

# CAFR

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

For the

Years Ended

June 30

2017 and 2016



**ALAMEDA  
MUNICIPAL POWER**

An Enterprise Fund and Department of the City of Alameda

## **PUBLIC UTILITIES BOARD**

(as of June 30, 2017)

### **President**

Ann McCormick

### **Vice President**

Jerry Serventi

### **Commissioner**

Madeline Deaton

### **Commissioner**

Laura Giuntini

### **Commissioner and City Manager**

Jill Keimach

---

## **ALAMEDA MUNICIPAL POWER**

### **General Manager**

Nicolas Procos

### **Interim Assistant General Manager, Engineering & Operations**

Robert Orbeta

### **Assistant General Manager, Customer Resources**

Rebecca Irwin

### **Assistant General Manager, Administration**

Robert Orbeta

### **Interim Assistant General Manager, Energy Resource Planning**

Rebecca Irwin



**ALAMEDA  
MUNICIPAL POWER**

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Alameda, CA 94501  
510.748.3900  
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**ALAMEDA MUNICIPAL POWER**  
**AN ENTERPRISE FUND AND DEPARTMENT**  
**OF THE CITY OF ALAMEDA, CALIFORNIA**

**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**

**FISCAL YEARS ENDED**  
**JUNE 30, 2017 AND 2016**

**PREPARED BY THE**  
**ADMINISTRATIVE SERVICES DIVISION**

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# Introductory Section

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**ALAMEDA MUNICIPAL POWER  
AN ENTERPRISE FUND AND DEPARTMENT  
OF THE CITY OF ALAMEDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

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November 12, 2017

### **To the Public Utilities Board and Our Customers:**

We are pleased to transmit the Comprehensive Annual Financial Report of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California for the fiscal years ended June 30, 2017 and 2016. AMP encourages readers to review all sections of this report and especially request that they refer to Management's Discussion and Analysis located in the Financial Section of this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with AMP's management. AMP believes that the data presented here is accurate in all material respects, that the data is presented in a manner designed to set forth fairly the financial position of the organization and that all disclosures necessary to gain an understanding of the financial activity are included in this report.

### **Profile**

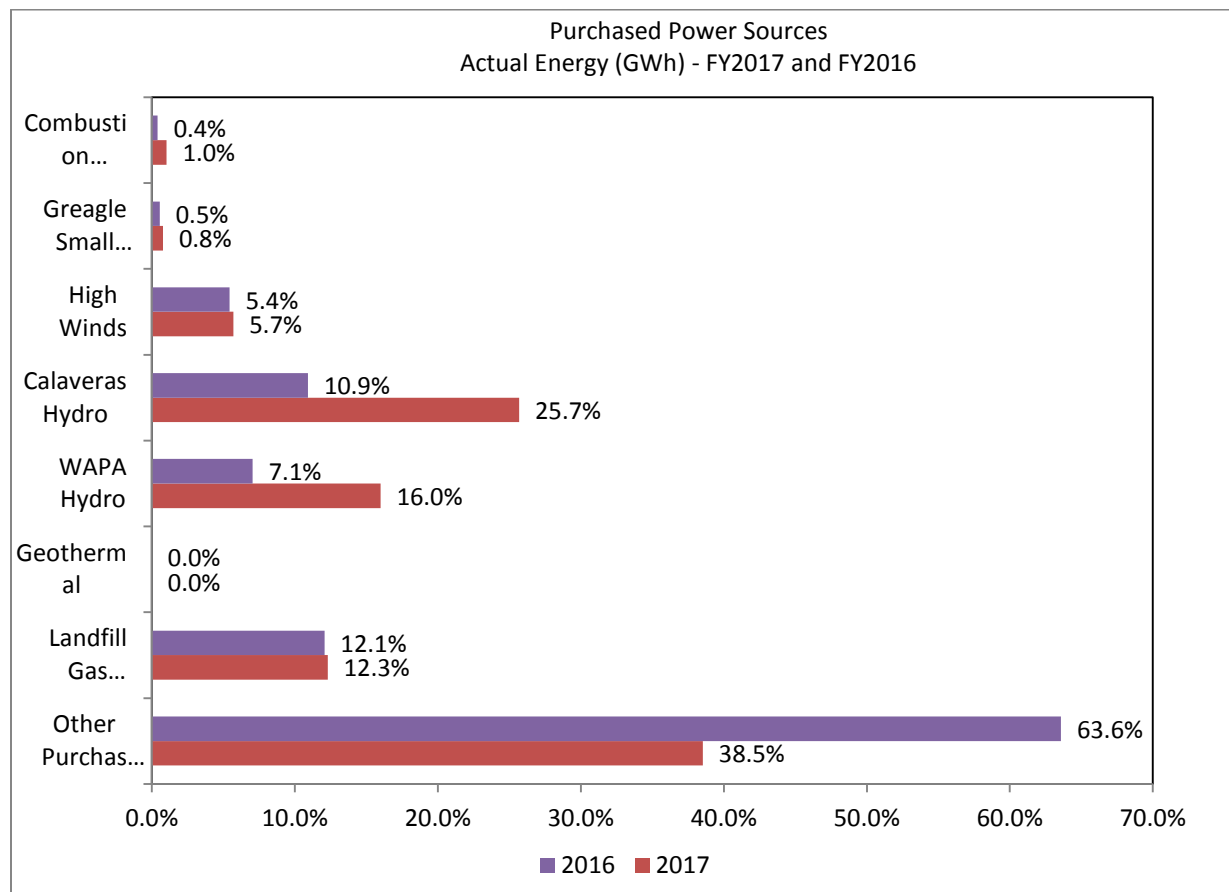
The City of Alameda - Department of Public Utilities - Bureau of Electricity, now doing business as Alameda Municipal Power, is the oldest municipal electric utility in California and is amongst the oldest in the nation, either public or private. The municipal utility has safely provided reliable, cost-effective, and environmentally responsible, electric-energy services since its founding in 1887. As a reminder to the reader, AMP sold its telecommunications business line (telecom) to Comcast of Alameda, Inc. effective November 21, 2008, changed its name from Alameda Power & Telecom to Alameda Municipal Power on January 26, 2009, and ceased to provide telecom services on March 21, 2009.

AMP is governed by a Public Utilities Board (Board). Pursuant to the Alameda City Charter, the Board has the power to control and manage the electric system, including the power to fix rates for the services provided by AMP. The Board establishes goals and policies, approves major purchases, and creates the framework for local control of AMP, one of Alameda's largest businesses. The Board is comprised of four commissioners (appointed by the Mayor with concurrence from the City Council) and the City Manager (as an ex-officio member). During fiscal year (FY) 2017, the members of the Board included President Ann McCormick, Vice President Jerry Serventi, Commissioner Madeline Deaton, Commissioner Laura Giuntini, Commissioner and City Manager Jill Keimach. For FY 2018, the Board members remained the same as FY 2017. The appointments became effective February 2017.

The City of Alameda is an island community of 22.8 square miles located across the bay from San Francisco and to the southwest of the City of Oakland. AMP provides electric-energy services for the entire service area of the City. The electric system has 86.1 pole miles of overhead distribution lines, 178.1 circuit miles of underground distribution lines, 6.8 pole miles of overhead transmission lines, 1.9 circuit miles of underground transmission lines and 5,470 streetlights. During FY 2017, AMP served an average of 34,648 customer accounts, comprised of approximately 30,495 residential accounts, 3,776 commercial accounts, and 377 other accounts, with a peak demand of approximately 63.7 MW.

AMP does not independently own any generation assets at this time; but rather, it procures power through long and short-term agreements. To facilitate the acquisition of power, AMP joined the Northern California Power Agency (NCPA) in 1968. NCPA is a joint-powers agency composed of AMP and 14 other northern California public entities. NCPA provides electric scheduling, dispatch and transmission for the provision of AMP's electric-energy services. AMP participates in the NCPA power pool and makes short-term market purchases and sales as necessary, or economical, to meet its native load requirements and dispose of surplus. Generally, AMP has entered into power purchase agreements solely or primarily for use within its own system. AMP continues its program to research, solicit and acquire electric generation sources that are economical, provide stable costs over the long-term, and are environmentally responsible.

The actual energy purchased is illustrated below:



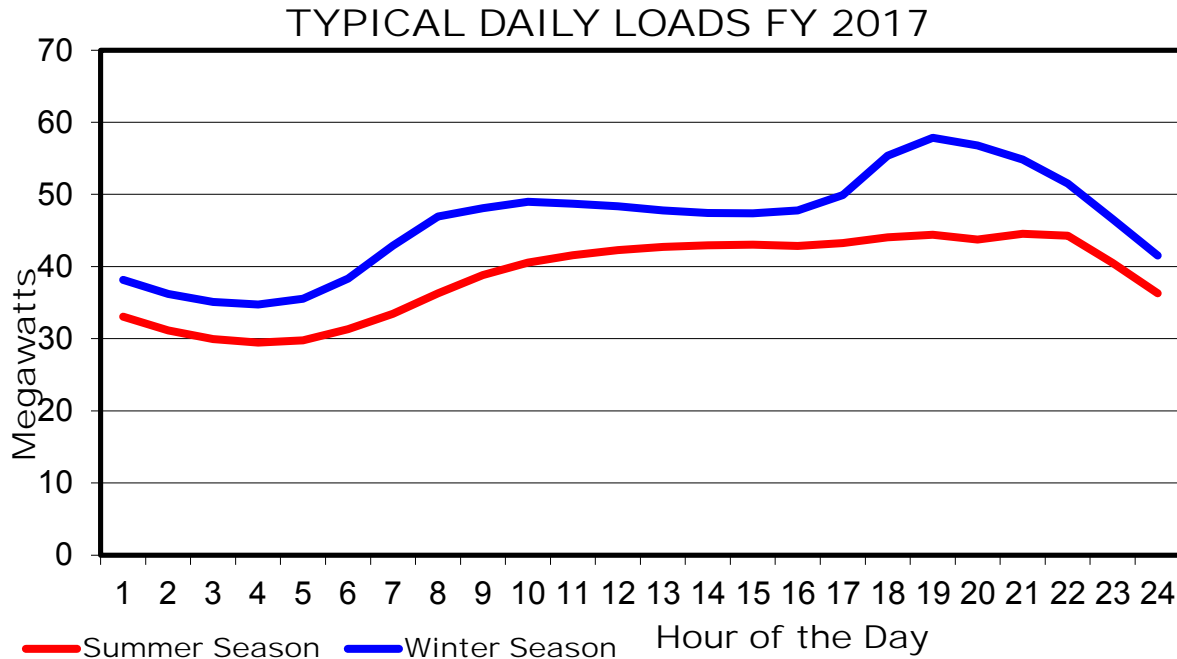
AMP participates in most of NCPA's generation projects, but it does not participate in the Lodi Energy Center. Approximately 43.5% of AMP's resources in FY2017 were sourced through NCPA including 25.7% from the Calaveras hydroelectric facilities, 16.0% from the Western Area Power Alliance's (WAPA) hydroelectric facilities, 0.8% from the Graeagle hydroelectric facilities, and 1.0% from the Combustion Turbine (CT) projects. NCPA market purchases for AMP accounted for another 38.5% of purchased power.

AMP procured approximately 18.0% of its power supply resources independent of NCPA and has obtained independent contracts for several landfill gas facilities and for a portion of the high winds project. NCPA provides electric scheduling, dispatch and transmission for these electric-energy services.

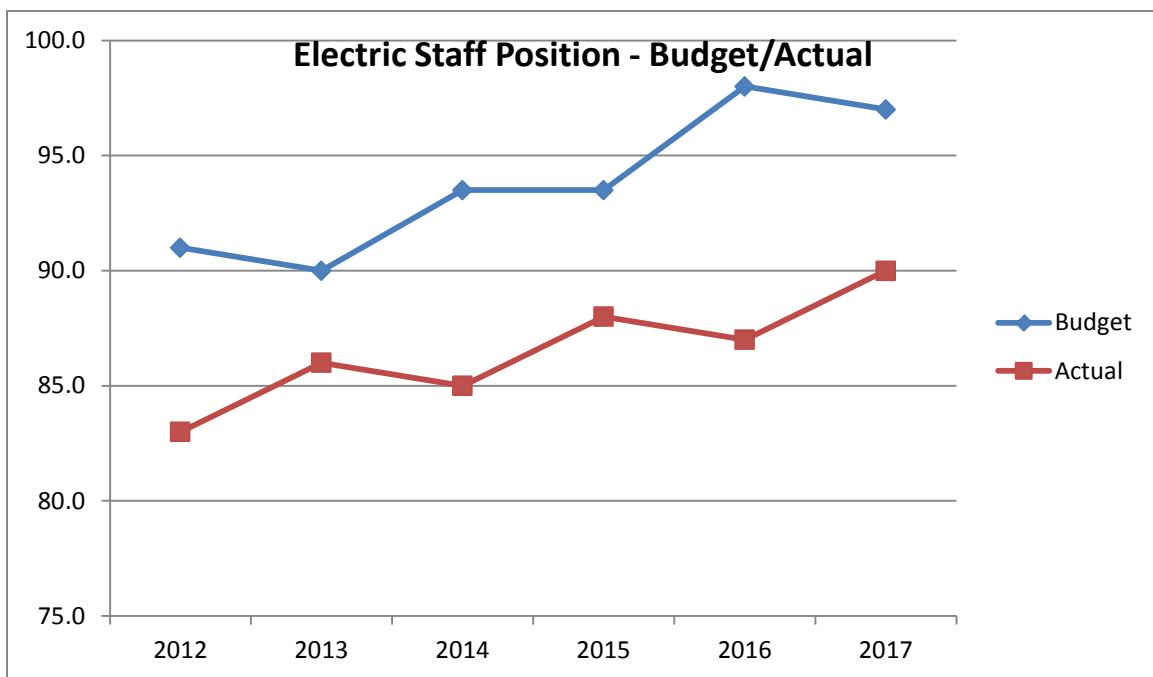
At its January 2012 meeting, the Board approved a Renewable Portfolio Power Sales Policy that directed AMP to sell all eligible renewable power through 2019 not required to comply with the revised Renewable Portfolio Standard. In October 2012, AMP sold its share of the renewable energy generated by NCPA's Geothermal Project and Ameresco's Ox Mountain LFGE facility through December 2016 to the California Department of Water Resources. This short-term sale is reflected above in the actual energy purchased chart. NCPA makes market purchases to replace the short-term sales and meet AMP's load requirements. AMP continues to evaluate short-term sales for the 2018 through 2020 period.

The Board directed that the resulting revenues from the short-term sales of the renewable power be retained and used to support AMP directed initiatives to reduce Green House Gas (GHG) emissions associated with electricity usage and service. Additionally, the California Cap-and-Trade (C&T) program continues auction sales of directly allocated allowances from the California Air Resources Board (CARB). The resulting revenues from the C&T sales will be used for the benefit of ratepayers consistent with the goals of Assembly Bill 32. AMP has established Board designated reserves for these special sales revenues.

Each year, the energy output from the generating facilities is optimized based upon seasonal, economic and maintenance considerations. The chart below indicates the electric system's maximum average daily load occurs about 7:00 pm during the winter and the minimum average daily load occurs about 4:00 am during the summer. This data is used by AMP to review system capacity needs and trends for time-of-use rate planning.



AMP’s employees keep the system operational 24 hours a day, 7 days a week. The utility’s professionals are represented by the Electric Utility Professionals of Alameda (“EUPA”). Non-management personnel are represented by either the International Brotherhood of Electrical Workers (“IBEW”) or the Alameda City Employees Association (“ACEA”). The current Memoranda of Understanding with each of EUPA, ACEA and IBEW expires in December 2018. Employee retirement benefits are provided by AMP through the City of Alameda’s participation in the California Public Employees Retirement System (“CalPERS”).



AMP refinanced \$31.7 million of its electric debt during August 2010 into fixed rate bonds. The Board continues to establish financial guidelines, set specific reserve targets and affirm rate principles.

In April 2015, the Board accepted the five-year strategic plan that will enable AMP to meet its obligations as Alameda's municipal electric provider for 2015 through 2020. Critical elements that will determine AMP's future direction include global issues, issues within Alameda, critical stakeholders, priorities, mission, vision, values, key result areas (KRA), goals, and initiatives.

The 5-Year Plan (Road Map) is based on six KRAs and their associated goals:

1) Customer Programs & Experience

- ❖ Ensure that customers have a positive experience
- ❖ Increase customer energy efficiency
- ❖ Provide programs that support green Alameda
- ❖ Provide programs that increase revenues
- ❖ Increase community engagement and good will

2) Workforce

- ❖ Achieve low OSHA incident rate
- ❖ Maintain zero preventable vehicle accidents
- ❖ Maintain low position vacancy rate
- ❖ Develop workforce skills for AMP opportunities
- ❖ Achieve high employee satisfaction

3) System Resiliency

- ❖ Maintain low customer outage frequency and duration
- ❖ Replace AMP infrastructure
- ❖ Improve infrastructure project management workflow
- ❖ Complete infrastructure for Alameda Point

4) Technology

- ❖ Achieve total Advanced Metering Infrastructure (AMI) deployment
- ❖ Implement automated distribution system
- ❖ Establish systems inter-operability
- ❖ Maintain sufficient level of cybersecurity

5) Energy Resources

- ❖ Develop alternative energy opportunities
- ❖ Define power procurement plan for 2025
- ❖ Achieve maximum utilization of REC funds
- ❖ Achieve sustainable level of carbon neutral

6) Financial and Organizational Stability

- ❖ Meet all bond covenants

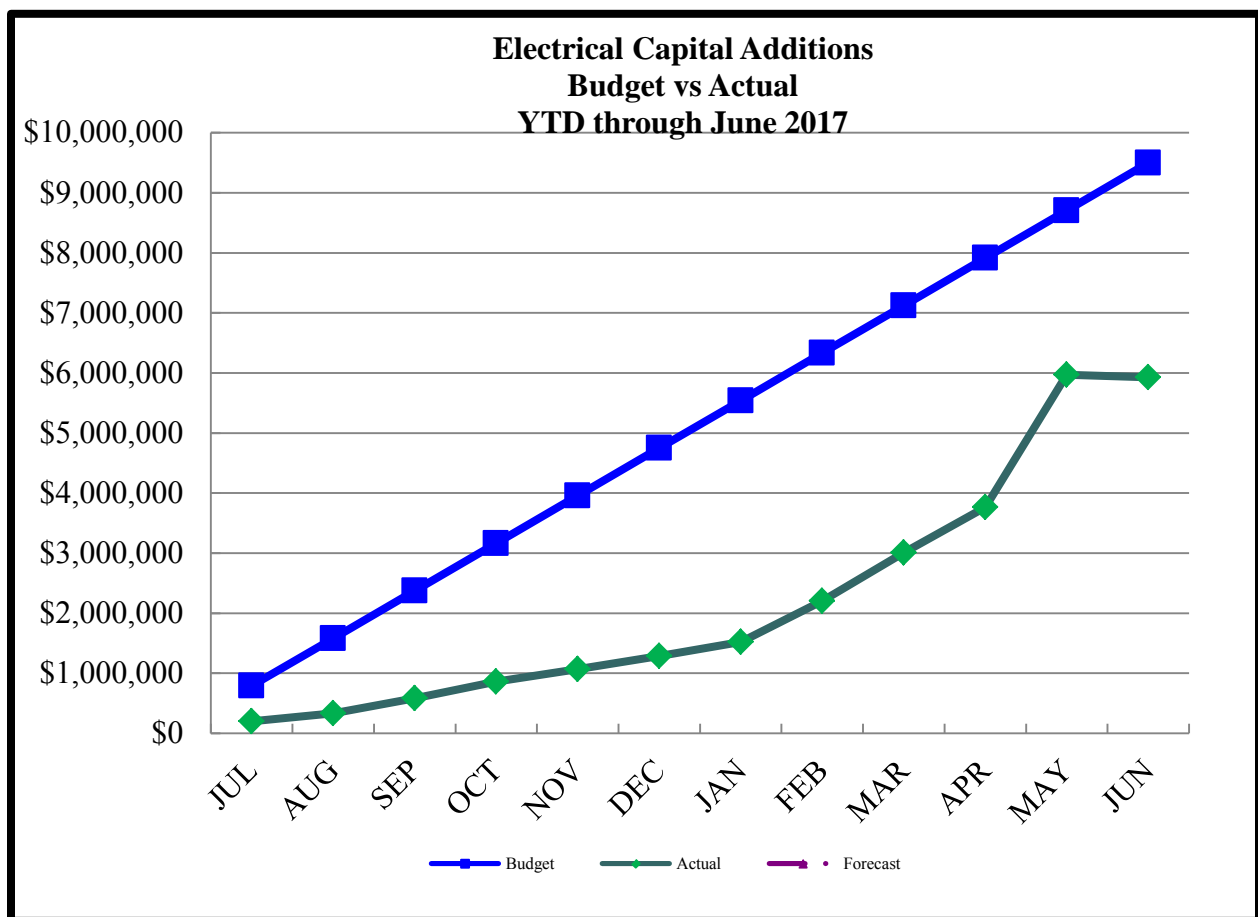
- ❖ Ensure AMP's average rates are competitive
- ❖ Ensure mutually-agreeable transfer to City
- ❖ Ensure balanced budget
- ❖ Ensure effective organizational management

AMP's rates and fees are intended to recover the actual cost of providing service to each customer, remain competitive with those providing similar services in surrounding communities, and provide a return to the City. At its January 2016 meeting, the Board approved a five-year ratemaking policy for FY 2017 through 2021. The Board approved average rate increases of five percent or less per year. Additionally, the Board adopted financial guidelines that included a debt service coverage ratio of 1.75 times AMP's total debt service and an operating cash reserve requirement that is at least 145 days for operations during unforeseen events. At its regular meeting conducted April 2017, the Board approved an average rate increase of 5.0 percent for FY 2017. The 5.0% amount was determined based on the results of the 10-year pro forma model, a tool that enables staff to incorporate key assumptions and determine the rate adjustment needed to comply with financial guidelines.

