31,379	2.99
Corporate Bonds	77,470	72,298	3.29
Certificates of Deposit	750	752	0.51
TOTAL INVESTMENTS	\$ 179,200	\$ 167,717	

Investments at June 30, 2021	Carrying Value	Fair Value	Wtd. Avg Maturity (In years)
<u>Description</u>			
	(in thousands)		
U.S. Agencies	\$ 74,705	\$ 74,490	3.52
U.S. Treasury	7,891	7,891	0.09
Municipal Bonds	29,106	29,262	3.19
Corporate Bonds	74,600	75,736	2.63
Certificates of Deposit	1,500	1,560	1.36
TOTAL INVESTMENTS	\$ 187,802	\$ 188,939	

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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.

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, 2021. 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 Agency's swap advisor categorized the swap's fair value as Level 2 based on its inputs used to perform the measurement.

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.

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The Agency has the following fair value measurements as of June 30, 2022:

	June 30, 2022	Fair Value Using		Significant unobservable inputs (Level 3)
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Investments by fair value level				
Debt Securities				
U.S. Agencies	\$ 50,652	\$ 6,381	\$ 44,271	\$ -
U.S. Treasury	12,636	12,636	-	-
Municipal Bonds	31,379	-	31,379	-
Corporate Bonds	72,298	-	72,298	-
Certificates of Deposit	752	-	752	-
Total debt securities	167,717	19,017	148,700	-
Total investments by fair value level	\$ 167,717	\$ 19,017	\$ 148,700	\$ -

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The Agency has the following fair value measurements as of June 30, 2021:

	Fair Value Using			
	June 30, 2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(in thousands)			
Investments by fair value level				
Debt Securities				
U.S. Agencies	\$ 74,490	\$ 13,811	\$ 60,679	\$ -
U.S. Treasury	7,891	7,891	-	-
Municipal Bonds	29,262	-	29,262	-
Corporate Bonds	75,736	-	75,736	-
Certificates of Deposit	1,560	-	1,560	-
Total debt securities	188,939	21,702	167,237	-
Total investments by fair value level	\$ 188,939	\$ 21,702	\$ 167,237	\$ -
Derivative Instruments by fair value level				
Swap liability instruments	\$ (16,045)	\$ -	\$ (16,045)	\$ -
Total Derivative Instruments by fair value level	\$ (16,045)	\$ -	\$ (16,045)	\$ -

NOTES TO COMBINED FINANCIAL STATEMENTS

**NORTHERN CALIFORNIA POWER AGENCY
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NOTE E – LEASES

The Agency is leasing areas of land for 50 years, starting January 1, 2013. The largest land lease is paid monthly with payments of \$101,534 made in 2022 and payments of \$99,057 made in 2021. Two additional land leases are paid annually in amounts of \$20,310 each for 2022, and \$20,310 and \$12,863 for 2021. The interest rate used for all land leases is the incremental borrowing rate for the Agency of 1.879%. Amortization expense for land leases totaled \$565,924 in 2022 and \$518,492 in 2021. Accumulated amortization for land leases totaled \$1,084,416 million in 2022 and \$518,492 in 2021. Total lease asset amounts at June 30, 2022 are:

South Feather PPA	\$ 61,426,516
Land -	
Lodi Energy Center	37,201,913
Capital Facilities	601,898
	<u>\$ 99,230,327</u>

The Agency has entered a power purchase agreement which is classified as a lease due to the nature of the contract. This lease agreement is for a term of ten years, starting January 1, 2022, with monthly payments of \$560,560 using the incremental borrowing rate for the Agency of 1.879%. Monthly payments are considered to be for the initial monthly generation set out in the contract, with additional generation being purchased by the Agency at a rate of \$33.98 per MWh. Variable payments made pursuant to this lease totaled \$1.6 million in 2022. Amortization expense and accumulated amortization for the lease asset related to the power purchase agreement totaled \$2.8 million in 2022.

	Lease Liabilities		
	Principal	Interest	Total
(in thousands)			
2023	\$ 6,303	\$ 1,713	\$ 8,016
2024	6,424	1,593	8,017
2025	6,551	1,465	8,016
2026	6,676	1,341	8,017
2027	6,793	1,223	8,016
2028-2032	32,549	4,169	36,718
2033-2037	3,842	2,605	6,447
2038-2042	4,220	2,227	6,447
2043-2047	4,626	1,821	6,447
2048-2052	5,059	1,388	6,447
2053-2057	5,557	890	6,447
2058-2062	6,103	344	6,447
2063	639	3	642
	<u>\$ 95,342</u>	<u>\$ 20,782</u>	<u>\$ 116,124</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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NOTE F -- 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 is responsible 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). The project sales agreements also require project participants to step up their respective obligations in the event of a default by another project participant.

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
(in thousands)					
Geothermal Project					
2012 Series A - Original Issue Amount \$12,910 Term, 2.289% due 2023 (direct placement)	2,165	-	1,440	725	725
2016 Series A - Original Issue Amount \$17,530 Term, 1.670% due 2024 (direct placement)	13,340	-	3,250	10,090	3,305
Total Geothermal Project	15,505	-	4,690	10,815	4,030
Hydroelectric Project					
2008 Refunding Series A - Original Issue Amount \$85,160 Term, adjustable rate-weekly reset, due 2033	81,475	-	81,475	-	-
2012 Refunding Series A - Original Issue Amount \$76,665 Serial, 5.00% through 2033	76,665	-	76,665	-	-
2012 Refunding Series B - Original Issue Amount \$7,120 Serial, 4.32% through 2025	7,120	-	-	7,120	-
2018 Refunding Series A – Original Issue Amount \$68,875 Serial, 5.00% through 2025	49,260	-	11,310	37,950	11,850
2019 Refunding Series A - Original Issue Amount \$39,250 Serial, 4.00-5.00% through 2025	30,480	-	8,185	22,295	8,645
2022 Refunding Series A – Original Issue Amount \$120,300 Serial, 5.00% through 2032	-	120,300	-	120,300	-
2022 Refunding Series B – Original Issue Amount \$12,010 Serial, 2.36% through 2027	-	12,010	-	12,010	2,180
Add: Unamortized Premium, net	10,822	25,098	7,100	28,820	-
Total Hydroelectric Project	\$ 255,822	\$ 157,408	\$ 184,735	\$ 228,495	\$ 22,675

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	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
	(in thousands)				
Capital Facilities Project					
2019 Refunding Series A - Original Issue Amount \$39,250					
Serial, 4.00-5.00% through 2025	17,875	-	4,080	13,795	4,365
Add: Unamortized Premium	1,441	-	534	907	-
Total Capital Facilities Project	<u>19,316</u>	<u>-</u>	<u>4,614</u>	<u>14,702</u>	<u>4,365</u>
Lodi Energy Center, Issue One					
2010 Series B (Federally Taxable - Direct Payment Build					
America Bonds) - Original Issue Amount \$176,625					
Term, 7.311% due 2040	176,625	-	-	176,625	-
Lodi Energy Center, Issue Two					
2010 Series B (Federally Taxable - Direct Payment Build					
America Bonds) - Original Issue Amount \$110,225					
Term, 4.63% due 2020	-	-	-	-	-
Term, 5.679% due 2035	99,650	-	5,565	94,085	5,770
Lodi Energy Center, Issue One					
2017 Series A – Original Issue Amount \$38,970					
Serial, 2.70% through 2025 (direct placement)	30,260	-	7,315	22,945	7,475
Total Lodi Energy Center Project	<u>306,535</u>	<u>-</u>	<u>12,880</u>	<u>293,655</u>	<u>13,245</u>
Total Long-Term Debt, Net	<u>\$ 597,178</u>	<u>\$ 157,408</u>	<u>\$ 206,919</u>	<u>\$ 547,667</u>	<u>\$ 44,315</u>

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Debt service requirements for each of the next five years and in five-year cumulative increments thereafter as of June 30, 2022:

	Revenue Bonds		Notes from Direct Placements		Total
	Principal	Interest	Principal	Interest	
	(in thousands)				
2023	\$ 32,810	\$ 23,657	\$ 11,505	\$ 714	\$ 68,686
2024	37,875	26,821	11,005	464	76,165
2025	38,440	24,935	11,250	235	74,860
2026	27,200	23,217	-	-	50,417
2027	28,410	21,685	-	-	50,095
2028-2032	163,035	82,154	-	-	245,189
2033-2037	110,630	35,117	-	-	145,747
2038-2042	45,780	6,798	-	-	52,578
Add: Unamortized Bond Premium	29,725	-	-	-	29,725
	<u>\$ 513,905</u>	<u>\$ 244,384</u>	<u>\$ 33,760</u>	<u>\$ 1,414</u>	<u>\$ 793,462</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, 2022, are as follows:

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022	Due Within One Year
	(in thousands)				
Revenue bonds	\$ 539,150	\$ 132,310	\$ 184,030	\$ 484,180	\$ 32,810
Notes from direct placements	45,765	-	12,005	33,760	11,505
Add: Unamortized Premium, net	12,263	25,095	10,884	29,724	-
Total	<u>\$ 597,178</u>	<u>\$ 157,405</u>	<u>\$ 206,919</u>	<u>\$ 547,664</u>	<u>\$ 44,315</u>

Changes in long-term debt obligations for the year ended June 30, 2021, are as follows:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Due Within One Year
	(in thousands)				
Revenue bonds	\$ 567,815	\$ -	\$ 28,665	\$ 539,150	\$ 31,395
Notes from direct placements	57,510	-	11,745	45,765	12,005
Add: Unamortized Premium, net	15,721	-	3,458	12,263	-
Total	<u>\$ 641,046</u>	<u>\$ -</u>	<u>\$ 43,868</u>	<u>\$ 597,178</u>	<u>\$ 43,400</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

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The Agency's outstanding notes from direct placements of \$33,760,000 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-."

The Agency's outstanding revenue bonds of \$484,180,000 contain provisions that in the event of a participant default, the project entitlement percentage of each non-defaulting project participant will increase on a prorated basis up to a maximum of 25% for Hydroelectric, Geothermal and Capital Facilities projects and 35% for Lodi Energy Center project.

Redemption Provisions As set forth in the bond indentures, the term bonds are subject to redemption prior to maturity in varying amounts at specific dates. At the option of the Agency, the bonds are also subject to early redemption at specific redemption prices and dates.

Defeased Debt Various bond refundings were undertaken to defease debt and realize future debt service savings. Debt was defeased by using the proceeds of the refunding issues and other available monies to irrevocably place in trust cash and U.S. Government Securities, which together with interest earned thereon, will be sufficient to pay both the interest and the appropriate maturity or redemption value of the refunded bonds as required. Detailed information about the refunding transactions follow.

On April 5, 2022, the Agency issued Hydroelectric Project Number One Revenue Bonds, 2022 Refunding Series A in the amount of \$120,300,000 with an average interest rate of 5.00% to refund Hydroelectric Project Number One Revenue Bond, 2012 Refunding Series A and Hydroelectric Project Number One Revenue Bond, 2008 Refunding Series A. NCPA also issued Hydroelectric Project Number One Revenue Bonds 2022 Refunding Series B in the amount of \$12,010,000 with an average interest rate of 2.36% to terminate the variable rate swap. The refunding was completed through the issuance of \$132,310,000 fixed rate debt (2022 Series A and B) with an average interest rate of 4.91% with varying principal maturities ranging from a total of \$1,770,000 to \$21,370,000 through July 1, 2032. The cash flows of the refunded debt was \$203.8 million, and the cash flows for the refunding debt is \$189.1 million for a net decrease in project debt service of \$14.7 million over the next 10 years, which results in an estimated economic gain to the Agency of approximately \$12.25 million.

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 outstanding 2008 Series A Bonds were redeemed in full in the amount of \$79,220,000 on May 5, 2022. The outstanding 2012 Series A Bonds were redeemed in full in the amount of \$76,665,000 on July 1, 2022.

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

		2022	2021
		(in thousands)	
Hydroelectric:	Project No. One, 1985 Series A	\$ -	\$ 12,150
	Project No. One, 1986 Series A	-	31,360
	Project No. One, 2012 Series A	76,665	-
		76,665	43,510
	Total Defeased Debt Outstanding	\$ 76,665	\$ 43,510

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The Hydroelectric Project No. One 1985 Series A and 1986 Series A Bonds were redeemed in full in the amounts of \$12,150,000 and \$31,360,000, respectively, on July 1, 2021.

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.

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 30, 2019, the Agency terminated the 2008 Hydroelectric, Series B swap with Citigroup, and on May 14, the outstanding principal of \$910,000 on the 2008 Hydroelectric, Series B bonds was called for redemption. On June 24, 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 remaining swap for the 2008 Hydroelectric Refunding Series A (\$85,160,000) was 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 was a derivative instrument and carried additional risks, the Agency's swap policy and favorable negotiations helped to reduce such risks.

On May 5, 2022, the Agency redeemed the outstanding 2008 Hydroelectric Refunding Series A variable rate bonds with proceeds from the 2022 Hydroelectric Refunding Series A fixed rate bonds. In conjunction with this redemption, NCPA terminated the remaining 2008 Hydroelectric Refunding Series A swap with Citigroup and made a swap termination payment fee of \$11,928,000. The termination fee payment was funded with proceeds from the 2022 Hydroelectric Refunding Series B fixed rate bonds in addition to \$630,322 paid directly by NCPA from the Hydroelectric Project revenue account. Concurrently, NCPA terminated the Letter of Credit with Bank of America.

The payment of principal and interest on the outstanding 2008 Hydroelectric Refunding Series A (\$85,160,000) bonds were not covered by any financial guaranty insurance policies. The 2008 Hydroelectric Refunding and the associated interest rate swaps were estimated to reduce project debt service by \$11.8 million over the life of the debt providing the Agency with an estimated economic gain (difference between the present values of the old and new debt service

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payments) of approximately \$5.9 million. The actual total savings at the time of the variable rate bond redemption and the termination of the swap and letter of credit was \$14,300,000.

The Agency deferred the loss on the swap termination and recorded \$11,928,000 in deferred outflows that will be amortized over the ten-year life of the 2022 Hydroelectric Refunding Series B fixed rate bonds when the amounts will be recovered through rates.

The swap information for the period ending June 30, 2021 is as follows:

<u>Associated Interest Rate Swaps starting April 2, 2008</u>	2008 Hydroelectric Refunding Revenue Bonds Forward Starting Swap	
	Series A	
Counterparty to Interest Rate Swap	Citigroup Financial Products Inc.	
Notional Value of Interest Rate Swap	\$ 81,475,000	
Fair Value--Due from (to) Counterparty	\$(16,044,959)	
Credit Downgrade Required Collateral Posting:		
For Counterparty, Fair Value Above	\$10 million	
If S&P or Moody's Credit Rating falls to	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	
If S&P or Moody's Credit Rating falls to	A+/A1	
Termination Date	July 1, 2032	
	Terms	Rates
Payments to (from) Counterparty	Fixed	3.819 %
Variable Payments (from) to Counterparty	54% LIBOR+.54%*	(0.62)%
Net Interest Rate Swap Payments		3.197 %
Variable-Rate Bond Payments	SIFMA**	0.072 %
Effective Interest Rate on Bonds		3.268%

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)

As noted, the swap was terminated on May 5, 2022 and as a result, there was no remaining notional value or fair value due from (to) the counterparty at June 30, 2022.

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Changes in interest rate swap liability for the year ended June 30, 2022, are as follows:

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022
	(in thousands)			
Interest rate swap liability	\$ 16,045	\$ -	\$ 16,045	\$ -

Changes in interest rate swap liability for the year ended June 30, 2021, are as follows:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
	(in thousands)			
Interest rate swap liability	\$ 18,968	\$ -	\$ 2,923	\$ 16,045

The total fair value of outstanding swap instruments was a net liability of \$0 and \$16,045,000 at June 30, 2022 and June 30, 2021, respectively. The amount for June 30, 2021 was reported as a non-current liability. The interest rate swaps beginning in FY 2013 were both ineffective hedges and considered investment derivative instruments. The change in fair value was \$16.0 million and \$2.9 million for years ended June 30, 2022 and 2021, respectively and are recorded net of 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 \$1.9 million and \$2.6 million, which is recorded as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position for FY 2022 and FY 2021, respectively. The value of the swaps noted above reflects the estimated fair value of the swaps at June 30, 2021 as determined by the Agency's financial advisor and a zero balance at June 30, 2022 resulting from the May 5, 2022 swap termination.

To mitigate the potential for credit risk, the swap counterparties were required by the agreement to post collateral should the fair value exceed certain thresholds as shown above. At June 30, 2021, credit ratings of the counterparties to the swaps were as follows:

Swap Counterparty & Agency's Insurer	Standard & Poor's	Moody's
Citigroup Financial Products Inc.	A+	Aa3
National Public Finance Guarantee formerly MBIA (the Agency's insurer)	NR	Baa2

As a result of the swap termination and the refunding of the variable rate debt with fixed rate debt, the Agency eliminated the basis, interest rate, market access, and credit risks.

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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 allowed the swap to be terminated by the Agency if the counterparty's credit rating fell below A- by Standard & Poor's or A3 by Moody's. If a swap was terminated, the applicable bonds would no longer carry a synthetic fixed interest rate. In addition, because the swap had a negative fair value at the time of the termination, the Agency was required to pay the counterparty the negative fair value of \$11,928,000.

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.

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 5.7% in 2022 and 2021 due to federal government budget sequestration. Such payments may continue to be affected by sequestrations.

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NOTE G – 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.

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.

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 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, 2022 and 2021 are \$69,316,000 and \$67,784,000, respectively. The annual retirement expense for years ended June 30, 2022 and 2021 are \$1,659,534 and \$1,619,214, respectively.

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NCPA has been collecting monies to pay the expected decommissioning costs since 2007 and holds \$26.4 million in a designated reserve for such purpose as of June 30, 2022. 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.

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 Energy 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).

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The estimated retirement obligation costs for the LEC well plugging is \$192,330 with an annual retirement obligation expense of \$8,465 for year ended June 30, 2022. The estimated retirement obligation costs for the LEC well plugging is \$187,491 with an annual retirement obligation expense of \$8,210 for year ended June 30, 2021. The estimated retirement obligation costs for the Capital Facilities Project well plugging is \$168,976 with an annual retirement obligation expense of \$7,437 for year ended June 30, 2022. The estimated retirement obligation costs for the Capital Facilities Project well plugging is \$164,724 with an annual retirement obligation expense of \$7,213 for year ended June 30, 2021.