The 10-year pro forma model will continue to be used as a tool to consider yearly adjustments. Additional rate increases could be forecast during these years as key cost drivers, such as rising power and transmission charges, increased operating expenses, and lower load forecasts (translating into lower sales and lower revenue), exert upward pressure on rates. AMP will continue to investigate options to assure that revenues are sufficient to cover the cost of providing quality service to its customers.

In its continuing commitment to provide the most reliable power for Alameda and in support of community development goals, AMP continues to improve its electric distribution network through capital improvements to the supervisory control and data acquisition (SCADA) system and electrical equipment; providing new electric services for residential and business development; providing increased circuit cleansing, maintenance and inspection of high voltage components; upgrading internal systems; as well as a variety of routine enhancements including selected street light replacements, transformer inspections, and meter work.

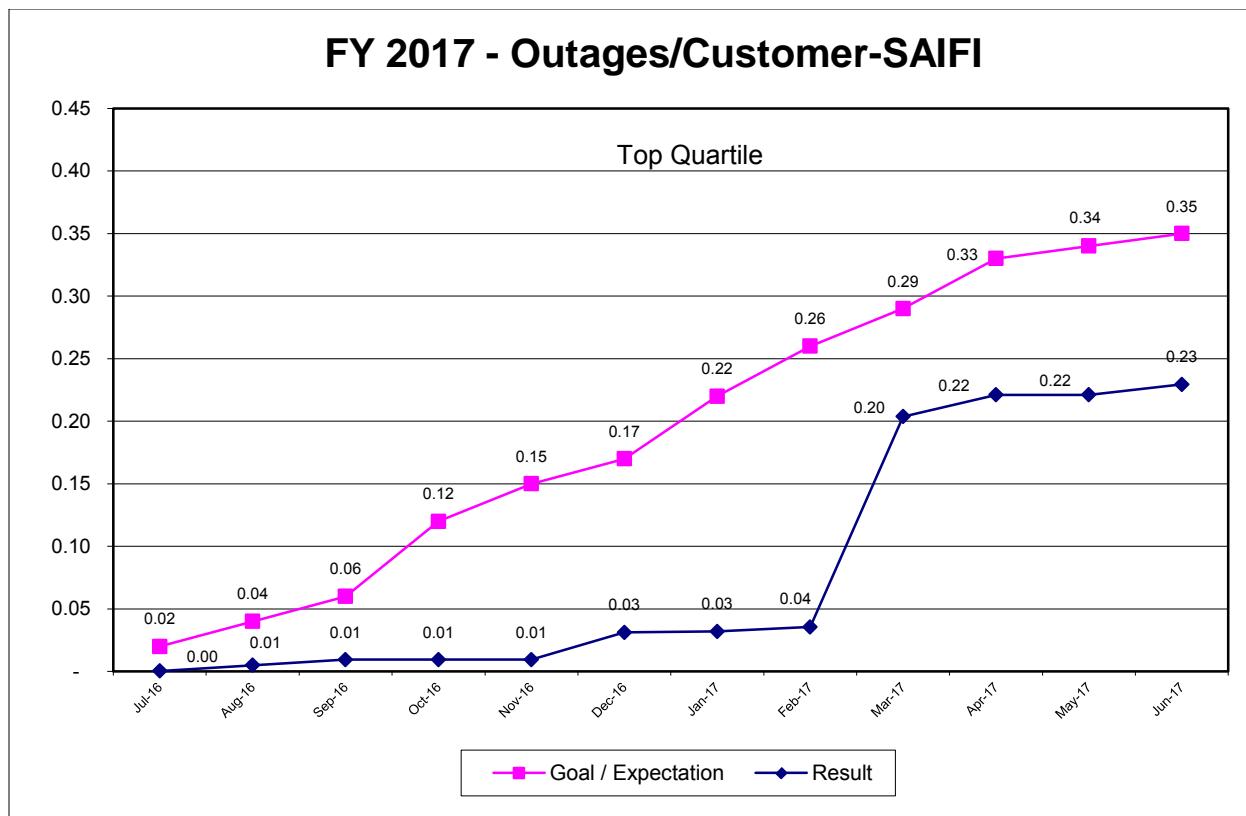




Several modifications to the CIP strategic plan occurred during FY 2017 that impacted planned construction budgets and schedules. Projects that were lower than budget because of material, labor, or contractor availability were 1) Distribution Poles and SF6 breaker replacements, 2) upgrade to system operations, 3) Underground Utility District (UUD), 4) rewind transformers, and 5) residential customer connections. The Microgrid project was not feasible to implement and therefore was not pursued in FY 2017. Projects that exceeded budgets were 1) Advanced Metering Infrastructure (AMI), and 2) workstation upgrades.

AMP has a goal to be “as reliable as the top quartile of electric utility providers in the Western United States”. AMP surpassed that goal during FY 2017, even though several unplanned events caused system outages.

In any successful strategic plan, flexibility is a fundamental element that allows for immediate assignment of resources to address specific system issues and promotes action to leverage opportunities when adapting to changing market conditions. The procurement processes that AMP utilizes support critical capital spending plans. The success of this strategy is evidenced in our reliability record which is summarized in the chart below.



In addition to the reliable services provided to its customers, AMP has transferred \$2.8 million to the City's General Fund in accordance with the City Charter and applicable Board resolutions, paid \$1.4 million in Payments-In-Lieu-Of-Taxes (PILOT) and has effectively reduced the tax burden of residents thus improving the quality of life in Alameda while maintaining substantially lower rates than nearby investment-owned utilities.

## Economic Conditions and Outlook

The City of Alameda is an island community with residential neighborhoods and commercial areas. There are scenic views of Oakland, San Francisco, and other areas of the Bay shoreline. The City has highway links to the City of Oakland to the north and east, and offers ferry services to San Francisco from two locations.

The California Department of Finance shows a population of 79,928 people residing in Alameda in FY 2017 versus 79,277 people in FY 2016, an increase of 0.8%. Alameda's unemployment rate dropped from 4.1% in FY 2016 to 3.6% in FY 2017. It is anticipated that the population of Alameda will continue to increase as new housing units are constructed and occupied at the former Naval Station (aka as Alameda Point) and elsewhere in the City.

Alameda's business enterprises range in scope from the Alameda Hospital providing health services, to the Coast Guard providing homeland security functions, to the Maritime Administration providing a ready-fleet of ships, to Amstar providing nonresidential building leases, to the City of Alameda providing municipal services to residents, to the Alameda Unified

School District, to BSREP Marina Village that was formerly Legacy Partners providing leasing of nonresidential buildings, to Safeway stores providing groceries to households, to Alameda Commercial Property providing nonresidential leases, to Penumbra providing designing and manufacturing innovative medical devices. The diversity of businesses and their unique electricity needs continues to be reliably served by the backbone of the electric distribution network.

Overall, the outlook for the City of Alameda is generally stable. Investors continue to demonstrate their faith in the strengths of the community by continuing capital improvements and through community planning development for Alameda Point. AMP continues to recognize trends developing in the market place and has adjusted its system expansion budget.

AMP understands that in addition to being responsive to the community, it must assess its risks and plan accordingly. This planning is especially important at this time since operating expenses are expected to escalate as certain power supply contracts expire, renewable energy continues to be prominent in the portfolio, and transmission costs escalate.

## **Major Initiatives**

### *Community Involvement*

Through participation in local events and programs, and in partnership with local agencies, AMP maintains a strong presence in the community. AMP sponsors a variety of organizations and local events, including the Park Street Art & Wine Faire, the Webster Street Jam, the Chamber of Commerce's State of the City Luncheon, and the City's Earth Day and Fourth of July activities. Through the "Power Up for Learning" program, AMP customers and the Alameda Education Foundation supported robotics programs for Alameda public school students. To recognize Public Power Week, October 1-7, 2017, AMP hosted a customer tour to one of its hydropower plants and the utility's employees volunteered aboard the USS Hornet. As part of San Francisco Fleet Week, AMP educated the public on its potential roles in emergencies in an exercise led by the U.S. Maritime Administration (MARAD). In its customer newsletter, "The Flash," AMP continues to promote its safety-education initiatives. In addition to its community involvement, AMP continues to provide financial assistance programs for low-income customers..

### *Economic Development*

The City of Alameda and AMP continue to encourage new and existing businesses to develop in Alameda. Alameda is an excellent choice for energy-sensitive businesses and is centrally located within the San Francisco Bay Area. While having one of the best records of reliability, customers enjoy electric rates significantly lower than those of nearby cities served by other utilities.

A portion of the west end of Alameda known as Alameda Landing is seeing significant growth at this time. New business developments, such as Target, Safeway and others, have been developed in this area. During FY 2017, AMP continued to build-out infrastructure and provide electric services to these businesses. Additionally, FY 2018 projects that are being undertaken to improve system reliability, and flexibility for new development, include the installation and replacement of poles, fiber installations, replacement of substation breakers, Advanced Metering

Infrastructure (AMI), Utility Underground Districts (UUD), upgrade core switches, continued system enhancements, and various design development activities.

### Customer Service

AMP's customers can call during business hours to obtain information about their bill, make a payment, inquire about energy efficiency programs, the solar rebate program, request new service, or discontinue service. Customers have seven bill payment options when paying their electric bill. There are no additional fees for any of these bill payment options. A feature of AMP's telephone system is one that allows automated Interactive Voice Response (IVR) billing services around the clock, any day of the week.

- *Automatic Payment Service (Easy Pay)*  
Electric bills may be paid directly through a draft on a checking or savings accounts.
- *Electronic Bill Presentment/Payment (EBPP)*  
AMP customers can view and pay their electric bill at any of over 300 web sites including [www.AlamedaAMP.com](http://www.AlamedaAMP.com).  
  
A feature with the EBPP service includes an automated email notifying customers when their electric bill is ready for viewing and payment.
- *On-line Credit/Debit Card Payment*  
Customers receive their electric bill via the U.S. Postal Service and elect to pay it over the Internet using any major credit card or bank debit card.
- *Credit Card Payments by Phone*  
Bills may be paid by telephone using a MasterCard or Visa credit card.
- *U.S. Mail*  
Customers receive and pay their bills by U. S. mail.
- *In-Person Payments*  
Payments by check may be made left in a drop box at AMP's Service Center. Special payments may be made in person at the front desk of the Service Center with a Visa card, MasterCard, money order, cash, ATM card, or personal check.
- *Pay Station*  
For customer convenience, there is an additional pay station in Alameda that will accept electric payments.

Customers can also utilize AMP's website to obtain an array of information regarding programs, services, events, Public Utility Board meetings, and other areas of interest.

### Solar Rebates and Alternative Fuel Vehicles

AMP continues to support community efforts for reducing greenhouse gases through its solar programs and by its use of alternative-fuel vehicles, including both all-electric and hybrid

electric/gasoline vehicles. While the alternative-fuel vehicles serve business purposes, they also remind the community of AMP's commitment to a cleaner environment. AMP installed two level-three charging stations at its service center which charge a vehicle within approximately seven minutes. AMP will continue to monitor electric vehicle charging stations to assess electric-vehicle charging patterns as more all-electric vehicles begin to be utilized by the community.

#### Alameda Point Telephone System

AMP took over the operation of the telephone plant at Alameda Point on July 1, 2000 and converted the operation to a self-sustaining portion of the utility. AMP charges installation and monthly recurring fees to provide for the recovery of maintenance expenses. Capital plant investment for the Alameda Point telephone system have been minimized because the telephone cable pairs to extend telephone services from the AT&T Minimum Point of Entry (MPOE) to tenants leasing space and housing on Alameda Point are temporary. Existing telephone circuits will be abandoned as Alameda Point is redeveloped. In the future, it is expected that a state-certified communications carrier will construct telephone facilities on Alameda Point as part of the overall development plan. Until Alameda Point's redevelopment plans are implemented, the Alameda Point telephone system will continue to support residents, business and economic development by providing access to the public dial telephone network.

### **Management's Statement of Responsibility**

AMP's management is responsible for the integrity and objectivity of all financial data included in this annual report. The statements have been prepared in accordance with accounting principles generally accepted in the United States. The financial data includes amounts that are based on the best estimates and judgments of management.

AMP's management takes seriously its responsibility to establish and maintain an effective internal control system. It employs a variety of administrative and accounting processes that form its internal control system. The controls provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements because internal control costs should not exceed the benefits derived. Management periodically reviews the internal control system. Actions are taken to correct deficiencies as they are identified. AMP maintains high standards in selecting, training, and developing personnel to assure that its operations are conducted in conformity with applicable laws and is committed to maintaining programs to encourage and assess compliance with the highest standards of personal and business conduct.

### **Independent Audit**

California State statutes and the City of Alameda's charter require an annual audit of AMP's financial records and transactions. Vavrinek, Trine, Day & Co., LLP (VTD), a certified public accounting firm, is contracted to independently audit the financial information of AMP. VTD was provided access to all information and documentation necessary for the audit. The financial section of the Comprehensive Annual Financial Report contains the Independent Auditors' Report as well as management's discussion and analysis of the financial data, the financial statements, and the notes to the financial statements. In the normal course of work, the

independent auditor may recommend changes in control procedures and AMP's management will take appropriate action on such recommendations.

### **Award**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to AMP for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. A GFOA Certificate of Achievement is valid for a period of 1 year. This was the twentieth consecutive year that AMP has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

AMP believes that its current Comprehensive Annual Financial Report will continue to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another Certificate of Achievement for Excellence in Financial Reporting from GFOA.

### **Acknowledgments**

This report is the culmination of the hard work and dedication of many AMP employees and the independent auditor, Vavrinek, Trine, Day & Co., LLP. AMP staff would like to acknowledge the support of the Board for its continuing direction and oversight in providing value to the Alameda community.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'N. Procos', is written over a light blue horizontal line.

Nicolas Procos  
General Manager

## **Principal Officers**

(As of June 30, 2017)

### **PUBLIC UTILITIES BOARD**

Ann McCormick, President

Jerry Serventi, Vice President

Madeline Deaton, Commissioner

Laura Giuntini, Commissioner

Commissioner and City Manager, Jill Keimach

### **GENERAL MANAGER**

Nicolas Procos

### **MANAGERS**

Robert J. Orbeta, Assistant General Manager – Administration

Rebecca Irwin, Assistant General Manager – Customer Resources

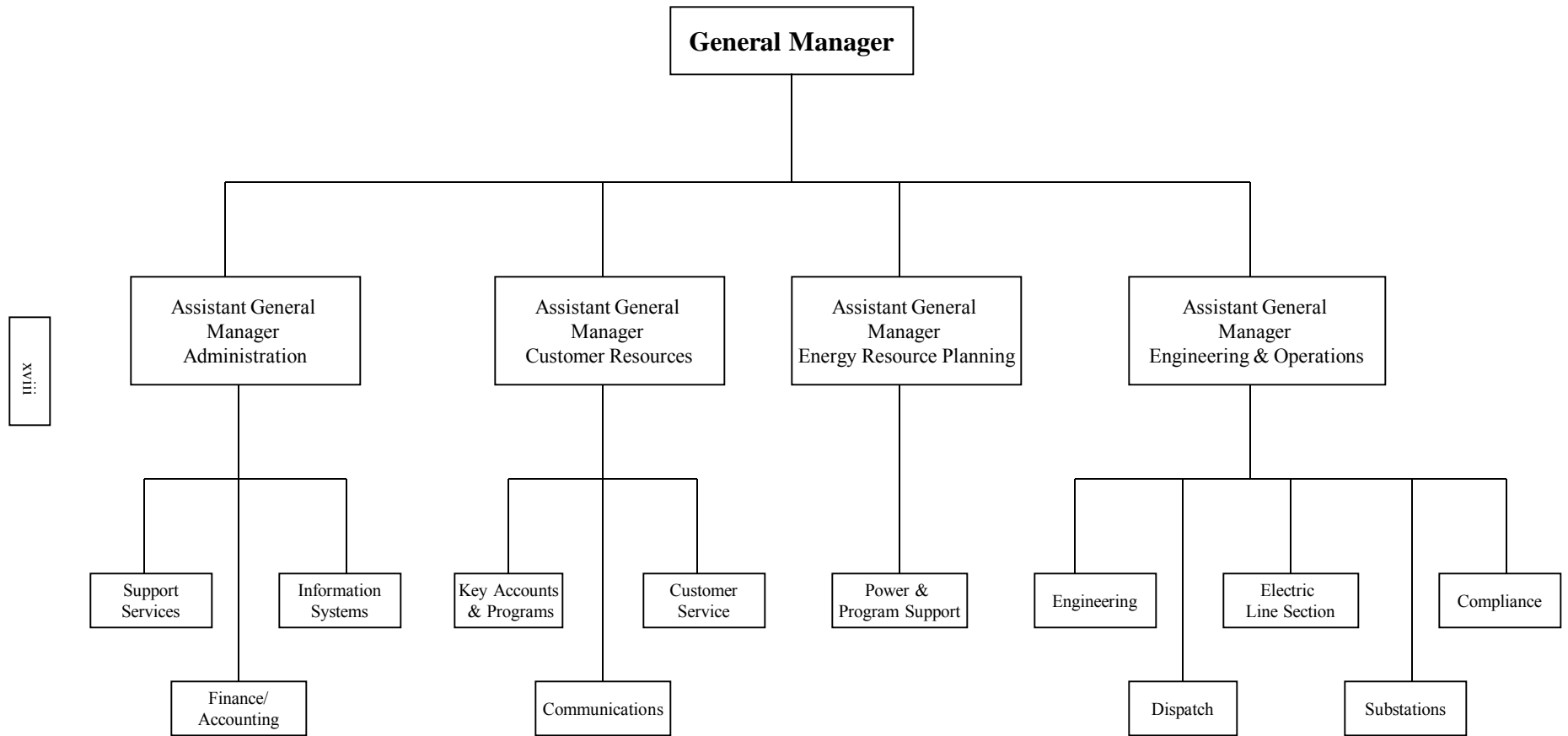
Rebecca Irwin, Interim Assistant General Manager – Energy Resource Planning

Robert Orbeta, Interim Assistant General Manager – Engineering & Operations

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City of Alameda  
Alameda Municipal Power  
Organizational Chart



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Government Finance Officers Association

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**Alameda Municipal Power  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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Alameda, California, United States



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# Financial Section

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## INDEPENDENT AUDITORS' REPORT

Public Utilities Board  
Alameda Municipal Power  
Alameda, California

We have audited the accompanying financial statements of each major fund of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise AMP's basic financial statements, as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of AMP as of June 30, 2017 and 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1, the financial statements present only AMP's enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Alameda, California, as of June 30, 2017 and 2016, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and schedule of contributions as listed on the table of contents, be presented to supplement the basic financial statements. Such information, 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AMP's basic financial statements. The introductory section, statistical section and bond disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, statistical and bond disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Vavrinik, Trine, Day & Co. LLP*

Pleasanton, California  
November 10, 2017

# **ALAMEDA MUNICIPAL POWER**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 and 2016**

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As management of Alameda Municipal Power (AMP), we offer readers of AMP's financial statements this narrative overview and analysis of the financial activities of AMP for the years ended June 30, 2017 and 2016. Readers are encouraged to consider the information presented here in conjunction with information contained in the preceding transmittal letter, the accompanying financial statements and notes, the statistical section of the comprehensive annual financial report and the bond disclosure information.