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 H -- RETIREMENT PLAN

General Information about the Pension Plans

Plan Descriptions The Agency provides a defined benefit retirement plan to all eligible employees under the Public Employees' Retirement System (PERS). The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. In 2012, the Public Employees' Pension Reform Act (PEPRA) became law that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA. Employees hired prior to January 1, 2013, and those new employees not meeting the PEPRA definition of new member, are considered classic members.

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The Plans' provisions and benefits in effect at June 30, 2022 and 2021, are summarized as follows:

Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 full-time years	5 full-time years
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	60 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	35.227%	35.227%

Employees Covered – At June 30, 2022 and 2021, the following employees were covered by the benefit terms for each Plan:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	163	155
Inactive employees entitled to but not yet receiving benefits	16	16
Active employees	159	152
Total	338	323

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, 2021 and 2020 (the measurement dates), the average active employee contribution rates were 7.022% and 9.434%, respectively, of annual pay and the Agency's contribution rates are 49.145% and 40.970%, respectively, of annual payroll. Employer contribution rates may change if plan contracts are amended.

Net Pension Liability - The Agency's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured at 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.

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Actuarial Assumptions - The total pension liabilities as of June 30, 2022 and 2021 were determined using the following actuarial assumptions:

	2022	2021
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.150%	7.150%
Inflation	2.5%	2.625%
Payroll Growth	2.75%	2.875%
Projected Salary Increase	2.75%-8.50% (1)	2.75%-8.50% (1)
Investment Rate of Return	7.000% (2)	7.250% (2)
Mortality	(3)	(3)

(1) Depending on age and service.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.15% 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 7.00% 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 7.15%. For the measurement year ended June 30, 2021 and 2020, 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 %

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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.

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.

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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, 2021:

Asset Class	Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	50.00%	4.80%	5.98%
Private Equity	8.00%	6.30%	7.23%
Fixed Income	28.00%	1.00%	2.62%
Liquidity	1.00%	0.00%	-0.92%
Real Estate	13.00%	3.75%	4.93%
Inflation Assets	0.00%	0.77%	1.81%

¹ An expected inflation of 2.0% used for this period

² An expected inflation of 2.9% used for this period

For measurement period ending June 30, 2020:

Asset Class	Strategic Allocation	Real Return Years 1-10 ³	Real Return Years 11+ ⁴
Global Equity	50.00%	4.80%	5.98%
Private Equity	8.00%	6.30%	7.23%
Fixed Income	28.00%	1.00%	2.62%
Liquidity	1.00%	0.00%	-0.92%
Real Estate	13.00%	3.75%	4.93%
Inflation Assets	0.00%	0.77%	1.81%

³ An expected inflation of 2.0% used for this period

⁴ An expected inflation of 2.9% 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, 2022 AND 2021

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)
Balance at June 30, 2020	\$ 178,863,628	\$ 116,171,774	\$ 62,691,854
Service cost incurred	3,711,215	-	3,711,215
Interest on total pension liability	12,712,760	-	12,712,760
Differences between actual and expected experience	1,671,523	-	1,671,523
Change in assumption	-	-	-
Change in benefits	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions – employer	-	11,158,575	(11,158,575)
Contributions – employee	-	1,594,388	(1,594,388)
Net investment income`	-	26,174,998	(26,174,998)
Differences between projected and actual earnings on plan investments	-	-	-
Benefit payments	(9,179,829)	(9,179,829)	-
Administrative expense	-	(116,049)	116,049
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	8,915,669	29,632,083	(20,716,414)
Balance at June 30, 2021	\$ 187,779,297	\$ 145,803,857	\$ 41,975,440

NOTES TO COMBINED FINANCIAL STATEMENTS

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Description	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019	\$ 169,590,988	\$ 108,609,501	\$ 60,981,487
Service cost incurred	3,605,566	-	3,605,566
Interest on total pension liability	12,102,589	-	12,102,589
Differences between actual and expected experience	2,181,919	-	2,181,919
Change in assumption	-	-	-
Change in benefits	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions – employer	-	8,878,939	(8,878,939)
Contributions – employee	-	2,044,537	(2,044,537)
Net investment income`	-	5,409,344	(5,409,344)
Differences between projected and actual earnings on plan investments	-	-	-
Benefit payments	(8,617,434)	(8,617,434)	-
Administrative expense	-	(153,113)	153,113
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	9,272,640	7,562,273	1,710,367
Balance at June 30, 2020	\$ 178,863,628	\$ 116,171,774	\$ 62,691,854

NOTES TO COMBINED FINANCIAL STATEMENTS

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 2022 and 2021) or 1-percentage point higher (8.15% for 2022 and 2021) than the current rate:

2022	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 65,648,144	\$ 41,975,440	\$ 22,229,985

2021	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 85,549,969	\$ 62,691,854	\$ 43,654,455

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

For the years ending June 30, 2022 and 2021, the Agency incurred pension expense of \$2,933,271 and \$8,355,692, respectively. At June 30, 2022 and 2021, the Agency has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,491,683	\$ -
Changes in assumptions	-	(119,567)
Differences between actual and expected experience	2,711,522	-
Net differences between projected and actual earnings on plan investments	-	(12,767,264)
Total	\$ 12,203,205	\$ (12,886,831)

2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,158,004	\$ -
Changes in assumptions	-	(1,315,245)
Differences between actual and expected experience	2,542,860	(86,936)
Net differences between projected and actual earnings on plan investments	1,175,122	-
Total	\$ 14,875,986	\$ (1,402,181)

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Pension contributions subsequent to measurement date of \$9,491,683 and \$11,158,004 reported as deferred outflows of resources for years ending June 30, 2022 and 2021, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023 and 2022, respectively.

For reporting year ended June 30, 2022, amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ (1,865,648)
2023	(2,061,421)
2024	(2,691,877)
2025	(3,556,363)
2026	-
Thereafter	-
Total	<u>\$ (10,175,309)</u>

Payable to the Pension Plan At June 30, 2022 and 2021 the Agency did not have an outstanding amount of contributions payable to the pension plan required for the years ended.

NOTE I -- 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 22 years remaining as of the measurement date of June 30, 2021.

NOTES TO COMBINED FINANCIAL STATEMENTS

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Summary of certain plan provisions and benefits in effect during fiscal year ended June 30, 2021:

Required service for eligibility	Pre-1/1/2009 Hires, 5 full-time years On or After 1/1/2009 Hires, 5 full-time years and 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 On or After 1/1/2009 Hires, 50% at 10 years; 5%/year up to 100% at 20 years
Maximum monthly benefit	Hired pre-1/1/2019, 90% of Kaiser Family rate for the Sacramento area (Region 1). For Hydroelectric and Geothermal based employees, their cap is increased by \$75. Hired 1/1/2019 and later, capped at 100% of Kaiser Senior Advantage rate for Sacramento area (Region 1). For Geothermal based employees where the Kaiser plan is not available, their cap is increased by \$75.

Employees Covered – At June 30, 2022 and 2021, the following employees were covered by the benefit terms for each Plan:

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	159	148
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	<u>159</u>	<u>150</u>
Total	<u>318</u>	<u>298</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, 2021 actuarial valuation (rollforward to June 30, 2022) 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, 2022, the Agency had 159 active eligible employees and 159 retirees drawing benefits under this program.

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, 2021 actuarial valuation using the entry age normal actuarial cost method. The primary actuarial assumptions included: valuation using the Entry Age Normal Cost Method, 6.00% annual discount rate, payroll growth of 2.80% to 8.08%, 2.75% inflation, and maximum employer contribution increases derived from the Getzen Model for developing long-term health care cost trends.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 100% of the CalPERS Kaiser Senior Advantage rate for Sacramento area (Region 1); Tier 1 and Tier 2 employees are eligible for Agency payment of 90% of the CalPERS Kaiser Family Rate for Sacramento area. The change was included in the fiscal year 2020 actuarial valuation rollforward and will reduce NCPA's OPEB liability on a going forward basis as the Agency hires future employees.

Net OPEB Liability (Asset) 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 (asset) follows.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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Actuarial Assumptions The total OPEB assets/liabilities as of June 30, 2022 and 2021 are determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Valuation Date	June 30, 2021	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	6.00%	6.75%
Inflation	2.80%	2.75%
Payroll Growth	2.80%-8.08%	3.52%-9.27%
Projected Salary Increase	Varies (1)	Varies (1)
Investment Rate of Return	6.00% (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 2020 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 trends. 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 was assessed again in calendar year 2021.

Discount Rate The discount rate used to measure the total OPEB liability was 6.00%. 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):

NOTES TO COMBINED FINANCIAL STATEMENTS

**NORTHERN CALIFORNIA POWER AGENCY
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For measurement period ending June 30, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.00%	8.96%
US Fixed Income	43.00%	4.61%
Treasury Inflation-Protected Securities	5.00%	3.36%
Real Estate Investment Trusts	8.00%	8.49%
Commodities	4.00%	4.23%

For measurement period ending June 30, 2020:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	59.00%	8.15%
US Fixed Income	25.00%	6.38%
Treasury Inflation-Protected Securities	5.00%	3.72%
Real Estate Investment Trusts	8.00%	7.77%
Commodities	3.00%	5.32%

Changes in the Net OPEB Liability (Asset)

Description	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2020	\$ 38,821,039	\$ 38,553,585	\$ 267,454
Service cost incurred	994,705	-	994,705
Interest on total OPEB liability	2,618,181	-	2,618,181
Differences between actual and expected experience	(3,011,160)	-	(3,011,160)
Change in assumption	(52,374)	-	(52,374)
Change in benefits	-	-	-
Contributions – employer	-	1,890,942	(1,890,942)
Contributions – employee	-	-	-
Net investment income	-	10,804,119	(10,084,119)
Differences between projected and actual earnings on plan investments	-	-	-
Benefit payments	(2,089,871)	(2,089,871)	-
Administrative expense	-	(14,901)	14,901
Net changes	(1,540,519)	10,590,289	(12,130,808)
	\$		
Balance at June 30, 2021	\$ 37,280,520	\$ 49,143,874	(11,863,354)

NOTES TO COMBINED FINANCIAL STATEMENTS

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Description	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2019	\$ 37,441,896	\$ 35,420,034	\$ 2,021,862
Service cost incurred	931,808	-	931,808
Interest on total OPEB liability	2,521,369	-	2,521,369
Differences between actual and expected experience	-	-	-
Change in assumption	-	-	-
Change in benefits	-	-	-
Contributions – employer	-	3,913,580	(3,913,580)
Contributions – employee	-	-	-
Net investment income	-	1,311,739	(1,311,739)
Differences between projected and actual earnings on plan investments	-	-	-
Benefit payments	(2,074,034)	(2,074,034)	-
Administrative expense	-	(17,734)	17,734
Net changes	1,379,143	3,133,551	(1,754,408)
Balance at June 30, 2020	\$ 38,821,039	\$ 38,553,585	\$ 267,454

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Plan, calculated using the discount rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current rate:

	Discount Rate – 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
2022			
Plan's Net OPEB Liability (Asset)	\$ (7,639,580)	\$ (11,863,354)	\$ (15,405,413)
2021			
Plan's Net OPEB Liability (Asset)	\$ 4,826,347	\$ 267,454	\$ (3,528,870)

NOTES TO COMBINED FINANCIAL STATEMENTS

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Sensitivity of the net OPEB liability (Asset) to changes in the healthcare cost trend rates.

The following presents the net OPEB liability (asset) of the Plan, as well as what the Plan's net OPEB liability (asset) 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:

	Healthcare Costs Trend Rate – 1%	Current Healthcare Costs Trend Rate	Healthcare Costs Trend Rate + 1%
2022			
Plan's Net OPEB Liability (Asset)	\$ (15,900,353)	\$ (11,863,354)	\$ (6,972,213)
	Healthcare Costs Trend Rate – 1%	Current Healthcare Costs Trend Rate	Healthcare Costs Trend Rate + 1%
2021			
Plan's Net OPEB Liability (Asset)	\$ (4,307,488)	\$ 267,454	\$ 5,846,948

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

For the year ending June 30, 2022 and 2021, the Agency incurred OPEB expense of \$(858,478) and \$986,621, respectively. At June 30, 2022 and 2021, the Agency has deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
OPEB contributions subsequent to measurement date	\$ 1,758,163	\$ -
Differences between actual and expected experience	-	(2,807,151)
Changes in assumptions	180,006	(42,746)
Net differences between projected and actual earnings on plan investments	-	(4,212,864)
Total	\$ 1,938,169	\$ (7,062,761)
	Deferred Outflows of Resources	Deferred Inflows of Resources
2021		
OPEB contributions subsequent to measurement date	\$ 1,939,713	\$ -
Differences between actual and expected experience	-	(524,269)
Changes in assumptions	270,010	-
Net differences between projected and actual earnings on plan investments	1,013,052	(260,155)
Total	\$ 3,222,775	\$ (784,424)

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

Measurement Period Ended June 30, 2022:	Deferred Outflows/(Inflows) of Resources
2023	\$ (1,664,925)
2024	(1,614,685)
2025	(1,563,722)
2026	(1,791,639)
Thereafter	(247,784)
Total	\$ (6,882,755)

Payable to the OPEB Plan At June 30, 2022 and 2021, 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.

NOTE J -- COMMITMENTS AND CONTINGENCIES

Power Purchase Contracts The Agency had commitments of approximately \$48.6 million in connection with various power purchase contracts as of June 30, 2022. The contracts, extending through November 2041, 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.

Some of these power purchase contracts include Renewable Energy Certificates (RECs) which are qualified by Western Renewable Energy Generation Information Systems (WREGIS) and used to meet California's Renewable Energy Portfolio. Generation from solar, wind, geothermal and certain sized hydroelectric units receive RECs for each MWh of renewable generation. Excess RECs may be sold in the California compliance market. At June 30, 2022, negotiated REC prices range from \$11 to \$16 per REC.

Resource Adequacy Contracts The Agency had commitments of approximately \$2.8 million in connection with various resource adequacy capacity contracts as of June 30, 2022. The contracts, extending through November 2041, 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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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 \$884,000. 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 \$6.3 million of gas purchase commitments at June 30, 2022. The commitments, extending through December 2024, 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 4.05% 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.

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.

The California Parties have completed the process of reconciling the amounts recorded on the ISO and PX books with all the settlements entered into by the California Parties (including the settlement with NCPA). In their April 22, 2020 filing, the California Parties asserted that no adjustments were needed for NCPA to account for the differences between the interest owed and interest actually collected on certain escrow accounts. FERC accepted the California Parties' April

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

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2020 filing. Those FERC orders are now final and unappealable. However, other issues related to the 2000-2001 period remain pending on appeal, the outcomes of which could theoretically impact the settlement reconciliation that FERC accepted.

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

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

The Agency’s Lodi Energy Center gas plant, Steam Injected Gas Turbine gas plant and electricity imports (purchased power) are subject to the compliance rules established by CARB for the cap-and-trade program. As such, the Agency acquires sufficient compliance instruments to cover its compliance obligations or receives transfers of required compliance instruments from its project participants. At June 30, 2022, the Agency had cumulative compliance obligations of 651,706 MT with 1,129,262 MT of acquired allowances to meet its compliance obligations. At June 30, 2021, the Agency had cumulative compliance obligations of 1,210,065 MT with 1,366,031 MT of acquired allowances to meet its compliance obligations..

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 requirements, 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 and Sonoma Counties, 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

NOTES TO COMBINED FINANCIAL STATEMENTS

NORTHERN CALIFORNIA POWER AGENCY AND ASSOCIATED POWER CORPORATIONS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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. The Agency collected a total of \$477,164 in public assistance grants between fiscal years 2016 and 2022, and this project is in the project-close-out process. NCPA recorded \$186,964 in other non-operating revenue during fiscal year 2022.

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. To date the Agency has collected \$109,500 in public assistance grants and this project is in the project-close-out process. NCPA will record additional proceeds in other non-operating revenue in the fiscal year in which they are received.

In December 2019, a novel (new) coronavirus known as SARS.CoV-2 (COVID-19) was detected in Wuhan, China, causing outbreaks that have spread globally. The Secretary of Health and Human Services (HHS) declared a public health emergency on January 31, 2020. The Federal Government, along with State and local governments, has taken preventive and proactive measures to slow the spread of COVID-19, treat those affected, and accelerate the acquisition of personal protective equipment. On March 13, 2020, a Presidential National Emergency Declaration was issued including Public Assistance. In accordance with Section 502 of the Stafford Act, eligible emergency protective measures taken to respond to the COVID-19 emergency at the direction or guidance of the public health officials' may be reimbursed under Category B of Federal Emergency Management Agency's (FEMA) Public Assistance program. The Agency implemented certain procedures to mitigate the spread of COVID-19 in accordance with recommendations by the Centers for Disease Control and Prevention (CDC) and the Placer County Health Department. The Agency has filed a claim to recover costs associated with these new procedures. As of June 30, 2022, the claim remained active with no disbursements received from FEMA.

Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, errors and omissions, cyber security attacks, and employees' on-the-job injuries. These risks are covered through the purchase of property, commercial, cyber liability, directors and officers, and worker's compensation insurance, with minimal deductibles. Settled claims with insurers have not exceeded the commercial liability limits in the past three years. Multiple catastrophic California wildfires that occurred over the last several years have had a significant impact on the liability insurance market in California. In addition, some insurers have left the market entirely, while others have reduced capacities and/or excluded wildfire coverage altogether. As a result, the Agency experienced upward price pressure for liability coverage during FY 2022. Wildfire liability insurance coverage limits remained the same at \$35.0 million while premiums increased by 9.5%.

NCPA contracted Property insurance with a new insurer for fiscal year 2022 who places emphasis on engineering for resilience and focuses on working with their clients to prevent losses before they occur. Working with the insurer, the Agency is implementing some additional risk mitigation measures at the generating plants. NCPA signed a two-year rate lock extending to 2023. This switch reduced the annual premium by 36.6% while increasing overall policy limits and coverages. The Agency also initiated a new cyber security liability insurance program to protect the Agency from ransomware and cyber-attacks.

In compliance with Senate Bill 901, the Agency has developed and implemented a Wildfire Risk Mitigation Plan at the Geothermal and Hydroelectric Plants to utilize proactive measures to prevent or limit fires and resulting damages before they occur.