### **FINANCIAL STATEMENTS OVERVIEW**

The basic financial statements present the financial picture of AMP from an economic resources measurement focus using the accrual basis of accounting similar to a private-sector business.

The Statement of Net Position presents information on AMP's assets, deferred outflows/inflows, and liabilities with the difference reported as net position. The primary purpose of these Statements is to provide relevant information about AMP's assets, liabilities, deferred outflows/inflows, net position, and their relationships to each other at the year-end closing date. The information provided in the Statement, used with related disclosures and information in other financial statements, helps the public, creditors, and others assess AMP's ability to continue to provide services, understand its liquidity, financial flexibility, and its ability to meet obligations.

The Statement of Revenues, Expenses and Change in Net Position present relevant information showing how AMP's resources were used in providing services and how AMP's net position changed during the period. The information helps the public, creditors, and others to evaluate the organization's performance. The Statement allows the reader to assess AMP's service efforts, its ability to continue to provide services, the results of management's stewardship, and other aspects of performance.

The Statement of Cash Flows presents relevant information about cash receipts and payments and the net change in cash resulting from AMP's operating, investing, and financing activities during the period. The Statement provides information for investors, creditors, and others, to evaluate AMP's financial position, its ability to generate future cash flows, its ability to pay bills and meet obligations, and the differences between net income and net cash provided (used) by AMP's operating, investing, and financing activities during the period.

### **FINANCIAL HIGHLIGHTS**

- AMP's total net position increased by \$9.6 million for the year ended June 30, 2017 while last year an increase of \$6.6 million was reported. The final payment dissolving the telecommunications fund was completed in the year ended June 30, 2016.
- The increase of \$9.6 million to the total net position comes from a combination of factors including:
  - Current Assets decreased by \$2.9 million for the year ended June 30, 2017 while last year's current assets decreased by \$2.4 million. This year's changes were due to a decrease of \$3.3 million in cash and equivalents that were used for the purchase of Advanced Metering Infrastructure (AMI). AMP's board approved the full implementation of the AMI project in FY2017 which will be funded from both rates and REC in FY2017 and FY2018. An increase of \$182k in investments and interest receivable as rates continue to improve. An increase of \$1.3 million in accounts receivable which includes an increase of \$500k for special and development projects that were completed during the year, an increase of \$800k in customer receivables due to the increased rates and the number of due days from 21 to 23. A decrease of \$1.4 million in Greenhouse Gas (GHG) net receivables relating to the December 31, 2016 matured contract. An increase of \$750k in materials and supplies relating to the AMI project. A decrease of \$320k in prepayments to the City and cash advances for projects;

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- Capital Assets net of depreciation increased \$2.5 million for the year ended June 30, 2017 while last year an increase of \$18k was reported (see note 3 for additional information regarding capital assets and depreciation amounts);
- Other Non-current Assets increased by \$8.9 million for the year ended June 30, 2017 while last year an increase of \$7.3 million was reported. This change was primarily due to an increase of \$2.3 million for certain Northern California Power Agency (NCPA) projects and investments (see note 8 for additional information regarding NCPA), and an increase of \$6.6 million for investments designated for special purposes (see note 2 for additional information regarding restricted and designated investments), an increase of \$28k for restricted investments;
- Deferred Outflow of Resources increased by \$3.6 million for the year ended June 30, 2017 while last year an increase of \$235k due to pensions. The deferred outflows for pension are prepayment of the pension liability for the current year.
- Current Liabilities decreased by \$1.5 million for the year ended June 30, 2017, while last year an increase of \$929k was reported. The change was primarily due to a \$748k decrease in accrued liabilities, accounts payable and accrued payroll. A decrease of \$318k in deposits, and a decrease of \$480k in current portion of compensated absences (see note 1C for additional information) and current portion of claims liability (see note 10B for additional information);
- Non-current Liabilities increased \$4.2 million for the year ended June 30, 2017 while last year an increase of \$1.3 million was reported. The change was primarily due to an increase of \$5.0 million in net pension liability, and \$420k increase in compensated absences (see note 1C for additional information) and claims liability (see note 10B for additional information). These increases were offset with a decrease of \$1.2 million in long term debt (net of current portion);
- Deferred Inflow of Resources decreased by \$53k for the year ended June 30, 2017, while last year a decrease of \$1.5 million was reported. The change is primarily due to \$1.43 million increase in the balancing account due to capital projects that were delayed because of material, labor or contractor availability and a decrease of \$1.48 million in pension liability.
- The telecom fund total net position is zero as the final payment for the liquidation of the fund was completed in FY2016.
- Electric fund operating revenue increased \$1.4 million for the year ended June 30, 2017 as electricity sales revenue increased \$1.7 million as a result of increased rates and colder weather, miscellaneous services increased \$327k relating to an increase in field visits and other operating revenues, plant leased to others decreased \$53k, jobbing sales increased \$750k as more customers requested additional development and specialized work, Cap & Trade (CT) Program net revenue increased \$304k, and Greenhouse Gas (GHG) related sales decreased \$1.6 million due to the maturity of the sales contract on December 31, 2016.
- Excluding purchased power, depreciation and the balancing account, electric fund operating expenses for the year ended June 30, 2017 increased \$225k compared to the results from last year primarily as a result of an increase in jobbing sales expenses which are billed to customers for development and increased distribution. These were offset with decreases in energy efficiency and administration costs.
- Purchased power expenses decreased \$1.6 million for the year ended June 30, 2017, while last year a \$2.3 million increase was reported. Decrease in purchase power was primarily due to improved hydro for FY2017 compared to FY2016 which was a low and dry year and lower market purchases.
- Depreciation and amortization expense increased \$140k for the year ended June 30, 2017, while last year a \$217k increase was reported.

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- The balancing account, which is used to stabilize rates, was increased by \$1.4 million, while last year it was increased by \$1.1 million (see note 1C for additional information on the deferred inflows of resources related to balancing account).
- Electric fund non-operating revenues/expenses had a net decrease of \$800k in spending for the year ended June 30, 2017 while last year a net decrease in spending of \$1.26 million was reported.
  - Interest income was higher by \$156k and interest expense was higher by \$49k for the year ended June 30, 2017 while last year interest income was higher by \$143k and interest expenses was higher by \$44k.
  - Fair value of NCPA Projects and Reserves increased by \$507k during the year ended June 30, 2017, while last year an increase by \$1.1 million was reported.
  - Miscellaneous non-operating revenue/expense had a net increase of \$78k for the year ended June 30, 2017 while last year a net increase of \$22k was reported.
- AMP continues to maintain the telephone system at Alameda Point and strives to provide service to customers “at cost”. AMP began consolidating the telephone revenues with electric as they are insignificant amounts. Last year AMP recognized \$27k in revenues for the telephone system.
- AMP continued its support of the City’s general fund with a Board approved contribution of \$2.8 million in FY 2017 and FY 2016.
- To allow for the final payment of expenses resulting from the sale of the telecommunications system, the electric fund transferred \$2.2 million to the telecom fund without any expectation of being repaid in FY2016. AMP did not make transfers to the telecommunications fund in FY2017.
- The electric fund had a decrease of \$3.4 million in cash and equivalents for the year ended June 30, 2017 while last year a decrease of \$1.3 million was reported. The results come from a combination of factors including:
  - Net cash provided by operating activities decreased \$705k while last year it was reported that net cash provided by operating activities increased \$1.7 million.
  - Net cash used for non-capital financing activities increased \$2.2 million while last year it was reported that net cash used for non-capital financing activities increased \$1.6 million from the previous year. The increase is from the liquidation of the Telecommunications fund in FY2016.
  - Net cash used for capital and related financing activities increased \$2.6 million while last year it was reported that net cash used in capital and related financing activities decreased \$1.8 million from the previous year.
  - Net cash used by investing activities increased \$1.0 million while last year it was reported that net cash provided for investing activities increased \$6.4 million.
- The telecom fund had \$0 change in its cash and equivalents for the year ended June 30, 2017 which is consistent with last year’s reported change of \$0.

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### COMBINED NET POSITION

#### AMP's Combined Net Position as of June 30:

(Dollars in thousands)

	2017	2016	2015
Assets:			
Current Assets	\$ 43,540	\$ 46,403	\$ 48,802
Capital Assets, net of depreciation	42,728	40,206	40,188
Other Non-current Assets	48,561	39,586	32,282
<b>Total Assets</b>	<b>134,829</b>	<b>126,195</b>	<b>121,272</b>
<b>Deferred Outflow of Resources</b>	<b>5,665</b>	<b>2,060</b>	<b>1,825</b>
Liabilities:			
Current Liabilities	4,677	6,176	7,448
Long-term Liabilities Outstanding	46,785	42,617	41,309
<b>Total Liabilities</b>	<b>51,462</b>	<b>48,793</b>	<b>48,757</b>
<b>Deferred Inflow of Resources</b>	<b>18,726</b>	<b>18,779</b>	<b>20,248</b>
Net Position:			
Net Investment in Capital Assets	34,437	32,252	32,296
Restricted	4,609	4,581	4,562
Unrestricted	31,260	23,848	17,235
<b>Total Net Position</b>	<b>\$ 70,306</b>	<b>\$ 60,681</b>	<b>\$ 54,093</b>

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 and 2016**

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### **ANALYSIS OF NET POSITION**

AMP's combined total net position was \$70.3 million as of June 30, 2017. Comparing this year results to the previous fiscal year, the combined total net position increased by \$9.6 million, or almost 16% of last year.

The largest portion of combined total net position is the net investment in capital assets (e.g., land, utility plant, buildings, vehicles and equipment) less any related debt still outstanding that was used to acquire those assets. The capital assets are used to provide electric services and, consequently, are not available for future spending. Although AMP's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from net revenues of the electric fund. The capital assets themselves cannot be used to liquidate these liabilities except under extraordinary circumstances. The next largest contributor to AMP's combined total net position is the unrestricted Net Position from the renewable energy credit sales held in designated reserve accounts. AMP's board may designate how these funds are expended.

The largest portion of combined total liabilities is used to finance AMP's operations, construction, NCPA activities and adjustment of the balancing account accumulation. Total combined assets increased \$8.6 million, or a 6.8% increase to last year's total. Total combined Deferred Outflow of Resources increased by \$3.6 million, or 175% increase to last year's total relating to pensions. Total combined liabilities increased by \$2.7 million, or a 5.5% compared to last year's total. Total combined Deferred Inflow of Resources (balancing account) decreased by \$53k, or a 0.3% decrease to last year's total.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 and 2016

### Combined Statement of Revenues, Expenses and Changes in Net Position as of June 30:

(Dollars in thousands)

	2017	2016	2015
Operating Revenues			
Electric Sales	\$ 55,926	\$ 54,221	\$ 50,791
Other Services Revenue	7,523	7,792	7,968
Total Operating Revenues	<u>63,449</u>	<u>62,013</u>	<u>58,759</u>
Operating Expenses			
Purchased Power	28,201	29,781	27,518
Energy efficiency, solar, other	1,505	1,685	1,605
Operations and Maintenance	4,674	4,574	4,328
Customer Accounts, Information Systems	2,171	2,226	2,113
Administrative and General	7,425	7,733	6,116
Depreciation and Amortization	3,506	3,366	3,149
Sales Expense	530	540	532
Jobbing Sales Expense	994	315	203
Balancing Account	1,425	1,010	(660)
Total Operating Expenses	<u>50,431</u>	<u>51,230</u>	<u>44,904</u>
Operating Income (Loss)			
Electric	13,018	10,783	13,855
Telecommunications			(137)
Total Operating Income (Loss)	<u>13,018</u>	<u>10,783</u>	<u>13,718</u>
Non-operating Revenue (Expense)			
Interest Income on Investments	473	316	174
Interest Expense	(1,461)	(1,510)	(1,554)
Gain (Loss) from Disposition	86	-	7
Increase (Decrease) in Value of NCPA Projects	1,579	1,073	18
Alameda Point Phone Maintenance-Net	43	51	26
Misc Non-operating Income (Expense)	105	58	39
Telecommunications	-	10	-
Payment in-lieu of taxes	(1,418)	(1,391)	(1,363)
Total Non-Operating Revenue (Expense)	<u>(593)</u>	<u>(1,393)</u>	<u>(2,653)</u>
Income (loss) before Transfers and Special Item	<u>12,425</u>	<u>9,390</u>	<u>11,202</u>
Transfers in (to Telecom)		2,190	575
Transfer to City of Alameda	(2,800)	(2,800)	(2,800)
Transfers out (from Electric)		(2,190)	(575)
Total Transfers	<u>(2,800)</u>	<u>(2,800)</u>	<u>(2,800)</u>
Change In Net Position			
Electric	9,625	4,390	7,827
Telecommunications	-	2,200	438
Total Change In Net Position	<u>\$ 9,625</u>	<u>\$ 6,590</u>	<u>\$ 8,265</u>



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## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 and 2016

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### ANALYSIS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

#### *Changes in Electric Net Position*

Electric net position increased \$9.6 million for the year ended June 30, 2017 while last year an increase of \$4.4 million was reported. Electric operating revenue increased \$1.5 million while last year an increase of \$3.4 million was reported. Electric operating expenses decreased \$798k while last year an increase of \$6.3 million primarily due to higher power expenses, higher legal fees, higher labor expenses relating to the renegotiated union contracts.

#### **Electric Condensed Statement of Changes in Net Position as of June 30:**

(Dollars in thousands)

	2017	2016	2015
Operating Revenues	\$ 63,449	\$ 62,013	\$ 58,759
Operating Expenses	50,432	51,230	44,904
Operating Income	13,017	10,783	13,855
Total Non-operating Revenue (Expense)	(592)	(1,403)	(2,654)
Transfers Out	(2,800)	(4,990)	(3,375)
Change In Net Position	\$ 9,625	\$ 4,390	\$ 7,826

#### *Electric Operating Revenues*

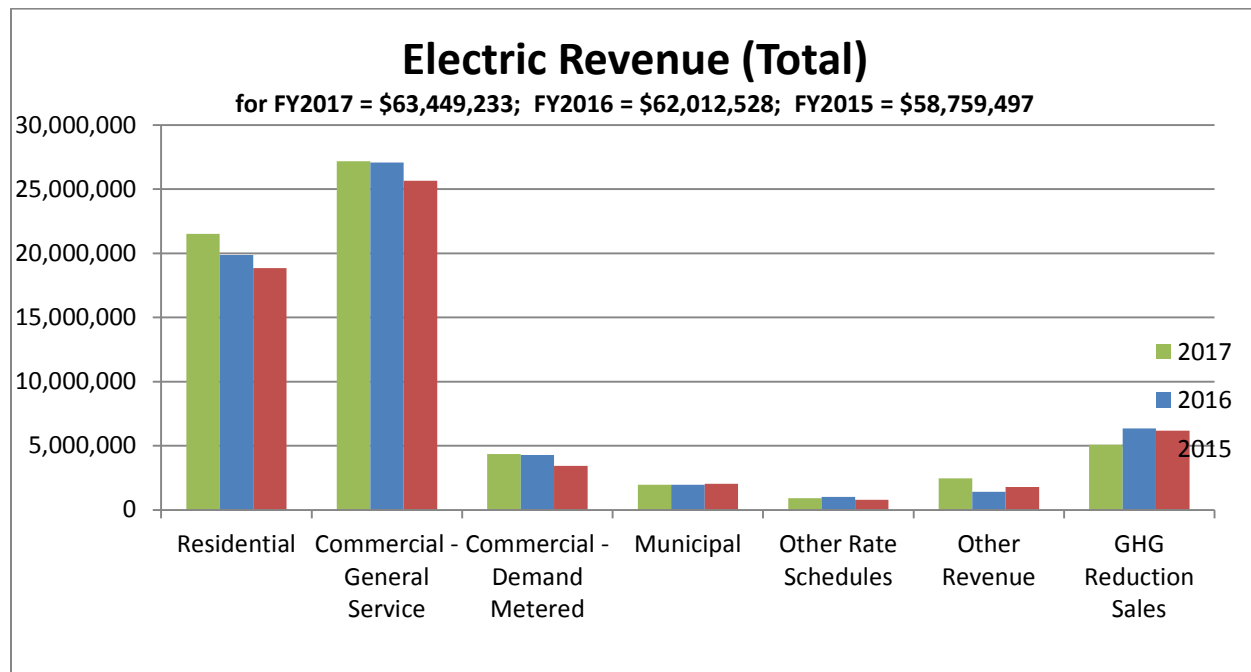
Electric operating revenue increased by \$1.4 million or 2% during FY 2017 and increased by \$3.3 million last fiscal year. Contributing to the FY 2017 results are revenues from electricity sales relating to rate increases, increased field service and account sign up costs, increased jobbing sales, and other operating revenues. Electricity sales revenue was \$55.9 million or 88% of all electric revenues. Miscellaneous services, plant leased to others and jobbing sales contributed \$2.5 million, or 4% of revenue. Cap & Trade net revenue and GHG related sales contributed \$5.0 million, or 8% of revenue.

## ALAMEDA MUNICIPAL POWER

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 and 2016

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#### *Sources of Electric Revenue*

AMP's operating revenues are based on rate schedules authorized by the Board. Such rates are designed to recover AMP's cost of service and still be competitive with those in surrounding areas. Rates also provide a contribution to the City of Alameda, the level of which is defined by the Board and by the City's charter.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 and 2016

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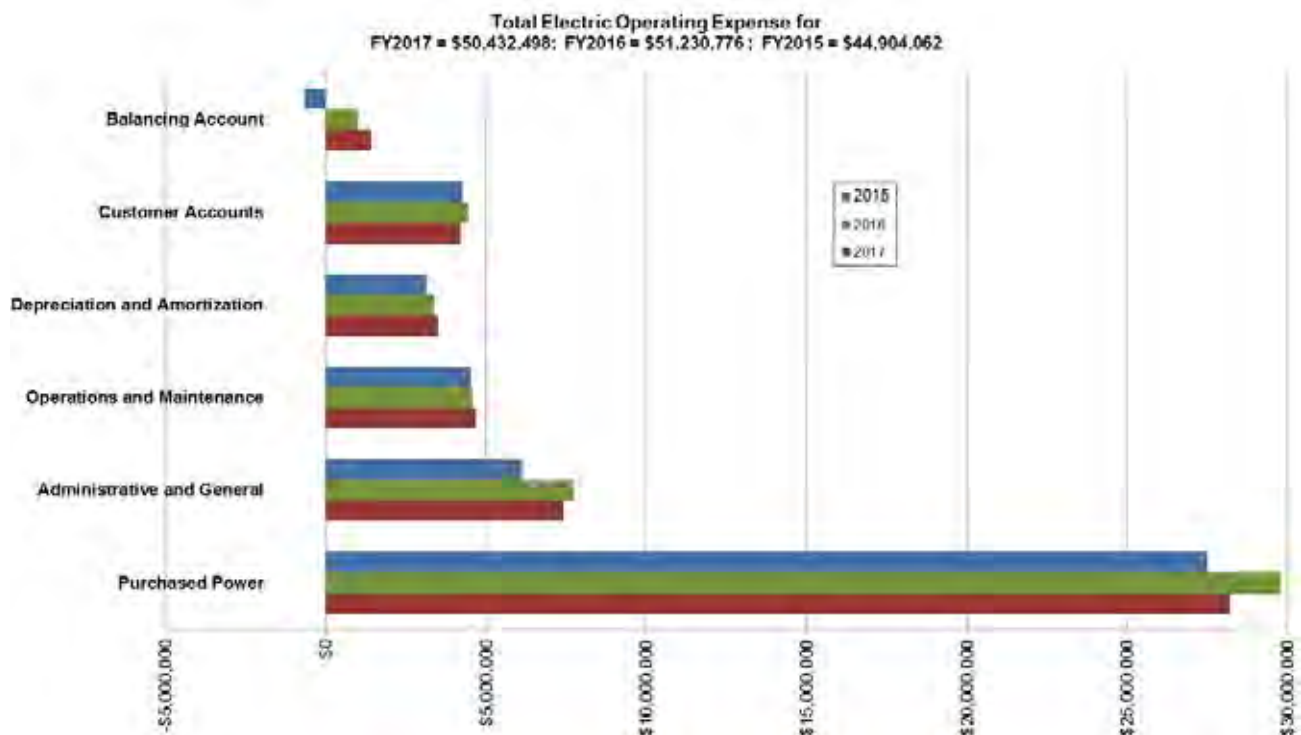
### *Electric Operating Expenses*

Electric operating expenses, excluding the adjustment for balancing account accumulation, were lower than last year's results by \$1.2 million. In FY 2016, a \$4.5 million increase from FY 2015 was reported. The results for the previous year were higher because of the dry hydro generation and re-negotiated labor contracts. During FY 2017 the decrease is primarily driven by \$1.5 million lower power purchases, \$100k higher operations and maintenance expenses, \$140k higher depreciation expense as more projects were capitalized, \$679k higher jobbing sales expenses as more development and special projects were completed, \$180k lower energy efficiency programs, \$308k lower administrative and general services, and \$55k lower customer service.