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 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Total Pension Liability								
Service cost	\$ 3,711,215	\$ 3,605,566	\$ 3,521,688	\$ 3,511,108	\$ 3,548,776	\$ 3,152,017	\$ 3,256,167	\$ 3,220,329
Interest on total pension liability	12,712,760	12,102,589	11,463,532	10,837,217	10,678,090	10,328,232	9,734,270	9,285,364
Differences between expected and actual experience	1,671,523	2,181,919	1,919,478	(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	(9,179,829)	(8,617,434)	(7,925,026)	(7,101,870)	(6,410,415)	(5,988,393)	(5,522,982)	(5,059,144)
Net change in total pension liability	8,915,669	9,272,640	8,979,672	2,020,138	14,671,560	8,073,395	3,675,405	7,446,549
Total pension liability - beginning	178,863,628	169,590,988	160,611,316	158,591,178	143,919,618	135,846,223	132,170,818	124,724,269
Total pension liability - ending (a)	\$ 187,779,297	\$ 178,863,628	\$ 169,590,988	\$ 160,611,316	\$ 158,591,178	\$ 143,919,618	\$ 135,846,223	\$ 132,170,818
Plan fiduciary net position								
Contributions - employer	\$ 11,158,575	\$ 8,878,939	\$ 8,704,519	\$ 7,769,425	\$ 6,752,236	\$ 5,406,928	\$ 5,584,985	\$ 5,507,642
Contributions - employee	1,594,388	2,044,537	1,826,209	1,532,206	1,556,483	1,453,722	1,433,343	1,410,488
Net investment income	26,174,998	5,409,344	6,536,424	7,654,116	8,979,321	434,144	1,754,108	10,868,237
Benefit payments	(9,179,829)	(8,617,434)	(7,925,026)	(7,101,870)	(6,410,415)	(5,988,393)	(5,522,982)	(5,059,144)
Administrative and other expense	(116,049)	(153,113)	(70,807)	(407,211)	(117,127)	(47,581)	(87,934)	-
Net change in plan fiduciary net position	29,632,083	7,562,273	9,071,319	9,446,666	10,760,498	1,258,820	3,161,520	12,727,223
Plan fiduciary net position - beginning	116,171,774	108,609,501	99,538,182	90,091,182	79,331,018	78,072,198	74,910,678	62,183,455
Plan fiduciary net position - ending (b)	\$ 145,803,857	\$ 116,171,774	\$ 108,609,501	\$ 99,538,182	\$ 90,091,516	\$ 79,331,018	\$ 78,072,198	\$ 74,910,678
Net pension liability - ending (a)-(b)	\$ 41,975,440	\$ 62,691,854	\$ 60,981,487	\$ 61,073,134	\$ 68,499,662	\$ 64,588,600	\$ 57,774,025	\$ 57,260,140
Plan fiduciary net position as a percentage of the total pension liability	77.65%	64.95%	64.04%	61.97%	56.81%	55.12%	57.47%	56.68%
Covered - employee payroll	\$ 21,158,583	\$ 20,008,691	\$ 20,379,246	\$ 19,045,878	\$ 18,573,174	\$ 18,121,290	\$ 18,365,293	\$ 17,596,462
Net pension liability as percentage of covered-employee payroll	198.38%	313.32%	318.60%	320.66%	368.81%	356.42%	314.58%	325.41%

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

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, 2021. This applies for voluntary benefit changes as well as any offers to Two Years Additional Service Credit (aka Golden Handshakes).

Changes in assumptions In 2022, CalPERS reduced the inflation from 2.625% to 2.50% and reduced the payroll growth rate from 2.875% to 2.75%. CalPERS also reduced the investment rate of return from 7.25% to 7.00%. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. 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 seven years are shown.

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

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

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Actuarially Determined Contribution	\$ 7,847,070	\$ 7,437,021	\$ 6,839,592	\$ 6,837,159	\$ 6,263,130	\$ 5,715,970	\$ 5,406,928	\$ 5,065,861
Contributions in Relation to the Actuarially Determined Contribution	(11,158,575)	(8,878,939)	(8,704,519)	(8,703,934)	(7,769,768)	(6,752,236)	(5,406,928)	(5,584,985)
Contribution Deficiency (Excess)	\$ (3,311,505)	\$ (1,441,918)	\$ (1,864,927)	\$ (1,866,775)	\$ (1,506,638)	\$ (1,036,266)	\$ -	\$ (519,124)
Covered-Employee Payroll ¹	\$ 21,158,583	\$ 20,008,691	\$ 19,140,650	\$ 20,379,246	\$ 19,045,878	\$ 18,573,174	\$ 18,121,290	\$ 18,365,293
Contributions as a Percentage of Covered-Employee Payroll ¹	52.74%	44.38%	45.48%	42.71%	40.79%	36.35%	29.84%	30.41%

¹Covered-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 eight 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 *

	FY2021	FY2020	FY 2019	FY 2018	FY 2017
Total OPEB Liability (Asset)					
Service cost	\$ 994,705	\$ 931,808	\$ 1,036,513	\$ 970,972	\$ 909,576
Interest on total OPEB liability	2,618,181	2,521,369	2,456,709	2,354,734	2,256,395
Differences between expected and actual experience	(3,011,160)	-	(873,781)	-	-
Changes in assumptions	(52,374)	-	450,018	-	-
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,089,871)	(2,074,034)	(1,941,780)	(1,821,195)	(1,721,416)
Net change in total OPEB liability	(1,540,519)	1,379,143	1,127,679	1,504,511	1,444,555
Total OPEB liability - beginning	38,821,039	37,441,896	36,314,217	34,809,706	33,365,151
Total OPEB liability - ending (a)	37,280,520	\$ 38,821,039	\$ 37,441,896	\$ 36,314,217	\$ 34,809,706
Plan fiduciary net position					
Contributions - employer	\$ 1,890,942	\$ 3,913,580	\$ 4,094,854	\$ 3,642,455	\$ 3,914,644
Contributions - employee	-	-	-	-	-
Net investment income	10,804,119	1,311,739	2,012,435	2,147,351	2,390,569
Benefit payments	(2,089,871)	(2,074,034)	(1,941,780)	(1,821,195)	(1,721,416)
Administrative expense	(14,901)	(17,734)	(6,837)	(14,755)	(11,683)
Net change in plan fiduciary net position	10,590,289	3,133,551	4,158,672	3,953,856	4,572,114
Plan fiduciary net position - beginning	38,553,585	35,420,034	31,261,362	27,307,506	22,735,392
Plan fiduciary net position - ending (b)	49,143,874	\$ 38,553,585	\$ 35,420,034	\$ 31,261,362	\$ 27,307,506
Net OPEB liability (asset) - ending (a)-(b)	(11,863,354)	\$ 267,454	\$ 2,021,862	\$ 5,052,855	\$ 7,502,200
Plan fiduciary net position as a percentage of the total OPEB liability	131.82%	99.31%	94.60%	86.09%	78.45%
Covered - employee payroll	\$ 22,705,335	\$ 21,671,909	\$ 20,379,246	\$ 19,556,204	\$ 18,573,174
Net OPEB liability as percentage of covered-employee payroll	-52.25%	1.23%	9.92%	25.84%	40.39%

Notes to Schedule:

Benefit changes The benefit payments for FY 2021, FY 2020, FY 2019 and FY 2018 consist of pay-as-you-go cost of \$1,719,565, \$1,653,682, \$1,521,428, and \$1,426,947, respectively, plus estimated implicit rate subsidy of \$370,306, \$420,352, \$420,352, and \$394,248, respectively.

Changes in assumptions NCPA funds, at minimum, the Actuarially Determined Contribution to the OPEB fund. During measurement period ending June 30, 2021, discount rate decreased from 6.75% to 6.00%. 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 five 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 *

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 1,043,000	\$ 1,718,290	\$ 1,300,000	\$ 1,676,000	\$ 1,426,947
	(2,128,469)	(1,939,713)	(3,911,488)	(3,674,502)	(3,454,933)
Contribution Deficiency (Excess)	\$ (1,085,469)	\$ (221,423)	\$ (2,611,488)	\$ (1,998,502)	\$ (2,027,985)
Covered-Employee Payroll	\$ 23,321,202	\$ 22,705,334	\$ 21,671,910	\$ 20,379,247	\$ 19,556,203
Contributions as a Percentage of Covered-Employee Payroll ¹	9.13%	8.54%	18.05%	18.03%	17.67%

* Fiscal year 2018 was the first year of implementation, therefore only five 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	6.00 percent
Healthcare cost trend rates	7.50% for pre-65 and 5.00% for post-65
Salary increases	2.80 percent
Investment rate of return	6.00 percent
Retirement age	In the 2021 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, 2022

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents										
Restricted	\$ 6,294	\$ 30,147	\$ 844	\$ -	\$ 2	\$ -	\$ 16,014	\$ -	\$ -	\$ 53,301
Unrestricted	168	7,992	1	1	2,557	-	8,928	1,008	34,916	55,571
Investments										
Restricted	-	-	3,478	-	9,491	-	-	-	-	12,969
Unrestricted	2,603	2,543	-	-	-	-	1,749	-	7,516	14,411
Accounts receivable										
Participants	-	-	-	-	-	-	21,280	26	951	22,257
Other	1,940	-	-	-	-	-	2,304	-	5,219	9,463
Interest receivable	145	57	-	-	43	-	54	1	367	667
Inventory and supplies	1,495	1,592	324	392	2,252	-	-	-	-	6,055
Prepaid expenses	536	884	57	83	606	-	-	120	929	3,215
Due from Agency and other programs*	17,013	206	3,096	5,555	9,069	-	(2,449)	7,033	(39,523)	-
TOTAL CURRENT ASSETS	30,194	43,421	7,800	6,031	24,020	-	47,880	8,188	10,375	177,909
NONCURRENT ASSETS										
Investments										
Restricted	-	1,831	-	-	4,217	-	-	-	-	6,048
Unrestricted	22,790	11,507	-	-	8,805	-	13,271	-	77,916	134,289
Electric plant in service	577,903	395,538	65,470	37,688	447,459	7,736	61,426	1,024	6,433	1,600,677
Less: accumulated depreciation and amortization	(549,808)	(300,076)	(57,216)	(35,281)	(124,234)	(7,736)	(2,803)	(689)	(4,170)	(1,082,013)
Construction work in progress	-	-	-	-	-	-	-	-	27	27
TOTAL NONCURRENT ASSETS	50,885	108,800	8,254	2,407	336,247	-	71,894	335	80,206	659,028
OTHER ASSETS										
Regulatory assets	(869)	113,939	1,960	-	29,724	-	-	-	40,178	184,932
Net OPEB assets	-	-	-	-	-	-	-	-	11,863	11,863
Investment in associated company	-	-	-	-	-	-	-	-	265	265
TOTAL OTHER ASSETS	(869)	113,939	1,960	-	29,724	-	-	-	52,306	197,060
TOTAL ASSETS	80,210	266,160	18,014	8,438	389,991	-	119,774	8,523	142,887	1,033,997
DEFERRED OUTFLOWS OF RESOURCES										
Excess cost on refunding of debt	561	-	-	-	855	-	-	-	-	1,416
Pension and OPEB deferrals	-	-	-	-	-	-	-	-	14,141	14,141
Asset Retirement Obligations	61,403	-	169	-	192	-	-	-	-	61,764
TOTAL DEFERRED OUTFLOWS OF RESOURCES	61,964	-	169	-	1,047	-	-	-	14,141	77,321
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 142,174	\$ 266,160	\$ 18,183	\$ 8,438	\$ 391,038	\$ -	\$ 119,774	\$ 8,523	\$ 157,028	\$ 1,111,318

* Eliminated in Combination

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

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

June 30, 2022

	GENERATING & TRANSMISSION RESOURCES									Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	
LIABILITIES										
CURRENT LIABILITIES										
Accounts payable and accrued expenses	\$ 543	\$ 719	\$ 68	\$ 745	\$ 2,158	\$ -	\$ 40,037	\$ 76	\$ 16,941	\$ 61,287
Member advances	791	-	-	-	-	-	-	202	-	993
Operating reserves	3,172	250	617	3,036	12,482	-	-	-	-	19,557
Current portion of lease liability	-	-	10	-	597	-	5,696	-	-	6,303
Current portion of long-term debt	4,030	22,675	4,365	-	13,245	-	-	-	-	44,315
Accrued interest payable	93	3,160	254	-	1,077	-	-	-	-	4,584
TOTAL CURRENT LIABILITIES	8,629	26,804	5,314	3,781	29,559	-	45,733	278	16,941	137,039
NON-CURRENT LIABILITIES										
Net pension and OPEB liabilities	-	-	-	-	-	-	-	-	41,975	41,975
Operating reserves and other deposits	1,500	21,518	-	-	462	-	41,017	2,365	72,745	139,607
Asset Retirement Obligations	69,316	-	169	-	192	-	-	-	-	69,677
Long-term lease liability	-	-	573	-	35,537	-	52,928	-	-	89,038
Long-term debt, net	6,785	205,818	10,337	-	280,412	-	-	-	-	503,352
TOTAL NON-CURRENT LIABILITIES	77,601	227,336	11,079	-	316,603	-	93,945	2,365	114,720	843,649
TOTAL LIABILITIES	86,230	254,140	16,393	3,781	346,162	-	139,678	2,643	131,661	980,688
DEFERRED INFLOWS OF RESOURCES										
Regulatory credits	40,038	3,897	758	2,617	37,933	-	-	381	3,172	88,796
Pension and OPEB deferrals	-	-	-	-	-	-	-	-	19,949	19,949
Deferred gain on debt refunding	-	4,996	192	-	-	-	-	-	-	5,188
TOTAL DEFERRED INFLOWS OF RESOURCES	40,038	8,893	950	2,617	37,933	-	-	381	23,121	113,933
NET POSITION										
Net investment in capital assets	20,377	(118,819)	(7,866)	-	4,529	-	-	-	1,003	(100,776)
Restricted for debt service	3,522	21,494	4,067	-	887	-	14,009	-	12,592	56,571
Unrestricted	(7,993)	100,452	4,639	2,040	1,527	-	(33,913)	5,499	(11,349)	60,902
TOTAL NET POSITION	15,906	3,127	840	2,040	6,943	-	(19,904)	5,499	2,246	16,697
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 142,174	\$ 266,160	\$ 18,183	\$ 8,438	\$ 391,038	\$ -	\$ 119,774	\$ 8,523	\$ 157,028	\$ 1,111,318

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, 2022

	GENERATING & TRANSMISSION RESOURCES										Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency		
OPERATING REVENUES											
Participants	\$ (3,516)	\$ 23,564	\$ 4,807	\$ 4,055	\$ 22,288	\$ -	\$ 461,720	\$ 22,693	\$ 2,112	\$	\$ 537,723
Other Third-party	53,511	33,249	2,000	5,408	86,179	-	158,916	2,686	-		341,949
TOTAL OPERATING REVENUES	49,995	56,813	6,807	9,463	108,467	-	620,636	25,379	2,112		879,672
OPERATING EXPENSES											
Purchased power	686	4,496	154	740	3,515	-	406,831	-	-		416,422
Operations	18,265	4,859	2,367	3,404	82,864	-	4,059	12,853	-		128,671
Transmission	352	382	10	22	531	-	213,371	5	-		214,673
Depreciation	3,721	9,555	2,226	303	14,706	-	2,803	54	177		33,545
Maintenance	9,209	6,047	827	3,202	8,535	-	-	89	-		27,909
Administrative and general	6,422	7,708	762	1,170	5,646	-	-	9,239	(10,071)		20,876
Intercompany (sales) purchases, net*	(824)	286	62	99	393	-	-	(16)	-		-
TOTAL OPERATING EXPENSES	37,831	33,333	6,408	8,940	116,190	-	627,064	22,224	(9,894)		842,096
NET OPERATING INCOME	12,164	23,480	399	523	(7,723)	-	(6,428)	3,155	12,006		37,576
NON OPERATING (EXPENSES) REVENUES											
Interest expense	(456)	(10,963)	(80)	-	(14,109)	-	(561)	-	-		(26,169)
Interest income	(2,092)	(700)	26	38	(912)	-	(591)	48	(5,743)		(9,926)
Loss on swap termination	-	(11,928)	-	-	-	-	-	-	-		(11,928)
Other	853	-	2,376	-	10,165	-	(926)	219	287		12,974
TOTAL NON OPERATING (EXPENSES) REVENUES	(1,695)	(23,591)	2,322	38	(4,856)	-	(2,078)	267	(5,456)		(35,049)
FUTURE RECOVERABLE AMOUNTS	(1,138)	431	(2,829)	(108)	2,649	-	-	-	(11,127)		(12,122)
REFUNDS TO PARTICIPANTS	117	(690)	484	(172)	412	-	(856)	(3,728)	3,097		(1,336)
INCREASE (DECREASE) IN NET POSITION	9,448	(370)	376	281	(9,518)	-	(9,362)	(306)	(1,480)		(10,931)
NET POSITION, Beginning of year	6,458	3,497	464	1,759	16,461	-	(10,542)	5,805	3,726		27,628
NET POSITION, End of year	\$ 15,906	\$ 3,127	\$ 840	\$ 2,040	\$ 6,943	\$ -	\$ (19,904)	\$ 5,499	\$ 2,246		\$ 16,697