The Balancing Account is used by AMP to stabilize rates by accumulating differences between the actual costs of providing service with the related revenues designated for recovery of such costs. Actual costs were lower than revenue collections by \$1.4 million during FY 2017 and \$1.0 million lower were reported in FY 2016.

AMP continues to experience volatility in California energy markets as seasonal weather impacts hydroelectric generation, natural-gas prices impact peak-demand electricity prices, geothermal generation is impacted by aging facilities, new landfill-gas generation becomes operational and new state laws and regulations are implemented for GHG reduction strategies. Although AMP recognizes that energy markets have stabilized since the energy crisis of 2000-2001, it is keenly aware that adverse energy markets may return due to a variety of factors that affect both the supply of and demand for electric energy in the Western United States.

The chart below offers a comparison of electric operating expense for FY 2017, FY 2016, and FY 2015.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 and 2016

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### *Electric Non-Operating Revenues (Expenses)*

Non-operating expenses and transfers in FY 2017 exceeded non-operating revenue by \$3.4 million compared to the recorded \$4.2 million last year. This year's resulting \$800k net change comes from a combination of factors including a \$506k increase in the value of certain NCPA-held assets, \$157k increase in interest income, a \$49k decrease in interest expense, \$86k increase from the disposition of obsolete assets, \$27k increase in payments in lieu of taxes, and a net of \$29k other miscellaneous non-operating revenue/expenses.

### *Sources of Telecommunications Revenue*

During FY 2017, there were no revenues for the telecommunications fund. In FY 2016 approximately \$10k of miscellaneous non-operating revenue was received for miscellaneous income associated with residual bad debt collections and advertising commissions. With the sale of the telecommunication system, there is no operating revenue available from the telecom fund. As a result, the electric fund provides payment of expenses associated with terminating the telecom business line through an inter-fund transfer to the telecom fund.

### *Telecommunications Change in Net Position*

Telecom net position was zero for FY 2017. In FY 2016, the change to telecom net position reflects the \$2.2 million increase in transfers associated with the final payment to terminate the telecom business line.

### **Telecommunications Condensed Statement of Change in Net Position as of June 30:**

(Dollars in thousands)

	2017	2016	2015
Operating Revenues			\$ -
Operating Expenses	-	-	(137)
Operating Income (Loss)	-	-	(137)
Non-operating Revenues/Expenses	-	10	1
Transfers in	-	2,190	575
Special Item: Legal Settlement	-	-	-
Change In Net Position	\$ -	\$ 2,200	\$ 439

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## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 and 2016

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### ANALYSIS OF COMBINED CASH FLOWS

#### *Net Change in Cash and Equivalents*

Combined net change in cash and equivalents decreased by \$3.4 million for the year ended June 30, 2017 while last year a decrease of \$1.2 million was reported. AMP generates cash from its electric operations, or utilizes its reserves, to meet its operating needs including payments in lieu of taxes (PILOT), return on investment (ROI), transfer to the City's General Fund, and payment of telecom fund expenses. The cash flow performance results are primarily due to AMP's placement of Cap & Trade net revenues and Greenhouse gas sales revenues into investments for the Board designated special reserves for these funds, changes in the cash flows from improved customer receipts as a result of rate adjustments, lower supplier expenses, and increases to employee expenses, a reduction of telecom expenses, the changes in AMP's electric debt structure, and the change to investment in NCPA projects and reserves.

#### **Combined Condensed Statement of Cash Flows as of June 30:**

(Dollars in thousands)

	2017	2016	2015
Operating Activities	\$ 16,509	\$ 17,224	\$ 14,980
Non-capital Financing Activities	(4,218)	(4,191)	(4,163)
Capital and Related Financing Activities	(8,536)	(8,183)	(7,747)
Investing Activities	(7,105)	(6,077)	273
Change in Cash and Equivalents	<u>\$ (3,350)</u>	<u>\$ (1,227)</u>	<u>\$ 3,343</u>

#### *Cash Flows from Operating Activities*

In FY 2017, cash provided by combined operating activities was \$16.5 million versus \$17.2 million in FY 2016, or an increase of \$715k. The change in cash flows from operating activities compared to FY 2016 is primarily the result of \$406k increase from electric customers, \$267k decrease in payments to suppliers, \$1.4 million increased payments to employees, and \$40k increased non-operating income.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### ***Cash Flows from Non-Capital Financing Activities***

In FY 2017, cash used for combined non-capital financing activities was \$4.2 million versus \$4.1 million in FY 2016. Although the change from last year was not significant, it should be noted by the reader that the General Fund Transfers and the Payment in lieu of taxes are the largest contributors to this category. Additionally, it should be noted that the inter-fund cash flows between the electric fund and the telecom fund are consolidated and cancel each other in FY 2016.

### ***Cash Flows from Capital and Related Financing Activities***

In FY 2017, cash used for capital and related financing activities was \$8.5 million versus \$8.2 million in FY 2016, or an increase of \$300k. The change in cash flows from capital and related financing activities compared to FY 2016 is primarily the result of increased capital additions and decreased debt repayments.

During FY 2017, AMP's net capital asset additions for the electric system were \$2.6 million and included projects to expand, replace, and enhance facilities, to improve their efficiency and reliability, to extend their useful life, to comply with laws and regulations, and/or to meet the increasing demands on the electric system. Specific capital work that occurred during FY 2017 includes information system upgrades, maintenance trucks and vehicles, new developments within community (Tri-Pointe, Alameda Landing, etc.), Advanced Metering Infrastructure (AMI), continued enhancements to the System Control and Data Acquisition (SCADA) systems, new residential and commercial installations, computer room enhancements, service center paving, and general distribution and substation system upgrades.

### ***Cash Flows from Investing Activities***

In FY 2017, combined net cash used by investing activities was \$7.1 million versus \$6.1 million that was provided in FY 2016, or a change of \$1.0 million. The change in cash flows from investing activities compared to FY 2016 is primarily the result of increased investments in NCPA projects and reserves and purchases of investments reserved for special purposes. The reader is encouraged to read Note 2I for additional information on Designated Investments by the Board for special purposes.

## **ANALYSIS OF LONG-TERM DEBT**

On August 4, 2010, AMP authorized the issuance of \$8.7 million in Revenue Bonds, Series 2010A, and \$22.99 million in taxable Revenue Bonds, Series 2010B. Proceeds were used to prepay the outstanding Electric System Revenue Series 2000A COPs and the Series 2000AT taxable COPs, to fund a security deposit for the 2010A/B bonds, and to pay the cost of issuance for the 2010 A/B bonds. The maturity date for the Series 2010A is July 1, 2030 and the maturity date for the Series 2010B is July 1, 2027. This advance refunding was undertaken to reduce debt service payments over the 20 year duration of the bonds by \$17,662,628 and resulted in an economic gain of \$2,308,432. The reader is encouraged to read Note 4, and the statistical section of this report, for additional information regarding long-term debt and expected payments for this bond.

In addition to the 2010 A/B Revenue Bonds, AMP repaid the long-term loan for construction of the fiber optic backbone which had a \$2.2 million due to the City of Alameda in FY 2016.

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### Long-Term Debt as of June 30:

(Dollars in thousands)

	2017	2016	2015
Revenue Bonds, Series 2010A	8,700	8,700	8,700
Taxable Revenue Bonds, Series 2010B	16,590	17,760	18,890
Loan from City of Alameda	-	-	2,200
Long-Term Debt	<u>\$ 25,290</u>	<u>\$ 26,460</u>	<u>\$ 29,790</u>

### ANALYSIS OF CAPITAL ASSETS

AMP's investment in capital assets for its electric operations amounts to \$42.7 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, construction-in-progress, electric utility plant, machinery and equipment, transportation and computer equipment. The total increase in AMP's investment in capital assets including depreciation and retirements for the current year was \$2.5 million, or 6.28%. Readers desiring more detailed information on capital asset activity should see Note 3 and information in the Statistical Section of this report.

### Electric Capital Assets as of June 30:

(Dollars in thousands)

	2017	2016	2015
Land and Rights	\$ 154	\$ 154	\$ 154
Construction In Progress	6,452	1,736	4,519
Utility Plant	84,655	84,548	79,287
Service Center Building	8,072	7,851	7,843
Machinery & Equipment	9,510	9,439	9,197
Transportation Equipment	3,240	3,048	3,050
Computer Equipment	4,158	3,832	3,655
Furniture & Fixtures	836	836	833
Easements	186	186	186
Less Accumulated Depreciation	(74,535)	(71,425)	(68,536)
Capital Assets, Net	<u>\$ 42,728</u>	<u>\$ 40,205</u>	<u>\$ 40,188</u>

### ANALYSIS OF ECONOMIC FACTORS

#### *Economic Factors and Next Year's Budget*

The adopted budget for FY 2018 reflects the local economy and the sluggish demand for new electric services from the commercial sector. During FY 2017, AMP continued its strategic planning activities to enhance focus on the customer, provide a forum for long-range financial planning, facilitate prioritization of limited resources, balance conflicting priorities, and provide for effective communication of goals and policies.

AMP continues assessments of future financial needs; documents those needs in a 10-year pro-forma; manages Board established financial guidelines for rates, revenues and reserves; develops rate designs to meet financial guideline objectives; and continues to review opportunities to monetize its power supply resources. The adopted

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budget for FY 2018 includes electric operating revenues that are expected to be \$62.1 million or 1.34% higher than the \$61.3 million budgeted for FY 2017. The increase is due to the increased tier rates. The reduction in REC sales with the maturity of the contract on December 31, 2016 is projected to be offset with higher electricity sales relating to a 5.0% rate increase and the addition of the energy adjustment charge that will be utilized to stabilize purchase power costs, and higher C&T sales.

The adopted budget for FY 2018 includes operating expenses budgeted at \$54.6 million or 4.9% higher than the budgeted FY 2017 expenses. The primary reason for the operating budget increases are due to \$1 million higher power purchase costs, \$581k higher operating and maintenance expenses, \$823k in customer service and sales, and \$135k in general and administrative expenses.

The non-operating budget for FY 2018 includes funds for outside billing projects, debt related charges of \$1.4 million, PILOT/ROI charges of \$1.4 million and a transfer to the City of \$3.7 million as a result of the approved voter proposal on November 2016. The budget assumes that no additional long-term debt will be needed during the fiscal year. Capital project work for system additions, system enhancements, new load additions, conversion of overhead facilities to underground facilities, information system upgrades and enhancements, and capitalized work from routine activities account for \$6.8 million of the FY 2018 budget which includes \$750k for UUD and \$4.6 million for AMI project implementation, and \$1 million for community solar project implementation.

The budget anticipates that operating revenues will be sufficient to meet all expenses to be incurred during FY 2018. The budget anticipates that \$2.2 million may be required from existing reserves to provide for projected expenditures. As part of the financial planning process, the Board directed that a series of smaller rate adjustments implemented each year is preferred to a few large rate increases. The special reserves will provide funds for certain capital expenditures. Working capital will provide funds for any shortfall between revenue and expenditures.

Since the telecommunications system has been sold, the adopted budget does not include any budgeted items for the telecom fund. As anticipated during the budgeting process, working capital will be transferred by the electric fund to the telecom fund for unbudgeted expenditures.

### ***Market Risk***

Each year during budget development, AMP considers the risk exposure that it faces. The risk exposure can be categorized into broad categories including power supply risks, credit risks, other supply-based risks, demand side risks, legislative / regulatory risks, and other utility risks. AMP manages energy price risks through its involvement with NCPA and their energy commodity risk management policies, processes and procedures to help mitigate fluctuations in energy prices. NCPA also monitors and manages credit risk with its trading counter parties. In addition to policies, processes and procedures, AMP manages its risk exposure by maintaining adequate reserves and establishing new reserves as needed. AMP is exposed to changes in interest rates primarily as a result of its borrowing and investing activities used for liquidity purposes and to fund business operations as well as finance capital expenditures.



# **ALAMEDA MUNICIPAL POWER**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017 and 2016**

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AMP's investment policy limits investments to financial instruments that maximize the safety of principal (See Note 2 to the Basic Financial Statements). In addition, AMP has restricted investments invested in accordance with guidelines established in the related bond documents.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide the Board, Alameda citizens, taxpayers, creditors and investors with a general overview of AMP's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Alameda Municipal Power; Assistant General Manager - Administration; 2000 Grand Street; Alameda, California 94501.

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# ALAMEDA MUNICIPAL POWER

## STATEMENTS OF NET POSITION JUNE 30, 2017 AND 2016

	2017			2016		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents (Note 2)	\$ 22,482,833	\$ -	\$ 22,482,833	\$ 25,833,263	\$ -	\$ 25,833,263
Investments	9,191,970	-	9,191,970	9,054,880	-	9,054,880
Interest receivable	104,258	-	104,258	59,571	-	59,571
Accounts receivable, net	7,077,038	-	7,077,038	5,756,944	-	5,756,944
Greenhouse gas related sales receivable	870,946	-	870,946	2,316,369	-	2,316,369
Materials and supplies	3,748,086	-	3,748,086	2,997,761	-	2,997,761
Prepaid and other	64,700	-	64,700	384,284	-	384,284
Total Current Assets	43,539,831	-	43,539,831	46,403,072	-	46,403,072
Non-current Assets:						
Capital assets (Note 3):						
Nondepreciable	6,605,967	-	6,605,967	1,890,102	-	1,890,102
Depreciable	110,656,462	-	110,656,462	109,740,603	-	109,740,603
Accumulated depreciation (Note 3)	(74,534,854)	-	(74,534,854)	(71,425,024)	-	(71,425,024)
Capital assets, net (Note 3)	42,727,575	-	42,727,575	40,205,681	-	40,205,681
Restricted assets (Note 2)	4,608,923	-	4,608,923	4,581,311	-	4,581,311
Investments designated for special purposes (Note 2)	34,132,548	-	34,132,548	27,483,857	-	27,483,857
Investment on Joint Venture - Share of certain NCPA projects and reserve (Note 8)	9,819,690	-	9,819,690	7,520,595	-	7,520,595
Total Noncurrent Assets	91,288,736	-	91,288,736	79,791,444	-	79,791,444
Total Assets	134,828,567	-	134,828,567	126,194,516	-	126,194,516
Deferred Outflows of Resources:						
Deferred amount on refunding	685,096	-	685,096	746,747	-	746,747
Deferred outflows related to pension	4,980,063	-	4,980,063	1,312,978	-	1,312,978
Total Deferred Outflows of Resources:	5,665,159	-	5,665,159	2,059,725	-	2,059,725
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable and accrued payroll	986,920	-	986,920	1,735,396	-	1,735,396
Due to City of Alameda	286,805	-	286,805	263,077	-	263,077
Interest payable	699,696	-	699,696	724,337	-	724,337
Current portion of long term debt (Note 4)	1,220,000	-	1,220,000	1,170,000	-	1,170,000
Deposits	1,230,235	-	1,230,235	1,548,422	-	1,548,422
Other accrued liabilities	21,833	-	21,833	22,713	-	22,713
Current portion of compensated absences (Note 1C)	536,999	-	536,999	486,690	-	486,690
Current portion of claims liability (Note 10B)	170,000	-	170,000	165,000	-	165,000
Total Current Liabilities	5,152,488	-	5,152,488	6,115,635	-	6,115,635
Non-current Liabilities:						
Long term debt, net of current portion (Note 4)	24,070,000	-	24,070,000	25,290,000	-	25,290,000
Compensated absences (Note 1C)	61,381	-	61,381	60,638	-	60,638
Claims liability (Note 10B)	1,171,958	-	1,171,958	1,286,525	-	1,286,525
Net pension liability	21,006,196	-	21,006,196	16,040,814	-	16,040,814
Total Non-Current Liabilities	46,309,535	-	46,309,535	42,677,977	-	42,677,977
Total Liabilities	51,462,023	-	51,462,023	48,793,612	-	48,793,612
Deferred Inflows of Resources:						
Balancing account	18,648,533	-	18,648,533	17,222,897	-	17,222,897
Deferred inflows related to pension	77,361	-	77,361	1,555,773	-	1,555,773
Total Deferred Inflows of Resources:	18,725,894	-	18,725,894	18,778,670	-	18,778,670
Net Position:						
Net investment in capital assets	34,437,310	-	34,437,310	32,252,482	-	32,252,482
Restricted for:						
Debt service reserves (Note 2H)	4,608,923	-	4,608,923	4,581,311	-	4,581,311
Unrestricted	31,259,576	-	31,259,576	23,848,166	-	23,848,166
Total Net Position	\$ 70,305,809	\$ -	\$ 70,305,809	\$ 60,681,959	\$ -	\$ 60,681,959

See accompanying notes to the financial statements.

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# ALAMEDA MUNICIPAL POWER

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
Operating Revenues:						
Sales	\$ 55,925,748	\$ -	\$ 55,925,748	\$ 54,221,022	\$ -	\$ 54,221,022
Miscellaneous services	1,275,191	-	1,275,191	947,765	-	947,765
Plant leased to others	110,995	-	110,995	164,244	-	164,244
Jobbing sales	1,066,124	-	1,066,124	315,547	-	315,547
Cap and trade revenue	860,927	-	860,927	556,659	-	556,659
Greenhouse gas related sales	4,210,248	-	4,210,248	5,807,291	-	5,807,291
Total Operating Revenues	63,449,233	-	63,449,233	62,012,528	-	62,012,528
Operating Expenses:						
Purchased power	28,201,607	-	28,201,607	29,781,270	-	29,781,270
Energy efficiency, solar and other	1,504,629	-	1,504,629	1,684,963	-	1,684,963
Operations and maintenance	4,674,307	-	4,674,307	4,573,500	-	4,573,500
Customer service, information systems	2,170,617	-	2,170,617	2,226,363	-	2,226,363
Administrative and general	7,425,117	-	7,425,117	7,732,884	-	7,732,884
Depreciation and amortization	3,506,452	-	3,506,452	3,366,026	-	3,366,026
Customer relations	530,544	-	530,544	540,214	-	540,214
Jobbing sales expense	993,589	-	993,589	315,472	-	315,472
Balancing account adjustment	1,425,636	-	1,425,636	1,010,084	-	1,010,084
Total Operating Expenses	50,432,498	-	50,432,498	51,230,776	-	51,230,776
Operating Income (Loss)	13,016,735	-	13,016,735	10,781,752	-	10,781,752
Nonoperating Revenues (Expenses):						
Interest income	470,818	-	470,818	316,332	-	316,332
Interest income on restricted investments	2,252	-	2,252	571	-	571
Interest expense	(1,461,042)	-	(1,461,042)	(1,510,325)	-	(1,510,325)
Gain from sale of capital assets	86,420	-	86,420	-	-	-
Other revenue	-	-	-	39,800	-	39,800
Increase (decrease) in value of certain NCPA projects and reserves	1,579,293	-	1,579,293	1,072,776	-	1,072,776
Alameda Point Phone Maintenance-Net	42,690	-	42,690	50,679	-	50,679
Miscellaneous non-operating revenue	104,893	-	104,893	17,498	9,977	27,475
Payment in-lieu of taxes	(1,418,209)	-	(1,418,209)	(1,390,500)	-	(1,390,500)
Total Nonoperating Revenue (Expense)	(592,885)	-	(592,885)	(1,403,169)	9,977	(1,393,192)
Income (loss) before Transfers and special items	12,423,850	-	12,423,850	9,378,583	9,977	9,388,560
Transfers in	-	-	-	-	2,190,023	2,190,023
Transfers (out)	-	-	-	(2,190,023)	-	(2,190,023)
Transfers to City of Alameda (Note 5)	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Total transfers	(2,800,000)	-	(2,800,000)	(4,990,023)	2,190,023	(2,800,000)
Change in Net Position	9,623,850	-	9,623,850	4,388,560	2,200,000	6,588,560
Net position (deficit), beginning of year, as restated	60,681,959	-	60,681,959	56,293,399	(2,200,000)	54,093,399
Net position (deficit), end of year	\$ 70,305,809	\$ -	\$ 70,305,809	\$ 60,681,959	\$ -	\$ 60,681,959

See accompanying notes to the financial statements.

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# ALAMEDA MUNICIPAL POWER

## STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Electric Services	Telecom Services	Combined	Electric Services	Telecom Services	Combined
Cash Flows from Operating Activities						
Receipts from customers	\$ 56,739,777	\$ -	\$ 56,739,777	\$ 56,334,181	\$ -	\$ 56,334,181
Receipts from Special Sales (C&T and REC)	6,516,598	-	6,516,598	6,536,062	-	6,536,062
Payments to suppliers	(37,323,763)	-	(37,323,763)	(37,591,010)	-	(37,591,010)
Payments to the city	23,728	-	23,728	14,992	-	14,992
Payments to employees	(9,595,374)	-	(9,595,374)	(8,188,381)	-	(8,188,381)
Miscellaneous non-operating income	147,583	-	147,583	107,977	9,977	117,954
Net cash provided by Operating Activities	16,508,549	-	16,508,549	17,213,821	9,977	17,223,798
Cash Flows from Noncapital Financing Activities						
Transfers to General Fund of City of Alameda	(2,800,000)	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Payments in-lieu of taxes	(1,418,209)	-	(1,418,209)	(1,390,500)	-	(1,390,500)
Interfund cash inflow	-	-	-	-	2,190,023	2,190,023
Interfund cash outflow	-	-	-	(2,190,023)	-	(2,190,023)
Net cash used for Noncapital Financing Activities	(4,218,209)	-	(4,218,209)	(6,380,523)	2,190,023	(4,190,500)
Cash Flows from Capital and Related Financing Activities						
Capital asset additions, net	(6,028,346)	-	(6,028,346)	(3,383,605)	-	(3,383,605)
Proceeds from disposition of capital asset	86,420	-	86,420	-	-	-
Long-term debt repayments	(1,170,000)	-	(1,170,000)	(1,130,000)	(2,200,000)	(3,330,000)
Interest paid on long-term debt	(1,424,032)	-	(1,424,032)	(1,469,586)	-	(1,469,586)
Net cash used for Capital and Related Financing Activities	(8,535,958)	-	(8,535,958)	(5,983,191)	(2,200,000)	(8,183,191)
Cash Flows from Investing Activities						
Interest receipts	428,383	-	428,383	286,902	-	286,902
Investments designated for special purposes	(6,785,781)	-	(6,785,781)	(5,350,184)	-	(5,350,184)
Investment in certain NCPA projects and reserves	(719,802)	-	(719,802)	(994,373)	-	(994,373)
Sale of restricted assets	(27,612)	-	(27,612)	(19,661)	-	(19,661)
Net cash used for Investing Activities	(7,104,812)	-	(7,104,812)	(6,077,316)	-	(6,077,316)
Net increase (decrease) in cash and cash equivalents	(3,350,430)	-	(3,350,430)	(1,227,209)	-	(1,227,209)
Cash and equivalents at beginning of year	25,833,263	-	25,833,263	27,060,472	-	27,060,472
Cash and equivalents at end of year	\$ 22,482,833	\$ -	\$ 22,482,833	\$ 25,833,263	\$ -	\$ 25,833,263
Reconciliation of operating income to net cash provided by operating activities:	\$ 13,016,735	\$ -	\$ 13,016,735	\$ 10,781,752	\$ -	\$ 10,781,752
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation and amortization	3,506,452	-	3,506,452	3,366,026	-	3,366,026
Pension expense	(180,115)	-	(180,115)	(392,341)	-	(392,341)
Decrease (increase) in accounts receivable	125,329	-	125,329	315,680	-	315,680
Decrease (increase) in materials and supplies	(750,325)	-	(750,325)	34,509	-	34,509
Decrease (increase) in prepaids	319,584	-	319,584	985,015	-	985,015
Increase (decrease) in accounts payable and accrued payroll	(748,476)	-	(748,476)	361,537	-	361,537
Increase (decrease) in due to general fund	23,728	-	23,728	14,992	-	14,992
Increase (decrease) in balancing account	1,425,636	-	1,425,636	1,010,084	-	1,010,084
Increase (decrease) in refundable deposits	(318,187)	-	(318,187)	542,035	-	542,035
Increase (decrease) in other accrued liabilities	(880)	-	(880)	-	-	-
Increase (decrease) in compensated absences	51,052	-	51,052	(102,440)	-	(102,440)
Increase (decrease) in claims liability	(109,567)	-	(109,567)	188,995	-	188,995
Miscellaneous non-operating income	147,583	-	147,583	107,977	9,977	117,954
Net cash provided by (used in) operating activities	\$ 16,508,549	\$ -	\$ 16,508,549	\$ 17,213,821	\$ 9,977	\$ 17,223,798

See accompanying notes to the financial statements

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# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017 AND 2016**

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **A. *General***

Alameda Municipal Power (AMP) is a department of the City of Alameda (City) that operates the electric system and the Alameda Point telephone system. AMP provides these services to the businesses and residents of the City, Alameda Point (former Alameda Naval Air Station) and Coast Guard Island. AMP is under the policy control of the Public Utilities Board (Board), as set forth in the City Charter. The Board consists of five members appointed by the City Council, one of whom is the City Manager. The accompanying financial statements only reflect the activity of AMP, an enterprise fund of the City. These financial statements present only AMP and do not purport to, and do not, present fairly the financial position of the City and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

#### **B. *Basis of Presentation***

AMP's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

#### **C. *Basis of Accounting***

AMP is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of an enterprise fund closely resemble those of the private sector in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

AMP distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with AMP's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **C. Basis of Accounting (Continued)**

**Investment in Joint Venture** - AMP records its equity in the general operating reserve of the Northern California Power Agency (NCPA), and its net equity in those projects in which it participates, as discussed in Note 8. AMP's share of individual project obligations has been netted against its share of the related project assets, as reported by NCPA, because AMP does not actively manage these projects and does not expect to become directly liable for any of the obligations of these projects. Amounts paid to the Transmission Agency of Northern California (TANC) are expensed currently because AMP's estimated equity, if any, in TANC is not material, as discussed in Note 9. Amounts paid to the Local Agency Workers Compensation Excess Joint Powers Authority are charged currently to insurance expense, as discussed in Note 10.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, AMP defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

**Investments** - are carried at fair value, as required by generally accepted accounting principles in the United States of America. AMP adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**Materials and Supplies** - are valued at average cost and are used primarily for internal purposes.

**Maintenance and Repairs** - are charged to maintenance expense as incurred.

**Capital assets** - are valued at historical cost or estimated historical cost if actual historical cost is not available. AMP capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. AMP has assigned the useful lives listed below to capital assets:

Plant and Buildings	30-50 years
Machinery and Equipment	10-40 years
Transportation Equipment	5-10 years
Computer Equipment	5 years
Furniture and Fixtures	25 years
Easements	50 years

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **C. Basis of Accounting (Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. Contributions are accounted for at their acquisition cost at the time the capital assets are contributed.

**Deferred Outflows and Inflows of Resources** – deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflows of resources has a positive effect on net position, similar to assets, and a deferred inflows of resources has a negative effect on net position, similar to liabilities. AMP has certain items, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

**Deferred Outflows of Resources – Deferred Loss on Refunding** – is used by AMP to report the difference in the carrying value of the refunded debt and its reacquisition price for the 2010A/B Refunding Bonds. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Deferred Inflows of Resources – Balancing Account** – is used by AMP to help stabilize rates. Specifically, the balancing account accumulates differences between the actual costs of providing a utility service with the related revenues designated for recovery of such costs. Deferred amounts are refunded to or recovered from customers through authorized rate adjustments, but can be reciprocally the beneficiaries of any temporary over-collection. The effect of using the balancing account is that unanticipated changes in sales levels and purchased power costs do not immediately affect AMP's rates because they are included in operating expenses as they are matched by revenues.

**Deferred Inflows and Outflows Related to Pensions** – deferred outflows related to pensions relates to the payment of pension contributions after the measurement date. Deferred inflows related to pensions relates to the net differences between projected and actual earnings on pension plan investments, changes of assumptions, and differences between actual and expected experience. See Note 6 for further discussion.

**Deposits from Customers** – are required by AMP from commercial customers when they establish their account. Deposits from residential customers are not required unless they abuse their credit privileges. Significant customer deposits may be held in the form of certificates of deposit, in AMP's name, with the interest paid to the customer.

**Unearned Revenue** – AMP reports unearned revenue in connection with resources that have been received, but not yet earned.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **C. Basis of Accounting (Continued)**

**Compensated Absences** - including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned. The liability for compensated absences includes the vested portions of vacation, sick leave and compensated time off. The liability for compensated absences is determined annually.

Changes in compensated absences payable consist of the following:

	2017	2016
Balance at beginning of fiscal year	\$ 547,328	\$ 649,768
Compensated absences earned	645,657	556,472
Compensated absences taken	(594,605)	(658,912)
Balance at end of fiscal year	\$ 598,380	\$ 547,328
Current Portion	\$ 536,999	\$ 486,690

**Sales Revenues** – sales of electricity are recognized based on cycle billings periodically rendered to customers. Revenues for services provided but not billed at the end of a fiscal year are recognized and accrued based on the estimated consumption.

#### **D. Budgets and Budgetary Accounting**

Although not required by California Government Code, AMP adopts an annual budget to serve as its approved financial plan. AMP follows these procedures in establishing the budget:

1. The General Manager submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Ratepayer comments are solicited during regular Public Utilities Board meetings.
3. The budget is legally enacted through passage of a resolution.
4. The General Manager is authorized to transfer budgeted amounts between divisions; however, any revisions that increase the total expenditures must be approved by the Board. Expenditures may not legally exceed budgeted appropriations at the fund level without Board approval.
5. Unexpended appropriations lapse at year-end and must be reappropriated in the following year.
6. Formal budgetary integration is employed as a management control device during the year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles, except that AMP budgets capital asset outlays as current year expenditures.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **E. Net Position**

It is AMP's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Net Position is the excess of all AMP's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into the captions below:

*Net Investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of AMP's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, enabling legislation, or other restrictions which AMP cannot unilaterally alter.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

Designations are imposed by the Board to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action and are classified under unrestricted net position.

#### **F. Classification of Revenues**

Operating revenues consist mainly of electric services sales. Operating revenues are used to finance the cost of operations, including the cost of delivering and providing services, maintenance and recurring capital replacement and paying debt service. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **G. Interfund Transfers**

The Electric Fund transfers resources to the Telecommunications Fund at June 30, 2016 to support on-going litigation expenses without any expectation of being repaid. Interfund transfers are presented in the Statements of Revenues, Expenses, and Changes in Net Position.

#### **H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***I. Reclassifications***

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

#### ***J. Pension***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the net position of AMP's share of the City of Alameda's agent multiple-employer defined benefit retirement plan (the Plan) administered by California Public Employees' Retirement System (CalPERS) and additions to deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. 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.

#### ***K. New Governmental Accounting and Reporting Standards***

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on AMP's financial reporting process. Future new standards which may impact AMP include the following:

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. AMP has not determined the effect on the financial statements.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. AMP has not determined the effect on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. AMP has not determined the effect on the financial statements.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **K.     *New Governmental Accounting and Reporting Standards (Continued)***

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. AMP has not determined the effect on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. AMP has not determined the effect on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. AMP has not determined the effect on the financial statements.

#### **L.     *Changes in Accounting Principles***

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement is effective for periods beginning after June 15, 2016. The implementation of the Statement did not have a material effect on the financial statements.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **L. Changes in Accounting Principles (Continued)**

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for periods beginning after June 15, 2016. The implementation of the Statement did not have a material effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The implementation of the Statement did not have a material effect on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015, or the 2015-2016 fiscal year. The implementation of the Statement did not have a material effect on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The implementation of the Statement did not have a material effect on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the 2017-2018 fiscal year. The implementation of the Statement did not have a material effect on the financial statements.



# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS

#### A. *Classification*

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of AMP debt instruments.

Cash and investments as of June 30 are as follows:

	2017	2016
Cash and cash equivalents	\$ 22,482,833	\$ 25,833,263
Investments	9,191,970	9,054,880
Restricted assets	4,608,923	4,581,311
Investments designated for special purposes	34,132,548	27,483,857
Total cash and investments	<u>\$ 70,416,274</u>	<u>\$ 66,953,311</u>

#### B. *Policies*

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of AMP's cash on deposit, or first trust deed mortgage notes with a market value of 150 percent of the deposit, as collateral for these deposits. Under California law this collateral is held in a separate investment pool by another institution in AMP's name and places AMP ahead of general creditors of the institution.

AMP and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by AMP's fiscal agents as required under its debt issues.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

#### C. *Investments Authorized by the California Government Code and AMP's Investment Policy*

AMP's investment policy and the California Government Code allow AMP to invest in the following, provided the credit ratings of the issuers are acceptable to AMP, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or AMP's Investment Policy where AMP's Investment Policy is more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of AMP, rather than the general provisions of the California Government Code or AMP's investment policy. AMP's investment policy and the California Government Code allow AMP to invest in the investments in the table on the next page:

Authorized Investment Type	Maximum Maturity (a)	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Municipal Bonds	5 years	N/A	No Limit	No Limit
U.S. Treasury Obligations	5 years	N/A	20%	No Limit
State of California Obligations	5 years	N/A	No Limit	No Limit
Other State Obligations (b)	5 years	N/A	No Limit	No Limit
CA Local Agency Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency & U.S. Government Sponsored				
Enterprise Securities	5 years	N/A	No Limit	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Time Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	No Limit	No Limit
Reverse Repurchase Agreements (requires Board approval)	92 days	N/A	20% of market value of portfolio	No Limit
Medium Term Corporate Notes	5 years	A	30%	No Limit
Mutual Funds	5 years	Top rating category	20%	10%
Money Market Mutual Funds	5 years	Top rating category	20%	10%
Collateralized Bank Deposits	5 years	N/A	30%	No Limit
Mortgage Pass-Through Securities	5 Years	Top rating category	20%	No Limit
County Pooled Investment Funds	Upon Demand	N/A	15%	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	90%	\$65,000,000 per account
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit

(a) The Maximum term of any investment shall not exceed five years unless expressly authorized by the Public Utilities Board

(b) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage corporation (FHLMC).

(c) State Obligations such as registered treasuries notes and bonds

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017 AND 2016**

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### NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

#### **D. Investments Authorized by Debt Agreements**

AMP must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if AMP fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with AMP's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents.

The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	N/A	N/A	No Limit	No Limit
State Obligations	N/A	AA+	No Limit	No Limit
U.S. Agency Securities (a)	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	P1	No Limit	No Limit
Certificates of Deposit	N/A	P1	No Limit	No Limit
Bankers' Acceptances	1 Year	P1	No Limit	No Limit
Money Market Mutual Funds	N/A	AAAm	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	No Limit
Investment Agreements (b)	N/A	AA	No Limit	No Limit

(a) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

(b) Investment agreements, including guaranteed investment contracts, repurchase agreements, forward purchase agreements and reserve fund put agreements.

#### **E. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that AMP manages its exposure to interest rate risk is by purchasing a combination of shorter term 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.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

#### *E. Interest Rate Risk (Continued)*

Information about the sensitivity of the fair values of AMP's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of AMP's investments by maturity, as of June 30, 2017 and 2016:

	2017		
	12 Months or less	More than 12 months	Total
<i>Investments:</i>			
Local Agency Investment Fund	\$ 45,273,358		\$ 45,273,358
Certificates of Deposit	1,470,000	\$ 6,011,000	7,481,000
Held by bond fiscal agent:			
Bond Mutual Funds	4,608,923	-	4,608,923
Total Investments	51,352,281	6,011,000	57,363,281
Cash with Banks and Petty Cash	13,052,993	-	13,052,993
Total Cash and Investments	\$ 64,405,274	\$ 6,011,000	\$ 70,416,274

	2016		
	12 Months or less	More than 12 months	Total
<i>Investments:</i>			
Local Agency Investment Fund	\$ 43,984,318	\$ -	\$ 43,984,318
Certificates of Deposit	1,960,000	6,978,590	8,938,590
Held by bond fiscal agent:			
Bond Mutual Funds	4,581,311	-	4,581,311
Total Investments	50,525,629	6,978,590	57,504,219
Cash with Banks and Petty Cash	9,449,092	-	9,449,092
Total Cash and Investments	\$ 59,974,721	\$ 6,978,590	\$ 66,953,311

AMP is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. AMP reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

#### **F. Fair Value Measurement**

As of July 1, 2014, AMP applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. AMP categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an assets' fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2017 and 2016, AMP's investments in Certificates of Deposits were considered Level 2 in the amount of \$7,481,000 and \$8,938,590, respectively, and valued using a matrix pricing model.

The valuation of Bond Mutual funds held by AMP is at one-dollar net asset value (NAV) per share. This type of investment primarily invests in short term U.S Treasury and government securities.

Deposits and withdrawals in governmental investment pool, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, AMP's proportionate share in these this type of investment is an uncategorized input not defined as a Level 1, Level 2 or Level 3 input.

#### **G. Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2017 and 2016:

	2017	2016
<b>AAA-mf:</b>		
Held by bond fiscal agent:		
Bond Mutual Funds	\$ 4,608,923	\$ 4,581,311
<b>Not rated:</b>		
Certificates of Deposit	7,481,000	8,938,590
Local Agency Investment Fund	45,273,358	43,984,318
<b>Exempt:</b>		
Cash with Banks and Petty Cash	13,052,993	9,449,092
Total Cash and Investments	<u>\$ 70,416,274</u>	<u>\$ 66,953,311</u>

AMP's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, AMP is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2017 and 2016, there were no investments in any one issuer that represent five percent or more of total AMP investments.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

#### G. *Credit Risk (Continued)*

##### *Deposits*

This is the risk that in the event of a bank failure, AMP's deposits may not be returned to it. AMP's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, AMP's bank balance of \$13,052,993 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC). AMP's investments with Morgan Stanley were insured up to \$500,000 by FDIC. Morgan Stanley also had SIPC coverage which provided an additional \$250,000 coverage. Furthermore, Morgan Stanley had private insurance in excess of SIPC coverage with a \$1.9M per-client limit. As of June 30, 2017, AMP's investments balance with Morgan Stanley was \$12,089,923.

##### *Investments*

As of June 30, 2017, none of AMP's investments were held with counterparty. All of AMP's investments were held with an independent third party custodian bank. AMP uses Morgan Stanley and U.S. Bank as a third party custody and safekeeping institutions for its investment securities. All AMP investments held in custody and safekeeping by Morgan Stanley and U.S. Bank are held in the name of AMP and segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

#### H. *Restricted Assets*

Restricted investments comprise the following:

	June 30	
	2017	2016
Restricted by Revenue Bond Series 2010A&B Indenture - Bond Fund	\$ 1,948,150	\$ 1,922,066
Restricted by Revenue Bond Series 2010A&B Indenture - Reserve Fund	2,660,773	2,659,245
Total Restricted Assets	<u>\$ 4,608,923</u>	<u>\$ 4,581,311</u>

***Restricted by Revenue Bond Series 2010A&B Indenture - Bond Fund*** represents investments held with fiscal agent as required by the Revenue Bond indenture. The funds held by the trustee are to be used for the defeasance of certain obligations with respect to the Series 2010 A/B Revenue Bonds.