* 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, 2022											
GENERATING & TRANSMISSION RESOURCES											
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined Total	
CASH FLOWS FROM OPERATING ACTIVITIES											
Received from participants	\$ (5,288)	\$ 28,530	\$ 4,600	\$ 4,277	\$ 20,538	\$ -	\$ 440,440	\$ 22,827	\$ 1,647	\$ 517,571	
Received from others	53,314	35,775	2,000	5,408	86,179	-	164,787	2,925	(6,791)	343,597	
Payments for employee services	(11,467)	(5,151)	(848)	(1,477)	(6,480)	-	(1)	(10,723)	(8,418)	(44,565)	
Payments to suppliers for goods and services	(23,276)	(18,282)	(3,182)	(7,590)	(101,693)	-	(622,306)	(10,555)	6,639	(780,245)	
Payments from(to) other programs *	824	(286)	(62)	(99)	(393)	-	-	16	-	-	
NET CASH FLOWS FROM OPERATING ACTIVITIES	14,107	40,586	2,508	519	(1,849)	-	(17,080)	4,490	(6,923)	36,358	
CASH FLOWS FROM INVESTING ACTIVITIES											
Proceeds from maturities and sales of investments	19,673	52,955	3,292	-	64,987	-	5,790	-	38,226	184,923	
Interest received on cash and investments	496	353	24	-	356	-	728	57	1,071	3,085	
Purchase of investments	(18,923)	(49,081)	(3,897)	-	(66,919)	-	(2,703)	-	(33,477)	(175,000)	
NET CASH FLOWS FROM INVESTING ACTIVITIES	1,246	4,227	(581)	-	(1,576)	-	3,815	57	5,820	13,008	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES											
Acquisition and construction of electric plant	(2,956)	(282)	(3)	(554)	(50)	-	-	(130)	(295)	(4,270)	
Swap termination fee	-	(11,928)	-	-	-	-	-	-	-	(11,928)	
Interest paid on lease liability	-	-	(11)	-	(682)	-	(561)	-	-	(1,254)	
Interest paid on long-term debt	(236)	(11,978)	(792)	-	(13,122)	-	-	-	-	(26,128)	
Payments on lease liability	-	-	(10)	-	(556)	-	(2,803)	-	-	(3,369)	
Principal repayment on long-term debt	(4,690)	(21,750)	(4,070)	-	(12,879)	-	-	-	-	(43,389)	
Proceeds from bond issues	-	157,405	-	-	-	-	-	-	-	157,405	
Payments to refund debt	-	(155,885)	-	-	-	-	-	-	-	(155,885)	
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(7,882)	(44,418)	(4,886)	(554)	(27,289)	-	(3,364)	(130)	(295)	(88,818)	
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES											
Other proceeds	(6,798)	(4,002)	2,047	80	23,076	-	23,425	209	(25,740)	12,297	
Refunds to participants	117	(690)	484	(45)	412	-	(856)	(3,728)	3,097	(1,209)	
NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	(6,681)	(4,692)	2,531	35	23,488	-	22,569	(3,519)	(22,643)	11,088	
NET CHANGE IN CASH AND CASH EQUIVALENTS	790	(4,297)	(428)	-	(7,226)	-	5,940	898	(24,041)	(28,364)	
Beginning of year	5,672	42,436	1,273	1	9,785	-	19,002	110	58,957	137,236	
End of year	\$ 6,462	\$ 38,139	\$ 845	\$ 1	\$ 2,559	\$ -	\$ 24,942	\$ 1,008	\$ 34,916	\$ 108,872	

* 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, 2022											
GENERATING & TRANSMISSION RESOURCES											
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined	
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES											
Operating income	\$ 12,164	\$ 23,480	\$ 399	\$ 523	\$ (7,723)	\$ -	\$ (6,428)	\$ 3,155	\$ 12,006	\$ 37,576	
Adjustments to reconcile net operating revenues to net cash from operating activities:											
Depreciation	3,721	9,555	2,227	303	14,707	-	2,803	54	175	33,545	
	15,885	33,035	2,626	826	6,984	-	(3,625)	3,209	12,181	71,121	
CASH FLOWS IMPACTED BY CHANGES IN											
Accounts receivable	(1,292)	-	-	-	-	-	(17,953)	251	3,580	(15,414)	
Inventory and prepaid expense	159	(14)	22	(88)	12	-	-	(36)	(188)	(133)	
Operating reserves and other deposits	1,095	2,526	-	(1,185)	(3,193)	-	2,544	912	(11,187)	(8,488)	
Regulatory assets	-	-	-	-	-	-	-	-	(11,059)	(11,059)	
Regulatory credits	(1,772)	4,966	(208)	222	(1,751)	-	-	122	285	1,864	
Accounts payable and other liabilities	32	73	68	744	(3,901)	-	1,954	32	(535)	(1,533)	
NET CASH FROM OPERATING ACTIVITIES	\$ 14,107	\$ 40,586	\$ 2,508	\$ 519	\$ (1,849)	\$ -	\$ (17,080)	\$ 4,490	\$ (6,923)	\$ 36,358	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION											
Cash and cash equivalents - restricted	\$ 6,294	\$ 30,147	\$ 844	\$ -	\$ 2	\$ -	\$ 16,014	\$ -	\$ -	\$ 53,301	
Cash and cash equivalents - unrestricted	168	7,992	1	1	2,557	-	8,928	1,008	34,916	55,571	
End of year	\$ 6,462	\$ 38,139	\$ 845	\$ 1	\$ 2,559	\$ -	\$ 24,942	\$ 1,008	\$ 34,916	\$ 108,872	

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

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

June 30, 2021

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission No. One	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents										
Restricted	\$ 5,011	\$ 37,366	\$ 1,272	\$ -	\$ 7,997	\$ -	\$ 4,487	\$ -	\$ -	\$ 56,133
Unrestricted	661	5,070	1	1	1,788	-	14,515	110	58,957	81,103
Investments										
Restricted	1,622	5,352	2,870	-	7,457	-	-	-	-	17,301
Unrestricted	2,901	1,570	-	-	1,613	-	1,524	-	18,006	25,614
Accounts receivable										
Participants	-	-	-	-	-	-	-	39	135	174
Other	648	-	-	-	-	-	5,631	238	9,615	16,132
Interest receivable	120	105	-	-	46	-	78	-	426	775
Inventory and supplies	1,514	1,572	332	284	2,186	-	-	-	-	5,888
Prepaid expenses	676	890	71	103	684	-	-	84	741	3,249
Due from Agency and other programs*	9,348	(478)	2,657	5,832	19,244	-	21,909	7,033	(65,545)	-
TOTAL CURRENT ASSETS	22,501	51,447	7,203	6,220	41,015	-	48,144	7,504	22,335	206,369
NONCURRENT ASSETS										
Investments										
Restricted	-	-	-	-	4,401	-	-	-	-	4,401
Unrestricted	22,569	13,818	-	-	8,374	-	17,870	-	78,992	141,623
Electric plant in service	574,947	395,293	65,467	37,224	447,409	7,736	-	894	6,165	1,535,135
Less: accumulated depreciation	(546,087)	(290,558)	(54,989)	(35,068)	(109,527)	(7,736)	-	(635)	(3,994)	(1,048,594)
TOTAL NONCURRENT ASSETS	51,429	118,553	10,478	2,156	350,657	-	17,870	259	81,163	632,565
OTHER ASSETS										
Regulatory assets	289	123,790	4,805	-	29,810	-	-	-	51,305	209,999
Investment in associated company	-	-	-	-	-	-	-	-	265	265
TOTAL OTHER ASSETS	289	123,790	4,805	-	29,810	-	-	-	51,570	210,264
TOTAL ASSETS	74,219	293,790	22,486	8,376	421,482	-	66,014	7,763	155,068	1,049,198
DEFERRED OUTFLOWS OF RESOURCES										
Excess cost on refunding of debt	823	9,961	-	-	1,185	-	-	-	-	11,969
Pension and OPEB deferrals	-	-	-	-	-	-	-	-	18,099	18,099
Asset Retirement Obligations	61,530	-	165	-	187	-	-	-	-	61,882
TOTAL DEFERRED OUTFLOWS OF RESOURCES	62,353	9,961	165	-	1,372	-	-	-	18,099	91,950
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 136,572	\$ 303,751	\$ 22,651	\$ 8,376	\$ 422,854	\$ -	\$ 66,014	\$ 7,763	\$ 173,167	\$ 1,141,148

* Eliminated in Combination

SUPPLEMENTARY INFORMATION (UNAUDITED)

COMBINING STATEMENT OF NET POSITION

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

June 30, 2021

	GENERATING & TRANSMISSION RESOURCES									Combined
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	
LIABILITIES										
CURRENT LIABILITIES										
Accounts payable and accrued expenses	\$ 511	\$ 646	\$ -	\$ 1	\$ 6,059	\$ -	\$ 38,083	\$ 44	\$ 17,476	\$ 62,820
Member advances	791	-	-	-	-	-	-	202	-	993
Operating reserves	2,077	250	617	4,221	15,995	-	-	-	-	23,160
Current portion of lease liability	-	-	10	-	557	-	-	-	-	567
Current portion of long-term debt	4,690	21,750	4,080	-	12,880	-	-	-	-	43,400
Accrued interest payable	136	4,571	339	-	1,101	-	-	-	-	6,147
TOTAL CURRENT LIABILITIES	8,205	27,217	5,046	4,222	36,592	-	38,083	246	17,476	137,087
NON-CURRENT LIABILITIES										
Net pension and OPEB liabilities	-	-	-	-	-	-	-	-	62,959	62,959
Operating reserves and other deposits	1,500	18,992	-	-	142	-	38,473	1,453	83,932	144,492
Interest rate swap liability	-	16,045	-	-	-	-	-	-	-	16,045
Asset Retirement Obligations	67,784	-	165	-	187	-	-	-	-	68,136
Long-term lease liability	-	-	583	-	36,135	-	-	-	-	36,718
Long-term debt, net	10,815	234,073	15,236	-	293,654	-	-	-	-	553,778
TOTAL NON-CURRENT LIABILITIES	80,099	269,110	15,984	-	330,118	-	38,473	1,453	146,891	882,128
TOTAL LIABILITIES	88,304	296,327	21,030	4,222	366,710	-	76,556	1,699	164,367	1,019,215
DEFERRED INFLOWS OF RESOURCES										
Regulatory credits	41,810	3,927	1,157	2,395	39,683	-	-	259	2,887	92,118
Pension and OPEB deferrals	-	-	-	-	-	-	-	-	2,187	2,187
TOTAL DEFERRED INFLOWS OF RESOURCES	41,810	3,927	1,157	2,395	39,683	-	-	259	5,074	94,305
NET POSITION										
Net investment in capital assets	16,712	(131,512)	(10,107)	-	6,486	-	-	-	9,147	(109,274)
Restricted for debt service	3,964	28,655	3,775	-	6,050	-	-	-	-	42,444
Unrestricted	(14,218)	106,354	6,796	1,759	3,925	-	(10,542)	5,805	(5,421)	94,458
TOTAL NET POSITION	6,458	3,497	464	1,759	16,461	-	(10,542)	5,805	3,726	27,628
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 136,572	\$ 303,751	\$ 22,651	\$ 8,376	\$ 422,854	\$ -	\$ 66,014	\$ 7,763	\$ 173,167	\$ 1,141,148