***Restricted by Revenue Bond Series 2010A&B Indenture - Reserve Fund*** represents investments held with fiscal agent as required by the Revenue Bond indenture. The funds held by the trustee are to meet the "Common Reserve Fund Requirement" of the indenture.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

#### *I. Designated Investments*

Investments designated by the Board for special purposes comprise of the following:

	June 30	
	2017	2016
Insurance Reserve	\$ 1,200,000	\$ 1,200,000
Underground Special Fund	8,885,465	7,805,943
Solar PV Rebate Reserve	284,678	211,712
Renewable Energy Credits Energy Reserve	21,508,056	16,833,777
Cap and Trade net Revenue Reserve	2,254,349	1,432,425
Total Investments Designated for Special Purposes	<u>\$ 34,132,548</u>	<u>\$ 27,483,857</u>

**Insurance Reserve** represents a portion of the retained risk, or deductible amount under AMP's liability insurance policy, which is purchased independent of the City's overall insurance program.

**Underground Special Fund** represents the amount set aside for the funding of the conversion of overhead facilities to underground facilities.

**Solar PV Rebate** represents the amount set aside for the state mandated solar rebate program.

**Renewable Energy Credits (REC) Energy Reserve** represents the set aside of the resources generated from the sale of renewable energy credits through the REC trading markets regulated by the California Energy Commission.

**Cap and Trade net Revenue Reserve** represents the set aside of resources generated by the Cap and Trade program which took effect in early 2012 to reduce greenhouse gas (GHG) emissions and is regulated by the California Air Resources Board.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 3 - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2017 and 2016 is as follows:

	Balance June 30, 2016	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land and Rights	\$ 153,643	\$ -	\$ -	\$ -	\$ 153,643
Construction Work in Progress	1,736,459	5,945,678	(396,648)	(833,165)	6,452,324
Total capital assets not being depreciated	1,890,102	5,945,678	(396,648)	(833,165)	6,605,967
Capital assets being depreciated:					
Utility Plant	84,548,411	-	(396,621)	502,803	84,654,593
Service Center Building	7,850,886	220,781	-	-	8,071,667
Machinery and Equipment	9,439,316	71,061	-	-	9,510,377
Transportation Equipment	3,048,241	56,637	-	135,541	3,240,419
Computer Equipment	3,832,459	130,836	-	194,821	4,158,116
Furniture and Fixtures	835,790	-	-	-	835,790
Easements	185,500	-	-	-	185,500
Total capital assets being depreciated	109,740,603	479,315	(396,621)	833,165	110,656,462
Less accumulated depreciation and amortization for:					
Utility Plant	52,537,186	2,821,912	(396,621)	-	54,962,477
Service Center Building	3,885,450	169,885	-	-	4,055,335
Machinery and Equipment	8,661,056	111,818	-	-	8,772,874
Transportation Equipment	2,284,906	181,784	-	-	2,466,690
Computer Equipment	3,424,741	190,415	-	-	3,615,156
Furniture and Fixtures	516,185	27,137	-	-	543,322
Easements	115,500	3,500	-	-	119,000
Total accumulated depreciation	71,425,024	3,506,451	(396,621)	-	74,534,854
Total depreciable assets	38,315,579	(3,027,136)	-	833,165	36,121,608
Capital assets, net	\$ 40,205,681	\$ 2,918,542	\$ (396,648)	\$ -	\$ 42,727,575



# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 3 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2015	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2016
Capital assets not being depreciated:					
Land and Rights	\$ 153,643	\$ -	\$ -	\$ -	\$ 153,643
Construction Work in Progress	4,518,743	3,160,600	(374,999)	(5,567,885)	1,736,459
Total capital assets not being depreciated	4,672,386	3,160,600	(374,999)	(5,567,885)	1,890,102
Capital assets being depreciated:					
Utility Plant	79,286,684	-	(306,158)	5,567,885	84,548,411
Service Center Building	7,843,636	7,250	-	-	7,850,886
Machinery and Equipment	9,197,186	242,130	-	-	9,439,316
Transportation Equipment	3,050,605	168,569	(170,933)	-	3,048,241
Computer Equipment	3,654,987	177,472	-	-	3,832,459
Furniture and Fixtures	833,207	2,583	-	-	835,790
Easements	185,500	-	-	-	185,500
Total capital assets being depreciated	104,051,805	598,004	(477,091)	5,567,885	109,740,603
Less accumulated depreciation and amortization for:					
Utility Plant	50,078,341	2,765,003	(306,158)	-	52,537,186
Service Center Building	3,719,520	165,930	-	-	3,885,450
Machinery and Equipment	8,563,648	97,408	-	-	8,661,056
Transportation Equipment	2,279,615	176,224	(170,933)	-	2,284,906
Computer Equipment	3,293,866	130,875	-	-	3,424,741
Furniture and Fixtures	489,099	27,086	-	-	516,185
Easements	112,000	3,500	-	-	115,500
Total accumulated depreciation	68,536,089	3,366,026	(477,091)	-	71,425,024
Total depreciable assets	35,515,716	(2,768,022)	-	5,567,885	38,315,579
Capital assets, net	\$ 40,188,102	\$ 392,578	\$ (374,999)	\$ -	\$ 40,205,681

Depreciation and amortization on capital assets and intangibles included in the statement of revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016 was \$3,506,452 and \$3,366,026 respectively.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 4 - LONG-TERM DEBT

#### A. *Composition and Changes*

AMP generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. AMP's debt issues and transactions are summarized below and discussed in detail thereafter.

Long-term debt activity for the year ended June 30, 2017 and 2016 is as follows:

	Original Issue Amount	Balance June 30, 2016	Additions	Retirements & Adjustments	Balance June 30, 2017	Current Portion
Revenue Bonds, Series 2010A	\$ 8,700,000	\$ 8,700,000	\$ -	\$ -	\$ 8,700,000	\$ -
Taxable Revenue Bonds, Series 2010B	22,985,000	17,760,000	-	(1,170,000)	16,590,000	1,220,000
Total long-term debt		<u>\$ 26,460,000</u>	<u>\$ -</u>	<u>\$ (1,170,000)</u>	<u>\$ 25,290,000</u>	<u>\$ 1,220,000</u>

	Original Issue Amount	Balance June 30, 2015	Additions	Retirements & Adjustments	Balance June 30, 2016	Current Portion
Revenue Bonds, Series 2010A	\$ 8,700,000	\$ 8,700,000	\$ -	\$ -	\$ 8,700,000	\$ -
Taxable Revenue Bonds, Series 2010B	22,985,000	18,890,000	-	(1,130,000)	17,760,000	1,170,000
Loan from City of Alameda	2,200,000	2,200,000	-	(2,200,000)	-	-
Total long-term debt		<u>\$ 29,790,000</u>	<u>\$ -</u>	<u>\$ (3,330,000)</u>	<u>\$ 26,460,000</u>	<u>\$ 1,170,000</u>

#### B. *Description of Long-Term Debt Issues*

**Revenue Bonds, Series 2010A/B (AMP Refinancing)** – As described in an indenture agreement dated August 1, 2010, Revenue Bonds, Series 2010A/B were issued through Alameda Public Financing Authority on behalf of AMP to provide funds, together with certain other available monies, to 1) prepay the obligations of AMP for the Electric System Revenue Certificates of Participation Series 2000A, 2) prepay the obligations of AMP for the Taxable Electric System Revenue Certificates of Participation, Series 2000AT, 3) fund a deposit to the Common Reserve Account, and 4) prepay the costs of issuance of the 2010 Bonds. Revenue Bonds, Series 2010A bear interest at 4.375 percent to 5.25 percent, payable January 1 and July 1 of each year. The Revenue Bonds, Series 2010B bear interest at 1.829 percent to 6.517 percent, payable January 1 and July 1 of each year.

Principal on the Series 2010B Bonds will be payable beginning July 1, 2011 and each succeeding July 1 until defeased in 2027. Principal on the Series 2010A Bonds will be payable beginning July 1, 2027 and each succeeding July 1 until defeased in 2030. The 2010 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. The 2010 Bonds are special obligations payable solely from electric revenues, other amounts held in the bond funds and accounts established pursuant to the indenture, and amounts on deposit in the Common Reserve Account. The initial book-entry principal obligation for the Series 2010A and Series 2010B bonds was \$8,700,000 and \$22,985,000, respectively.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 4 - LONG-TERM DEBT (CONTINUED)

#### C. *Debt Service Requirements*

Annual debt service requirements for AMP's revenue bonds, loan from City of Alameda and capital leases are as follows:

For the Year Ending June 30	Principal	Interest	Total
2018	\$ 1,220,000	\$ 1,372,054	\$ 2,592,054
2019	1,275,000	1,312,883	2,587,883
2020	1,340,000	1,246,594	2,586,594
2021	1,410,000	1,174,820	2,584,820
2022	1,485,000	1,097,090	2,582,090
2023 - 2027	9,115,000	3,873,265	12,988,265
2028 - 2032	9,445,000	949,339	10,394,339
Total	<u>\$ 25,290,000</u>	<u>\$ 11,026,045</u>	<u>\$ 36,316,045</u>

### NOTE 5 - TRANSACTIONS WITH THE CITY OF ALAMEDA

The City Charter provides that AMP transfer to the City's General Fund certain excess earnings as defined in the Charter. In accordance with these provisions, AMP was required to transfer excess earnings of \$216,721 in FY 2017 and \$0 in FY 2016 to the City's General Fund. However, AMP Board approved a contribution of \$2,800,000 and \$2,800,000 to the City's General Fund during the years ended June 30, 2017 and 2016, respectively. This amount was contributed from the Electric Services Fund.

Alameda Municipal Code provides that AMP pays the City an annual amount equal to one percent of the net book value of AMP's utility plant in service at the previous fiscal year end. AMP paid \$1,418,209 and \$1,390,500 in lieu of taxes to the City during the fiscal years ended June 30, 2017 and 2016, respectively.

Disbursements by AMP to the City for services provided by the City for the years ended June 30, 2017 and 2016 were \$4,697,376 and \$4,379,140, respectively. Utility taxes collected by AMP and remitted to the City's General Fund for the years ended June 30, 2017 and 2016 were \$3,508,154 and \$3,329,670, respectively. Amounts payable to the City as of June 30, 2017 and 2016 were \$286,805 and \$263,077, respectively.

Billings of electricity to the City for the years ended June 30, 2017 and 2016 were \$1,836,732 and \$1,861,749, respectively. Alameda Municipal Power took over the costs of providing electricity to the City of Alameda streetlights effective July 1, 2013 at a benefit to the City of \$510,632 for the year ended June 30, 2017.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 6 - DEFINED BENEFIT PLAN

#### A. *CalPERS Miscellaneous Employees Plan*

*Plan Description* – Substantially all City employees including AMP employees are eligible to participate in the City’s Miscellaneous Plan offered by California Public Employees Retirement System (CalPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. AMP only has miscellaneous employees that participate in the City of Alameda’s separate Miscellaneous Employee Plan (all employees excluding Police and Fire). The City allocates a portion of the net pension liability, net pension expense, and related deferred inflows and outflows of resources to AMP on a cost-sharing basis. Benefit provisions under the Plan is established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at:

<http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>.

*Benefits Provided* – CalPERS provides 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2017 and 2016, are summarized as follows:

	<b>Classic</b>	<b>PEPRA</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	1.4% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.80%	6.75%
Required employer contribution rates	21.113%	21.113%

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 6 - DEFINED BENEFIT PLAN

#### A. *CalPERS Miscellaneous Employees Plan (Continued)*

**Contributions** – Section 20814(c) of the California Public Employees' Retirement law 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 rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. AMP is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

Employee contribution rates for the fiscal year ended June 30, 2017 and 2016, ranged from 6.8 percent for the Classic Plan Members to 6.75 percent for the PEPRA Plan members. AMP's proportionate share of the City's contributions to the miscellaneous plan was \$1,631,011 and \$1,312,978 for the years ended June 30, 2017 and 2016, respectively.

#### B. *Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2017 and 2016, AMP reported a net pension liability of \$21,006,196 and \$16,040,814, respectively for its proportionate share of the City's net pension liability.

The net pension liability of the Plan was measured as of June 30, 2016 and 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014. AMP's proportion of the City's net pension liability was based on AMP's FY 2016 contributions to the City's pension plan relative to the total contributions of the City as a whole. AMP's proportionate share of the City's net pension liability for the Plan as of the June 30, 2015 and 2016 measurement date was 29.0 percent and 29.84 percent, respectively.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

**B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2017 and 2016, AMP recognized pension expense of \$1,450,897 and \$968,247, respectively. At June 30, 2017 and 2016, AMP reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions paid by AMP subsequent to measurement date	\$ 1,631,011	\$ -
Changes in assumptions	-	(53,387)
Differences between expected and actual experience	28,520	(23,974)
Net differences between projected and actual earnings on pension plan	3,320,532	-
Total	<u>\$ 4,980,063</u>	<u>\$ (77,361)</u>

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions paid by AMP subsequent to measurement date	\$ 1,312,978	\$ -
Changes in assumptions	-	(297,971)
Differences between expected and actual experience	-	(663,514)
Net differences between projected and actual earnings on pension plan	-	(594,288)
Total	<u>\$ 1,312,978</u>	<u>\$ (1,555,773)</u>

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

**B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The amount of \$1,631,011 reported as deferred outflows of resources related to pensions, resulting from AMP's contributions to the City's plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30</u>	
2017	\$ 254,426
2018	401,566
2019	1,434,944
2020	<u>1,180,754</u>
Total	<u>\$ 3,271,690</u>

*Actuarial Assumptions* – AMP's proportion of the City's total miscellaneous plan pension liability in the June 30, 2015 and 2014, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015	June 30, 2014
Actuarial Cost Method	Entry-Age	Normal Cost Method
Actuarial Assumptions:		
Investment Rate of Return	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Mortality	2014 CalPERS Experience Study	2010 CalPERS Experience Study

(1) Depending on age, service and type of employment

(2) Net of administrative expense

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website at:

<http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports.xml>

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

**B. *Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)***

*Changes in assumptions* – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement 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.



# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

**B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The tables below reflect long-term expected real rate of return by asset class. The rate of return is calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocations shown were adopted by the Plan effective on July 1, 2015 and July 1, 2014, respectively.

Asset Class	2017		
	Target Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100.0%		

Asset Class	2016		
	Target Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

*Discount Rate* – The discount rate used to measure the total pension liability was 7.65 percent for the Plan as of the measurement date of June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that AMP's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

**B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Sensitivity of AMP's proportionate share of the City's Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate* – The following presents AMP's proportionate share of the City's Miscellaneous Plan net pension liability, calculated using the discount rate of 7.65 percent for the Plan, as well as what AMP's proportionate share of the City's Miscellaneous Plan net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2016		2015	
1% Decrease		6.65%		6.65%
Net Pension Liability	\$	30,586,623	\$	27,763,838
Current Discount Rate		7.65%		7.65%
Net Pension Liability	\$	21,006,196	\$	16,040,814
1% Increase		8.65%		8.65%
Net Pension Liability	\$	13,022,855	\$	9,328,634

*Pension Plan Fiduciary Net Position* – Detailed information the City's collective net pension liability is available in the City's separately issued Comprehensive Annual Financial Report (CAFR). The City's financial statements may be obtained by contacting the City of Alameda's Finance Department. That report may be obtained on the internet at [alamedaca.gov](http://alamedaca.gov). Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017 AND 2016**

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### NOTE 7 - POSTEMPLOYMENT HEALTH CARE BENEFITS

*Plan Description.* The City provides medical and dental benefits to substantially all retirees under the City of Alameda Other Post Employment Benefit Plan, offered by California Public Employee Retirement Systems (CalPERS), an agent multiple-employer defined benefit healthcare plan. Alameda Municipal Power only has miscellaneous employees participating in the City's plan. The City does not allocate a portion of the liability and only requires a payment from AMP in relation to its proportionate share of the Annual Required Contribution.

The City contracts with CalPERS to administer its retiree health benefit plan. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The City chooses among the menu of benefit provisions and adopts certain benefit provisions by City Council resolution. The City is responsible for establishing and amending the funding policy of the Plan.

CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from CalPERS at P.O. Box 942709, Sacramento, California 94229-2709.

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2017, are summarized as follows:

	Miscellaneous
Eligibility	<ul style="list-style-type: none"><li>• Retire directly from the City under CalPERS</li><li>• Age 50 &amp; 5 years of CalPERS service or disability</li></ul>
Medical Benefit	<ul style="list-style-type: none"><li>• PEMHCA Minimum Employer Contribution</li><li>• PEMHCA Minimum Employer Contribution: AB 2544</li></ul> <p>5% of active contributions times years in PEMHCA (increase each year not greater than \$100 per month) Joined PEMHCA in 1992 for all bargaining units \$119.00/month in 2014</p>
Dental Benefit	<ul style="list-style-type: none"><li>• None</li></ul>
Vision & Life	<ul style="list-style-type: none"><li>• None</li></ul>
Surviving Spouse	<ul style="list-style-type: none"><li>• Contribution continues to surviving spouse</li></ul>

**Funding Policy** - The City's annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years on a closed basis. The plan members receiving benefits currently are not required to contribute to the plan.

**Annual OPEB Cost** - AMP contributed \$57,996, \$57,708, and \$57,708 towards the City's annual OPEB cost for the years ended June 30, 2017, 2016 and 2015 respectively, which represented 100 percent of the annual required contribution.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 7 - POSTEMPLOYMENT HEALTH CARE BENEFITS

***Funding Policy and Actuarial Assumptions*** - The annual required contribution (ARC) was determined as part of a January 1, 2015 actuarial valuation using the entry age normal actuarial cost method. In fiscal year 2013-14, funding of the plan was based on a “pay-as-you-go” basis. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.25 percent investment rate of return; (b) 3.25 percent projected annual salary increase, (c) 3.00 percent of general inflation increase; and (d) a healthcare trend of declining annual increases ranging from 7.0 percent to 7.2 percent in 2017 for non-medicare and medicare respectively, to 5 percent for years starting 2021 for both non-medicare and medicare. The actuarial methods and assumptions used include techniques that “smooth” the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City’s OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period.

All disclosures related to the City’s postemployment health care benefit plan can be found in City’s Comprehensive Annual Financial Report (CAFR) available on the City’s website [www.ci.alameda.ca.us](http://www.ci.alameda.ca.us) or at City of Alameda, City Manager, 2263 Santa Clara Avenue, Alameda, California 94501.

### NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

#### A. *General*

AMP participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of AMP and the other participating entities unless assumed by them.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the board.

The JPAs are discussed in this note and in Note 9.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

#### A. *General (Continued)*

AMP is a member of NCPA, a joint powers agency which operates under a joint powers agreement among 14 public agencies (AMP, BART, Biggs, Gridley, Healdsburg, Lompoc, Palo Alto, Ukiah, Lodi, Port of Oakland, Redding, Roseville, Silicon Valley Power, Truckee-Donner PUD). Turlock Irrigation District withdrew from NCPA on April 1, 2011. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, as well as to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

Amounts paid by AMP, net of refunds, to NCPA during the fiscal years ending June 30, 2017 and 2016 for purchased power were \$28,201,607 and \$29,781,270 respectively. Additionally, purchased power was reduced by a refund of \$656,325 and \$865,983 for power exchange distribution and budget settlement monies returned to the NCPA General Operating Reserve (GOR), for the fiscal year ended June 30, 2017 and 2016, respectively.

AMP receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine AMP's equity in NCPA as a whole. NCPA reports only AMP's share of its General Operating Reserve, comprised of cash and investments, and AMP's share of those projects in which AMP is a participant. These amounts are reflected in the financial statements as Investment in Joint Venture - Share of Certain NCPA Projects and Reserve.

The changes in AMP's share in NCPA projects and reserve are set forth below:

	Year ended June 30,	
	2017	2016
Beginning balance	\$ 7,520,595	\$ 5,453,446
Increase (decrease) in equity in NCPA projects	2,299,095	2,067,149
Ending balance	<u>\$ 9,819,690</u>	<u>\$ 7,520,595</u>

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

#### A. *General (Continued)*

AMP's interest in NCPA Projects and Reserve, as computed by NCPA, is set forth below:

	June 30,	
	2017	2016
General Operating Reserve	\$ 3,138,623	\$ 2,439,950
Purchased Power & Transmission	83,220	100,809
Share of Scheduling Coordination Balancing Account	1,843,364	1,721,823
Share of Congestion Revenue Rights (CRR)	194,970	150,859
Associated Member Services	105,662	108,749
Market Purchase Program (MPP) Security Deposit	699,040	699,040
	<u>6,064,879</u>	<u>5,221,230</u>
Net book value of amounts contributed to fund		
Alameda Municipal Power's share of NCPA Power:		
Geothermal Projects/Power Line	2,207,763	1,376,489
Calaveras Hydroelectric Project	1,379,658	923,600
Combustion Turbine Project No. 1	145,466	(39,908)
Combustion Turbine Project No. 2	21,924	39,184
	<u>\$ 9,819,690</u>	<u>\$ 7,520,595</u>

The General Operating Reserve represents AMP's portion of funds which resulted from the settlement in prior years of issues with financial consequences and reconciliations of several prior years' budgets for programs. These funds are available on demand and earn interest.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

#### B. *Projects in which AMP is a Participant*

**Geothermal Projects** - A power purchase agreement with NCPA obligates AMP for 17.05407 percent of the debt service and the operating costs for two geothermal steam powered generating plants, Plant Number 1 and Plant Number 2, located in the Geysers area in Northern California. In conjunction with these payments, AMP is entitled to receive 16.8825 percent of the output from these facilities. NCPA continues to pursue alternatives for improving and extending steam field reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA has increased steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

#### **B. *Projects in which AMP is a Participant (Continued)***

In 2009, NCPA issued the Refunding Series A for \$35,610,000 to improve the Unit 4 steam path, provide for the Middletown booster pump solar project, provide for the Southeast Treatment plant solar project, make a contribution to the Debt Service Reserve Account, and to pay the cost of issuance of the 2009 Series A bonds. In September 2012, the NCPA issued \$12,910,000 of fixed-rate tax-exempt Geothermal Project No. 3 bonds for the purpose of providing funds to finance the costs of acquisition and construction of certain improvements to the Geothermal project as well as make a contribution to the Debt Service Reserve Account and to pay the costs of issuance of the 2012 Series A Bonds. In September 2016, NCPA issued Geothermal Revenue Refunding Bond 2016 Series A for \$17,530,000 to refund a portion of the Geothermal Revenue Bond 2009 Series A (\$15,705,000). The refunding was completed through the issuance of \$17,530,000 fixed rate tax exempt debt (2016 Series A) with a yield of 1.67% with varying principal maturities ranging from \$265,000 to \$3,425,000 through July 1, 2024. The refunding is estimated to have decreased project debt service by an estimated \$1.69 million over the next 8 years, which results in an estimated economic gain to NCPA of approximately \$1.03 million.

AMP is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2017, the book value of this Project's plant, equipment and other assets was \$90,776,615 while its long-term debt totaled \$32,765,001 and other liabilities totaled \$44,938,357. AMP's share of the Project's long-term debt was \$5,531,551 and other liabilities was \$7,586,718, which amounted to a total long-term debt and other liabilities of \$13,118,269 on that date.

***Calaveras Hydroelectric Project*** - NCPA contracted to finance, manage, construct, and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years starting in February 1982 and also has an option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants.

During fiscal year 2009, NCPA reduced its obligations on the 1992 Refunding Series A by \$7,105,000 and reduced its 1993 Refunding Series A obligations by \$260,000. In March 2008, NCPA issued the 2008 Refunding Series A for \$85,160,000 and the 2008 Taxable Refunding Series B for \$3,165,000 in variable rate demand bonds for the purpose of providing funds, together with other available moneys, to refund a portion of outstanding Hydroelectric Project Number One Revenue Bonds, 1998 Refunding Series A and to pay costs of issuance of the 2008 Bonds and other costs relating to the refunding of the refunded 1998 Bonds. The refunding was done in order to realize debt service savings under the 2004 Swap Agreement.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

#### **B. *Projects in which AMP is a Participant (Continued)***

Additionally, in response to credit market upheavals and to ensure debt service certainty, in July 2008 the Agency refunded (or purchased from the liquidity providers) the 2002 Hydroelectric Refunding Revenue Bonds Series A & B and the 2003 Hydroelectric Refunding Revenue Bonds Series A & B with outstanding principal of \$140,200,000. The associated interest rate swaps were terminated on July 9, 2008. The refunding was completed through the issuance of \$128,005,000 fixed rate tax exempt debt (2008 Series C) and \$9,505,000 fixed rate taxable debt (2008 Series D). The payment of principal and interest on these issues are covered by financial guaranty insurance policies issued by Assured Guaranty. In 2010, the NCPA issued the 2010 Refunding Series A for \$101,260,000 and 2010 Refunding Series B obligations for \$8,025,000 for the purpose of providing funds to refund the Refunded 1998 Bonds, to deposit the respective 2010 Series debt service reserve account and to pay the cost of issuance of the 2010 Bonds. In 2012, the NCPA issued the 2012 Refunding Series A for \$76,665,000 and 2012 Taxable Refunding Series B obligations for \$7,120,000 for the purpose of providing funds to refund the NCPA's outstanding Hydroelectric Project No. 1 Revenue Bonds, 1998 Refunding Series A, to make a deposit to the debt service reserve account for the 2012 Bonds and to pay cost of issuance of the 2012 Bonds.

Under its power purchase agreement with NCPA, AMP is obligated to pay 10.9774 percent of this Project's debt service and operating costs. The project entitlement share on the Hydroelectric Projects funded with the 2008 Refunding Series C and 2008 Taxable Refunding Series D obligations is 10 percent. At June 30, 2017, the book value of this Project's plant, equipment and other assets was \$412,237,290, while its long-term debt totaled \$354,298,371 and other liabilities totaled \$44,142,333. AMP's share of the Project's long-term debt and other liabilities amounted to \$39,844,070 on that date.

***Combustion Turbine Project No. 1*** - In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities including Alameda, began full commercial operation in June 1986 and provides reserve and peaking power. During August 2010, phase 2 of the first amendment to the NCPA power purchase agreement finalized the transfer of ownership of two NCPA electricity generating units to the City of Roseville due to a misalignment of ISO control areas. The transfer reduced the generation output of the project to 74 MW, and increased the entitlement share to 21.82 percent. Although AMP's project percentage share increases, its resulting generating capacity entitlement remains constant at 16.05 MW. At June 30, 2017, the book value of this Project's plant, equipment and other assets was \$2,869,351 while its long-term debt totaled \$0, and other liabilities totaled \$2,768,875. AMP's share of the Project's long-term debt and other liabilities amounted to \$604,169 on that date.

***Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)*** - AMP is a participant in NCPA's 49.8 megawatt Steam Injected Gas Turbine (STIG) project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In 2010, the NCPA issued 2010 Refunding Series A Bonds for \$55,120,000 for the purpose of providing funds to refund all of the Refunded 1999 Bonds, to fund a deposit to the 2010 Series debt service reserve account and to pay cost of issuance of the 2010 Series A Bonds. Under the NCPA power purchase agreement, AMP is obligated to pay 19.00 percent of the debt service and operating costs for the STIG project.



# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017 AND 2016**

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### NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

#### **B. *Projects in which AMP is a Participant (Continued)***

AMP's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, AMP and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. AMP is obligated to pay 19.0 percent.

At June 30, 2017, the book value of this Project's plant, equipment and other assets was \$41,211,265 while its long-term debt totaled \$38,163,048 and other liabilities totaled \$2,282,609. AMP's share of the Project's long-term debt and other liabilities amounted to \$7,684,675 on that date.

***Graeagle Hydroelectric Project*** - AMP's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project. AMP receives 100 percent of the power output from this small 440 kilowatt hydroelectric project.

***Western Area Power Administration*** - AMP has an allocation of power from the Federal Central Valley Project generating resources contracted through the U.S. Department of Energy's Western Area Power Administration. This allocation has been temporarily assigned to NCPA for scheduling and delivery to AMP. AMP pays 1.08075 percent of the base resource costs and receives that same amount of the base resource, power generated in one federal fiscal year.

***Other Power Purchase Agreements*** - AMP has also entered into a number of other power purchase agreements which are scheduled by or through NCPA.

#### ***Highwinds Project Power Purchase***

In December 2004, AMP entered into a long-term power purchase agreement with PPM Energy, Inc. for power supplied by the Highwinds Project in Solano County, California. In 2008, Iberdrola Renewables succeeded PPM Energy as the seller counterparty for this power purchase agreement. AMP receives 6.17 percent of the output of the 162 megawatt project (nameplate rating) – 10 megawatts – as delivered through June 30, 2028.

#### ***Landfill Gas Projects Power Purchase***

Since 2004, AMP has entered into four long-term power purchase agreements for power supplied by multiple generating facilities. These facilities utilize combustible gaseous emissions from landfills, located in or near the San Francisco Bay area to create power. AMP began receiving nearly 3.45 megawatts of base-load power from each of the first two facilities in 2004 and early 2006. An additional 5.2 megawatts of base-load output was added to AMP's portfolio in April 2009 when the Ox Mountain facility commenced operation. An additional 1.9 megawatts of power was added to AMP's portfolio as the Keller Canyon facility commenced base-load operation in August 2009.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017 AND 2016**

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### NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

#### **B. *Projects in which AMP is a Participant (Continued)***

***California Electric Industry Restructuring*** - In September 1996, the California State legislature signed into law Assembly Bill 1890 (AB 1890) deregulating the electric power supply market and restructuring the electric power industry in California. While the majority of the legislation was directed at investor-owned utilities (IOUs), AMP and other California publicly owned utilities were greatly affected by the restructuring of markets and the ensuing wild fluctuations in prices that resulted from a deficiency in generating capacity and an immature and flawed market structure. Because AMP has its own generating resources and is not heavily dependent on the wholesale market to purchase power, it was not significantly impacted by these price swings.

In April 2008, the California Independent System Operator (CAISO) launched a new wholesale market structure in the state which is referred to as the Market Redesign and Technology Upgrade (MRTU). While MRTU features a day-ahead energy market with a nodal locational marginal price calculation, both load and resources are currently priced as aggregated pricing. The MRTU initiative has introduced new risks and uncertainties for AMP because the Federal Energy Regulatory Commission (FERC) continues requiring CAISO to implement a disaggregated market that will negatively affect AMP because it is in a transmission constrained location. To establish the extent of the risk and identify its impact to rates, AMP continues to monitor changes that CAISO makes to its market structure and operations.

NCPA plays an active role in protecting members' contractual rights in Federal Energy Regulatory Commission (FERC), California Public Utilities Commission (CPUC), and other legislative/regulatory proceedings. Priorities related to industry restructuring include the preservation of local control authority for publicly owned utilities, assuring open and fair access to wholesale markets and the transmission grid, and maintaining members' preference access to power from the Central Valley Project and Western Area Power Administration.

***NCPA Financial Information*** - NCPA's financial statements can be obtained from NCPA, 651 Commerce Drive, Roseville, California 95678.

### NOTE 9 - TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (TANC)

AMP is a member of a joint powers agreement with fifteen other entities in TANC. TANC's purpose is to provide electrical transmission or other facilities for the use of its members. While governed by its members, none of TANC's obligations are those of its members unless expressly assumed by them. The California-Oregon Transmission Project (COTP) is one of three high voltage transmission lines connecting Oregon and California. The 500 kV line is able to transmit 1,600 MW's of electricity. The COTP participants include the Transmission Agency of Northern California, Western, PG&E, City of Redding, Carmichael Water District, and the San Juan Water District. Currently, the COTP provides a transmission path for resources that is outside of the CAISO balancing authority. According to the 1985 Project Agreement with TANC for the development of the COTP and subsequent related project agreements, AMP is obligated to pay its share of the project's costs, including debt service and is entitled to the use of a percentage of the project's transmission or transfer capacity.

AMP's entitlement share on COTP is 1.2274 percent and AMP is obligated to pay 1.33 percent of the project's operating costs.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 9 - TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (TANC) (CONTINUED)

AMP is obligated to pay 1.33 percent of TANC's debt-service related to the California - Oregon Transmission Project (COTP). AMP's share on the 2009 Series A bonds is 1.4496 percent. AMP is not obligated for any portion of the 2009 Series B bonds.

These obligations provide AMP with a COTP transfer capability of 17.05 MW. AMP is also obligated to pay for a portion of the debt associated with the South of Tesla transmission which is provided under an agreement between TANC and Pacific Gas & Electric Company.

In May 2009, TANC issued \$67.0 million of tax-exempt 2009 Series A bonds and \$61.8 million of taxable 2009 Series B bonds. The proceeds of the Series A bonds were used to retire a bank loan that refinanced \$30.3 million of TANC's tax-exempt commercial paper and also to refund \$34.7 million of TANC's 2003 Series C Auction Rate Securities. The proceeds of the Series B bonds were used to retire a bank loan that refinanced \$56.3 million of TANC's taxable commercial paper. The 2009 refunding increased future aggregate debt service payments by \$19.3 million, but resulted in a total economic gain of \$6.5 million, the difference between present value of the old and new debt service payments. TANC has issued Revenue Bonds for \$435,790,000 and eliminated its obligations for the Tax Exempt Commercial Paper notes. As of June 30, 2017 and 2016, AMP's share of this debt is \$0 and \$0, respectively.

As of July 1, 2014, AMP and other NCPA members executed a multiparty Long-Term Layoff Agreement (the Agreement) that laid off their participating percentage share of the COTP to other TANC participants namely the Sacramento Municipal Utility District, the Turlock Irrigation District, and Modesto Irrigation District, for twenty-five (25) years with the option to extend for an additional five years upon all parties approval. During the layoff period AMP and other NCPA members will not pay any debt service or operating costs. During the term of the Agreement, AMP would relinquish its voting rights on all short-term decisions and actions at TANC related to the COTP.

In 2016, TANC issued \$173.9 million of tax-exempt 2016 Series A Revenue Refunding Bonds. The proceeds of the bonds were used to refund the certain outstanding bonds issued by TANC to finance or refinance a portion of the costs of the California – Oregon Transmission Project, fund the costs of terminating in full certain interest rate swap agreements relating to the variable rate Refunded Bonds, and fund a debt service reserve account for the 2016A bonds, and pay costs of the issuance of the 2016A Bonds. The 2016 Series A “small member” debt portion is \$2,576,451. AMP is obligated to pay \$54,209, or 2.104 percent of that debt.

***TANC Financial Information*** - TANC's financial statements can be obtained from TANC, P.O. Box 15129, Sacramento, California 95851 or from their website at <http://www.tanc.us/financials.html>.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 10 - RISK MANAGEMENT

AMP, as a department of the City, participates in the City's risk management program. The City manages risk by participating in two public entity risk excess pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not AMP's or the City's responsibility.

AMP has not reduced its risk pool insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

#### **A. *Risk Coverage***

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limits. The City has a deductible or uninsured liability of up to \$350,000 per claim. During the fiscal year ended June 30, 2017 and 2016, AMP contributed \$58,428 and \$58,428 for the coverage, respectively.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The City is also a member of the California Joint Powers Risk Management Authority (CJPRMA), an excess risk-sharing pool providing general liability, auto liability, physical vehicle damage, property and boiler and machinery insurance coverage. For the liability policies, the Authority provides \$40,000,000 in coverage subject to a self-insured retention limit of \$500,000. The physical vehicle damage coverage covers both owned and leased vehicles valued at \$25,000 or more, subject to a \$10,000 deductible. With regard to the property and boiler and machinery coverage, the Authority provides "all risk" (excluding flood and quake) replacement cost coverage subject to a \$25,000 deductible.

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### NOTE 10 - RISK MANAGEMENT (CONTINUED)

#### A. *Risk Coverage (Continued)*

The following types of loss risks are covered by the above authority under the terms of their respective joint-powers agreements, through commercial insurance policies, and self-insured programs as follows:

Type of Coverage	Coverage Limits
Excess General Liability	\$40,000,000
Auto - Physical damage	Actual Cash Value
Workers' Compensation	Statutory, w/ \$5,000,000 in Employer's Liability
Boiler & Machinery	Replacement Cost
Computer Software	Self-Insured
Property	Replacement Cost
Terrorism	\$10,000,000

Financial statements for the workers' compensation excess risk pool may be obtained from LAWCX, c/o Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, California 95621. Financial statements for the liability/property excess risk pool may be obtained from CJPRMA, 3201 Doolan Drive, Suite 285, Livermore, California 94551.

#### B. *General Liability and Workers' Compensation Claims Payable*

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, AMP has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims. The change in general liability and workers' compensation claims liability, including claims incurred but not reported as estimated by the City's independent actuary, is based on historical trend information provided by its third party administrators and was computed as follows at June 30:

	Worker's Compensation	General Liability	Total
Beginning Balance as of July 1, 2014	\$ 573,018	\$ 475,927	\$ 1,048,945
Change in liability for current and prior fiscal year claims	326,410	(16,831)	309,579
Payments made on claims	(95,994)	-	(95,994)
Liability as of June 30, 2015	803,434	459,096	1,262,530
Change in liability for current and prior fiscal year claims	172,851	54,880	227,731
Payments made on claims	(31,896)	(6,840)	(38,736)
Liability as of June 30, 2016	944,389	507,136	1,451,525
Change in liability for current and prior fiscal year claims	(257,990)	185,539	(72,451)
Payments made on claims	(37,116)	-	(37,116)
Ending balance as of June 30, 2017	649,283	692,675	1,341,958
Less current portion	(170,000)	-	(170,000)
Long-term portion	\$ 479,283	\$ 692,675	\$ 1,171,958

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 11 - COMMITMENTS

#### A. *Take-or-Pay Agreements*

Under the terms of its NCPA and TANC joint venture agreements, AMP is liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Notes 8 and 9. AMP's estimated share of such debt outstanding at June 30, 2017 was \$63,044,801. Under certain circumstances, AMP may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, AMP may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants. These "step up" provisions are generally capped at a 25 percent increase.

Take-or-Pay commitments expire upon final maturity of outstanding debt for each project. Final fiscal year debt expirations are as follows:

Project	Debt Expiration	Entitlement	
		Share %	Debt service %
NCPA - Geothermal Project (NGP)	Jul-2024	16.88250%	17.05407%
NCPA - Calaveras Hydroelectric Project (NCHP)	Jul-2032	10.00000%	10.97740%
NCPA - Capital Facilities Project (NCFP)	Jul-2026	19.00000%	19.00000%
TANC - CA-OR Transmission Project (COTP)	May-2024	1.22740%	1.33000%

As discussed in Note 9, as of July 1, 2014, AMP and other NCPA members executed a multiparty Long-Term Layoff Agreement that laid off their participating percentage share of the COTP to other TANC participants.

A summary of AMP's "Take or Pay" contracts and related projects and its contingent liability for the debt service including principal and interest payments at June 30, 2017 is as follows:

Fiscal Year	NGP	NCHP	NCFP	Total
2018	\$ 785,243	\$ 3,862,951	\$ 1,063,047	\$ 5,711,241
2019	815,128	3,863,509	1,075,844	5,754,481
2020	815,322	3,673,924	1,080,363	5,569,609
2021	816,813	3,678,169	1,095,509	5,590,491
2022	817,612	3,662,968	1,068,208	5,548,788
2023-2027	1,992,381	15,928,125	3,530,947	21,451,453
2028-2032	-	10,668,362	-	10,668,362
2033	-	2,521,093	-	2,521,093
Total	<u>\$ 6,042,499</u>	<u>\$ 47,859,101</u>	<u>\$ 8,913,918</u>	<u>\$ 62,815,518</u>

# ALAMEDA MUNICIPAL POWER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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### NOTE 11 – COMMITMENTS (Continued)

#### **B. Lease Agreement with 1835 Alameda Property, LLC**

In March 2016, AMP entered into a property lease agreement with the 1835 Alameda Property, LLC for warehousing/distributing space. The lease terms for the agreement started on May 1, 2016 and will expire on April 30, 2031. The base rent is \$24,700 per month.