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, 2021

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
OPERATING REVENUES										
Participants	\$ 3,018	\$ 29,468	\$ 4,458	\$ 4,591	\$ 28,202	\$ -	\$ 305,955	\$ 20,652	\$ 2,055	\$ 398,399
Other Third-party	34,457	22,925	4,474	4,045	69,021	-	271,491	2,723	-	409,136
TOTAL OPERATING REVENUES	37,475	52,393	8,932	8,636	97,223		577,446	23,375	2,055	807,535
OPERATING EXPENSES										
Purchased power	1,041	2,946	402	661	2,152	-	407,503	-	-	414,705
Operations	18,360	4,723	2,878	1,901	48,056	-	2,640	10,839	-	89,397
Transmission	316	241	18	36	879	-	184,219	4	-	185,713
Depreciation & amortization	3,647	9,480	2,212	219	14,650	-	-	49	293	30,550
Maintenance	8,318	7,250	844	2,563	5,170	-	-	94	-	24,239
Administrative and general	5,394	4,809	820	960	5,426	-	-	7,665	(1,688)	23,386
Intercompany (sales) purchases, net*	(832)	311	70	77	404	-	-	(30)	-	-
TOTAL OPERATING EXPENSES	36,244	29,760	7,244	6,417	76,737	-	594,362	18,621	(1,395)	767,990
NET OPERATING INCOME	1,231	22,633	1,688	2,219	20,486	-	(16,916)	4,754	3,450	39,545
NON OPERATING (EXPENSES) REVENUES										
Interest expense	(539)	(15,601)	(229)	-	(14,493)	-	-	-	-	(30,862)
Interest income	254	77	38	52	162	-	631	62	(428)	848
Other	1,125	-	1,241	1	3,970	-	1,150	240	82	7,809
TOTAL NON OPERATING (EXPENSES) REVENUES	840	(15,524)	1,050	53	(10,361)	-	1,781	302	(346)	(22,205)
FUTURE RECOVERABLE AMOUNTS	(1,791)	(8,549)	(2,461)	74	862	-	-	-	(3,757)	(15,622)
REFUNDS TO PARTICIPANTS	(2,089)	(2,039)	(214)	129	(186)	-	(5,662)	(4,003)	(417)	(14,481)
INCREASE (DECREASE) IN NET POSITION	(1,809)	(3,479)	63	2,475	10,801	-	(20,797)	1,053	(1,070)	(12,763)
NET POSITION, Beginning of year	8,267	6,976	401	(716)	5,660	-	10,255	4,752	4,796	40,391
NET POSITION, End of year	\$ 6,458	\$ 3,497	\$ 464	\$ 1,759	\$ 16,461	\$ -	(10,542)	\$ 5,805	\$ 3,726	\$ 27,628

* 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, 2021

	GENERATING & TRANSMISSION RESOURCES									
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES										
Received from participants	\$ 7,154	\$ 29,770	\$ 4,417	\$ 4,777	\$ 27,538	\$ -	\$ 306,060	\$ 20,567	\$ 1,961	\$ 402,244
Received from others	35,806	24,707	4,474	4,045	69,021	-	276,062	2,485	(4,220)	412,380
Payments for employee services	(12,187)	(4,868)	(828)	(1,239)	(5,753)	-	(2)	(10,915)	(8,709)	(44,501)
Payments to suppliers for goods and services	(21,758)	(15,493)	(4,257)	(3,587)	(51,360)	-	(586,018)	(8,057)	6,534	(683,996)
Payments from(to) other programs *	832	(311)	(70)	(77)	(404)	-	-	30	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	9,847	33,805	3,736	3,919	39,042	-	(3,898)	4,110	(4,434)	86,127
CASH FLOWS FROM INVESTING ACTIVITIES										
Proceeds from maturities and sales of investments	18,041	70,797	1,396	-	32,775	-	13,157	-	48,103	184,269
Interest received on cash and investments	567	427	37	-	325	-	1,061	64	1,324	3,805
Purchase of investments	(18,147)	(54,763)	(3,699)	-	(43,688)	-	(13,568)	-	(42,445)	(176,310)
NET CASH FLOWS FROM INVESTING ACTIVITIES	461	16,461	(2,266)	-	(10,588)	-	650	64	6,982	11,764
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Acquisition and construction of electric plant	(3,096)	(162)	(13)	(349)	(845)	-	-	-	(7)	(4,472)
Insurance proceeds on asset disposals	-	-	-	-	6,549	-	-	-	-	6,549
Interest paid on lease liability	-	-	(10)	-	(693)	-	-	-	-	(703)
Interest paid on long-term debt	(323)	(13,151)	(1,075)	-	(13,496)	-	-	-	-	(28,045)
Payments on lease liability	-	-	(10)	-	(509)	-	-	-	-	(519)
Principal repayment on long-term debt	(4,595)	(20,724)	(2,575)	-	(11,996)	-	-	-	-	(39,890)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(8,014)	(34,037)	(3,683)	(349)	(20,990)	-	-	-	(7)	(67,080)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES										
Other proceeds	1,125	-	1,328	-	3,970	-	1,150	240	81	7,894
Refunds to participants	(2,089)	(2,027)	(214)	257	(2)	-	(5,662)	(4,003)	(417)	(14,157)
Payments from(to) other programs *	(939)	5,994	2,117	(3,827)	(17,393)	-	15,619	(386)	(1,185)	-
NET CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	(1,903)	3,967	3,231	(3,570)	(13,425)	-	11,107	(4,149)	(1,521)	(6,263)
NET CHANGE IN CASH AND CASH EQUIVALENTS	391	20,196	1,018	-	(5,961)	-	7,859	25	1,020	24,548
Beginning of year	5,281	22,240	255	1	15,746	-	11,143	85	57,937	112,688
End of year	\$ 5,672	\$ 42,436	\$ 1,273	\$ 1	\$ 9,785	\$ -	\$ 19,002	\$ 110	\$ 58,957	\$ 137,236

* 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, 2021										
GENERATING & TRANSMISSION RESOURCES										
	Geothermal	Hydroelectric	Multiple Capital Facilities	CT No. One	Lodi Energy Center	Transmission	Purchased Power & Transmission	Associated Member Services	Other Agency	Combined
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES										
Operating income	\$ 1,231	\$ 22,633	\$ 1,688	\$ 2,219	\$ 20,486	\$ -	\$ (16,916)	\$ 4,754	\$ 3,450	\$ 39,545
Adjustments to reconcile net operating revenues to net cash from operating activities:										
Depreciation & amortization	3,647	9,480	2,212	219	14,650	-	-	48	294	30,550
	4,878	32,113	3,900	2,438	35,136	-	(16,916)	4,802	3,744	70,095
CASH FLOWS IMPACTED BY CHANGES IN										
Accounts receivable	(299)	-	-	-	-	-	(3,163)	(273)	(5,597)	(9,332)
Inventory and prepaid expense	(292)	(390)	(101)	20	(273)	-	-	(84)	(139)	(1,259)
Operating reserves and other deposits	1,648	1,782	-	1,311	830	-	7,839	(330)	1,444	14,524
Regulatory assets									(3,752)	(3,752)
Regulatory credits	4,136	302	(41)	186	(664)	-	-	(49)	(167)	3,703
Accounts payable and other liabilities	(224)	(2)	(22)	(36)	4,013	-	8,342	44	33	12,148
NET CASH FROM OPERATING ACTIVITIES	\$ 9,847	\$ 33,805	\$ 3,736	\$ 3,919	\$ 39,042	\$ -	\$ (3,898)	\$ 4,110	\$ (4,434)	\$ 86,127
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION										
Cash and cash equivalents - restricted	\$ 5,011	\$ 37,366	\$ 1,272	\$ -	\$ 7,997	\$ -	\$ 4,487	\$ -	\$ -	\$ 56,133
Cash and cash equivalents - unrestricted	661	5,070	1	1	1,788	-	14,515	110	58,957	81,103
End of year	\$ 5,672	\$ 42,436	\$ 1,273	\$ 1	\$ 9,785	\$ -	\$ 19,002	\$ 110	\$ 58,957	\$ 137,236

OTHER INFORMATION

GENERATION ENTITLEMENT SHARES - UNAUDITED

NORTHERN CALIFORNIA POWER AGENCY
AND ASSOCIATED POWER CORPORATIONS

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

Note A: Project Entitlement shares are after transfers among participants.

Note B: Project Generation Shares may vary from project cost shares due to varied financing and fuel supply arrangements.