Fiscal Year	
2018	\$ 296,400
2019	297,882
2020	306,818
2021	316,023
2022	325,504
2023-2027	1,779,988
2028-2031	1,553,498
Total	<u>\$ 4,876,113</u>

### NOTE 12 – SECURITIES AND EXCHANGE COMMISSION'S MCDC INITIATIVE

The Division of Enforcement of the U.S. Securities and Exchange Commission (the "Commission"), through the Municipalities Continuing Disclosure Cooperation Initiative (the "Initiative"), has provided an opportunity for governmental bond issuers to contact the Commission in regards to possible compliance failures in securities disclosure agreements. The Initiative was intended to address what the Commission believes may be widespread technical violations of the federal securities laws by municipal issuers and underwriters of municipal securities in connection with certain representations about compliance with continuing disclosure obligations in bond offering documents.

The City performed a review of its compliance with continuing disclosure requirements going back to 2008. The review identified instances where the City failed to file or failed to timely file audited financial statements and operating data using the Electronic Municipal Market Access (EMMA) site, which as of 2010 was required to be used so bond holders can easily access financial information of bond issuers and entities participating with bond issuers. The City took immediate corrective action and all filings are now available on the EMMA site. The City has also instituted procedures to ensure future required filings will be timely posted on the EMMA site. For more information on these and other matters related to the City's required bond disclosures please refer to current and future postings made by the City to the EMMA website at <http://emma.msrb.org/>.

In August 2016, the City entered into a Cease-And-Desist Proceeding (the "Order") with the Commission. In the Order the City agrees to certain undertakings that include the following:

- Establishing appropriate written policies and procedures
- Providing periodic training regarding continuing disclosure obligations
- Ensuring current compliance with existing continuing disclosure requirements

The City is also required to disclose the terms of the Order in the official statement for any bond offerings in the next five years. AMP is an enterprise fund and department of the City and follows the City's policies and procedures on bond disclosures.

***REQUIRED SUPPLEMENTAL INFORMATION***



**ALAMEDA MUNICIPAL POWER**  
Required Supplemental Information  
Schedule of the AMP's Proportionate Share of the  
City's Miscellaneous Plan Net Pension Liability  
Last 10 Fiscal Years\*

	<u>2017</u>		<u>2016</u>		<u>2015</u>
AMP's proportion of the City's net pension liability	29.84%		29.00%		29.00%
AMP's proportionate share of the City's net pension liability	\$ 21,006,196	\$	16,040,814	\$	13,657,795
Covered payroll	\$ 7,798,786	\$	7,471,121	\$	7,264,115
AMP's proportionate share of the City's net pension liability as a percentage of covered payroll	269.35%		214.70%		188.02%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	72.92%		77.96%		81.01%
Measurement date:	June 30, 2016		June 30, 2015		June 30, 2014

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

**ALAMEDA MUNICIPAL POWER**  
Required Supplemental Information  
Schedule of Contributions  
Last 10 Fiscal Years\*

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Actuarially determined contributions	\$ 1,631,011	\$ 1,312,978	\$ 1,016,782
Contributions in relation to the actuarially determined contribution	<u>1,631,011</u>	<u>1,312,978</u>	<u>1,016,782</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 8,094,108	 \$ 7,798,786	 \$ 7,471,121
 Contributions as a percentage of covered payroll	 20.15%	 16.84%	 13.61%

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

# Statistical Section

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## STATISTICAL SECTION

This part of the Alameda Municipal Power's (AMP) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about AMP's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

These schedules contain trend information to help the reader understand how AMP's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position Of Consolidated Operations
3. Changes in Net Position Of Electric Operations and Telecommunication Operations

### ***Revenue Capacity***

These schedules contain information to help the reader assess AMP's revenue sources:

1. Electric Operating Revenues by Source
2. Telecommunication Operating Revenues by Source
3. Customer Accounts
4. Pricing Changes

### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of AMP's current levels of outstanding debt and AMP's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bonds/Certificates of Participation Coverage – Electric Operations
3. Certificates of Participation Coverage – Telecommunication Operations

### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which AMP's financial activities take place:

1. Demographic and Economic Statistics
2. Top 10 Customers and City of Alameda Principal Employers

### ***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in AMP's financial report relates to the services that AMP provides and the activities it performs:

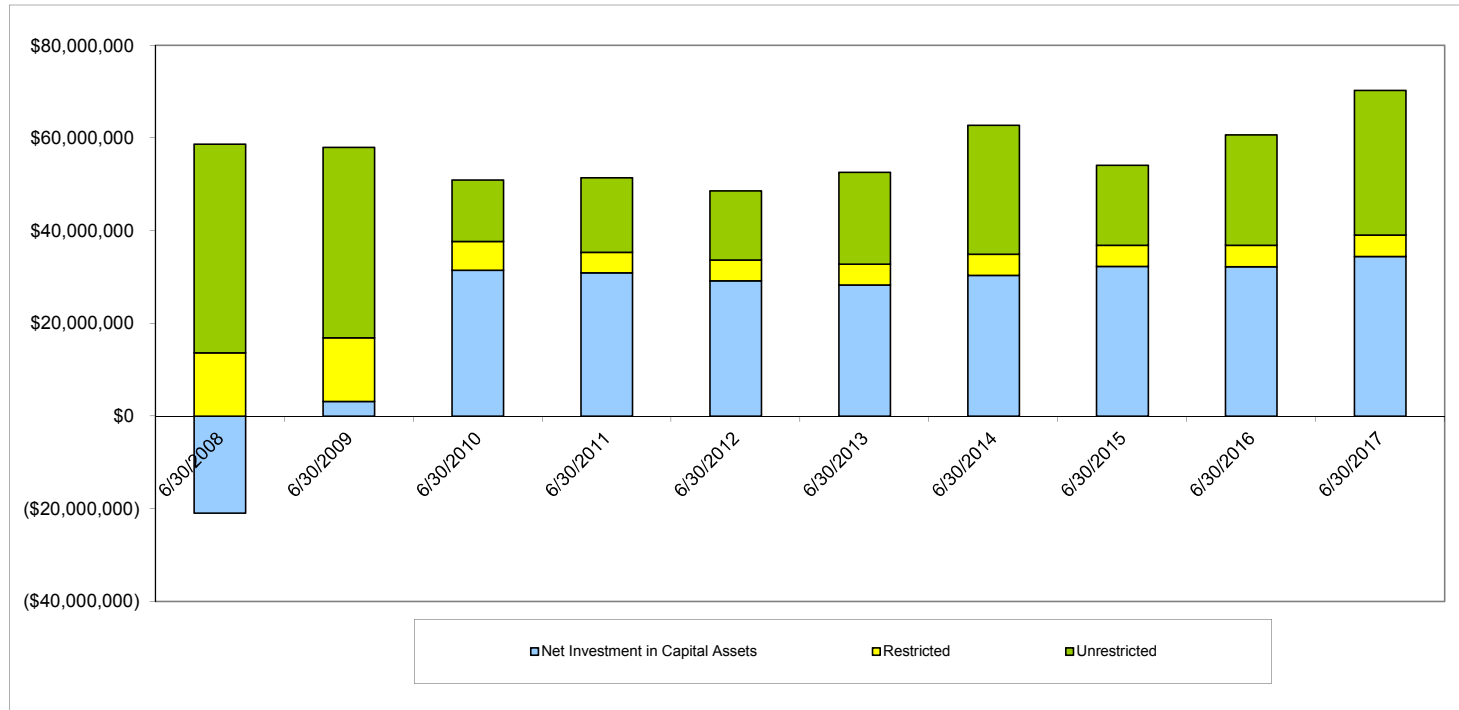
1. Operating Expenses by Function – Electric Operations
2. Operating Expenses by Function –Telecommunications Operations
3. Capital Asset Statistics by Function/Program
4. Operation Indicators
5. Operation Indicators - Continued

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

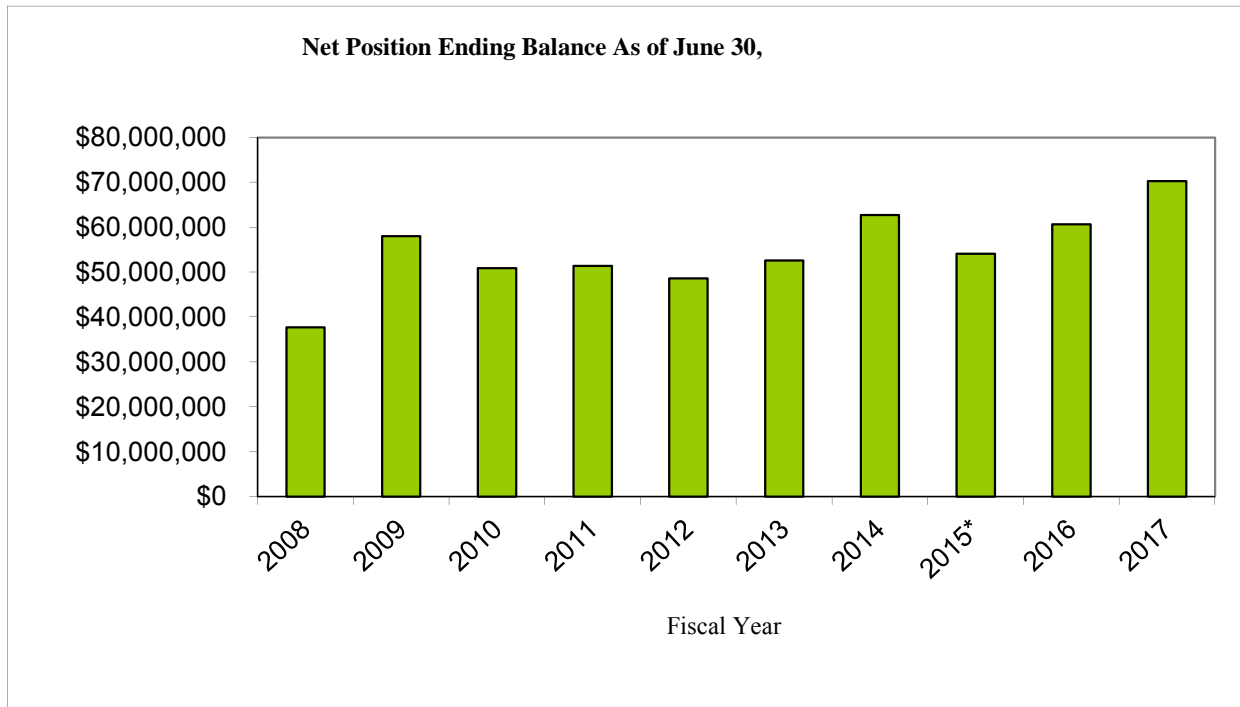
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**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**



	Fiscal Year Ended,									
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Net Position:										
Net Investment in Capital Assets	(\$20,919,290)	\$3,179,206	\$31,473,395	\$30,928,840	\$29,166,859	\$28,278,573	\$30,357,606	\$32,296,499	\$32,252,428	\$34,437,310
Restricted	13,631,215	13,736,657	6,226,879	4,378,747	4,515,565	4,529,302	4,544,429	4,561,650	4,581,311	4,608,923
Unrestricted	45,019,091	41,103,862	13,222,943	16,111,594	14,916,203	19,774,368	27,833,516	17,235,250	23,848,220	31,259,576
Total Net Position	\$37,731,016	\$58,019,725	\$50,923,217	\$51,419,181	\$48,598,627	\$52,582,243	\$62,735,551	\$54,093,399	\$60,681,959	\$70,305,809

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CHANGES IN NET POSITION OF CONSOLIDATED OPERATIONS  
LAST TEN FISCAL YEARS**



Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue, Expenses & Transfers	Change in Net Position	Net Position Beginning Balance	Net Position Ending Balance
2008	\$ 57,818,781	\$ 54,595,883	\$ 3,222,898	\$ (32,035,753)	\$ (28,812,855)	\$ 66,543,871	\$ 37,731,016
2009	\$ 53,507,364	\$ 53,619,296	\$ (111,932)	\$ 20,400,641	\$ 20,288,709	\$ 37,731,016	\$ 58,019,725
2010	\$ 48,953,054	\$ 48,524,064	\$ 428,990	\$ (7,525,498)	\$ (7,096,508)	\$ 58,019,725	\$ 50,923,217
2011	\$ 50,771,700	\$ 43,325,162	\$ 7,446,538	\$ (6,950,574)	\$ 495,964	\$ 50,923,217	\$ 51,419,181
2012	\$ 51,434,869	\$ 47,624,263	\$ 3,810,606	\$ (6,631,160)	\$ (2,820,554)	\$ 51,419,181	\$ 48,598,627
2013	\$ 56,044,239	\$ 48,133,618	\$ 7,910,621	\$ (3,927,005)	\$ 3,983,616	\$ 48,598,627	\$ 52,582,243
2014	\$ 59,693,838	\$ 44,283,891	\$ 15,409,947	\$ (5,256,639)	\$ 10,153,308	\$ 52,582,243	\$ 62,735,551
2015*	\$ 58,759,497	\$ 45,041,333	\$ 13,718,164	\$ (5,452,868)	\$ 8,265,296	\$ 45,828,103	\$ 54,093,399
2016	\$ 62,012,528	\$ 51,230,776	\$ 10,781,752	\$ (4,193,192)	\$ 6,588,560	\$ 54,093,399	\$ 60,681,959
2017	\$ 63,449,233	\$ 50,432,498	\$ 13,016,735	\$ (3,392,885)	\$ 9,623,850	\$ 60,681,959	\$ 70,305,809

\*2015 Net Position Beginning Balance is restated adopting GASB No. 68 "Accounting and Financial Reporting for Pensions".



**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CHANGES IN NET POSITION OF ELECTRIC OPERATIONS  
LAST TEN FISCAL YEARS**

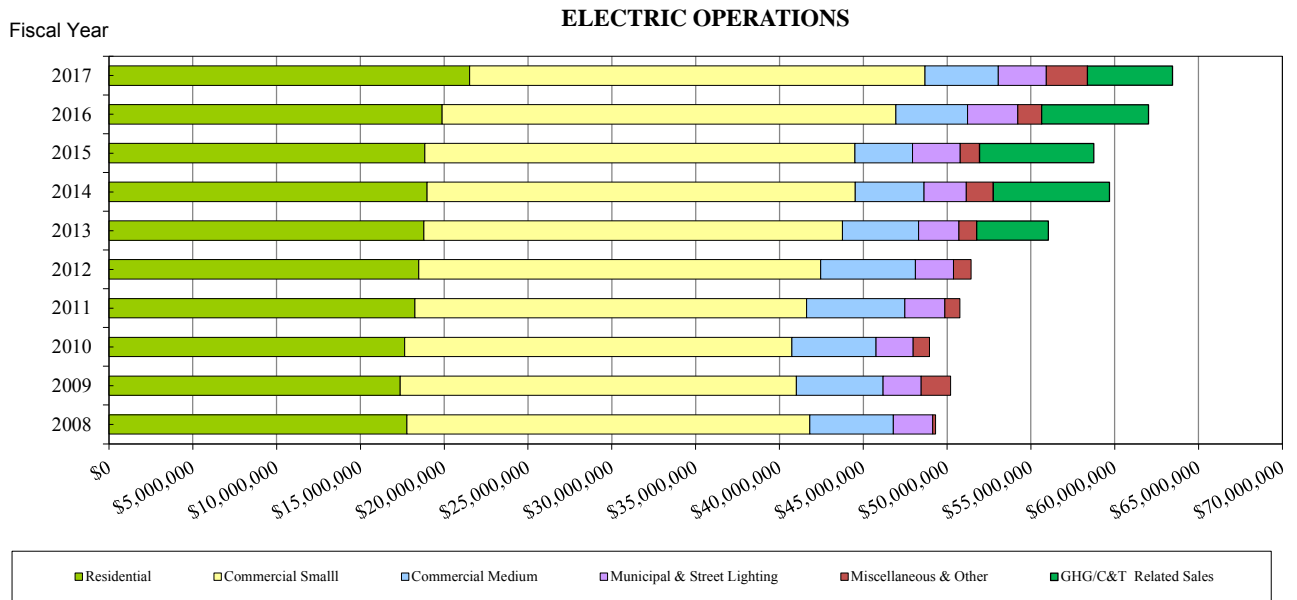
<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>	<u>Non-Operating Revenue, Expenses &amp; Transfers</u>	<u>Change in Net Position</u>	<u>Net Position</u>	
						<u>Beginning Balance</u>	<u>Ending Balance</u>
2008	\$ 49,309,667	\$ 43,339,806	\$ 5,969,861	\$ (42,662,307)	\$(36,692,446)	\$ 99,354,582	\$ 62,662,136
2009	\$ 50,210,280	\$ 48,510,671	\$ 1,699,609	\$ (3,987,119)	\$ (2,287,510)	\$ 62,662,136	\$ 60,374,626
2010	\$ 48,948,051	\$ 43,093,760	\$ 5,854,291	\$ (10,259,777)	\$ (4,405,486)	\$ 60,374,626	\$ 55,969,140
2011	\$ 50,769,687	\$ 41,052,225	\$ 9,717,462	\$ (9,879,984)	\$ (162,522)	\$ 55,969,140	\$ 55,806,618
2012	\$ 51,434,869	\$ 46,809,706	\$ 4,625,163	\$ (7,619,442)	\$ (2,994,279)	\$ 55,806,618	\$ 52,812,339
2013	\$ 56,044,239	\$ 47,886,282	\$ 8,157,957	\$ (4,134,326)	\$ 4,023,631	\$ 52,812,339	\$ 56,835,970
2014	\$ 59,693,838	\$ 43,768,764	\$ 15,925,074	\$ (7,386,926)	\$ 8,538,148	\$ 56,835,970	\$ 65,374,118
2015*	\$ 58,759,497	\$ 44,904,062	\$ 13,855,435	\$ (6,028,706)	\$ 7,826,729	\$ 48,466,670	\$ 56,293,399
2016	\$ 62,012,528	\$ 51,230,776	\$ 10,781,752	\$ (6,393,192)	\$ 4,388,560	\$ 56,293,399	\$ 60,681,959
2017	\$ 63,449,233	\$ 50,432,498	\$ 13,016,735	\$ (3,392,885)	\$ 9,623,850	\$ 60,681,959	\$ 70,305,809

\*2015 Net Position Beginning Balance is restated adopting GASB No. 68 "Accounting and Financial Reporting for Pensions".

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CHANGES IN NET POSITION OF TELECOMMUNICATIONS OPERATIONS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>	<u>Non-Operating Revenue, Expenses, Transfers and Special Items</u>	<u>Change in Net Position</u>	<u>Net Position</u>	
						<u>Beginning Balance</u>	<u>Ending Balance</u>
2008	\$ 8,509,114	\$ 11,256,077	\$ (2,746,963)	\$ 10,626,554	\$ 7,879,591	\$ (32,810,711)	\$ (24,931,120)
2009	\$ 3,297,084	\$ 5,108,625	\$ (1,811,541)	\$ 24,387,760	\$ 22,576,219	\$ (24,931,120)	\$ (2,354,901)
2010	\$ 5,003	\$ 5,430,304	\$ (5,425,301)	\$ 2,734,279	\$ (2,691,022)	\$ (2,354,901)	\$ (5,045,923)
2011	\$ 2,013	\$ 2,272,937	\$ (2,270,924)	\$ 2,929,410	\$ 658,486	\$ (5,045,923)	\$ (4,387,437)
2012	\$ -	\$ 814,557	\$ (814,557)	\$ 988,282	\$ 173,725	\$ (4,387,437)	\$ (4,213,712)
2013	\$ -	\$ 247,336	\$ (247,336)	\$ 207,321	\$ (40,015)	\$ (4,213,712)	\$ (4,253,727)
2014	\$ -	\$ 515,127	\$ (515,127)	\$ 2,130,287	\$ 1,615,160	\$ (4,253,727)	\$ (2,638,567)
2015	\$ -	\$ 137,271	\$ (137,271)	\$ 575,838	\$ 438,567	\$ (2,638,567)	\$ (2,200,000)
2016	\$ -	\$ -	\$ -	\$ 2,200,000	\$ 2,200,000	\$ (2,200,000)	\$ -
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
ELECTRIC OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

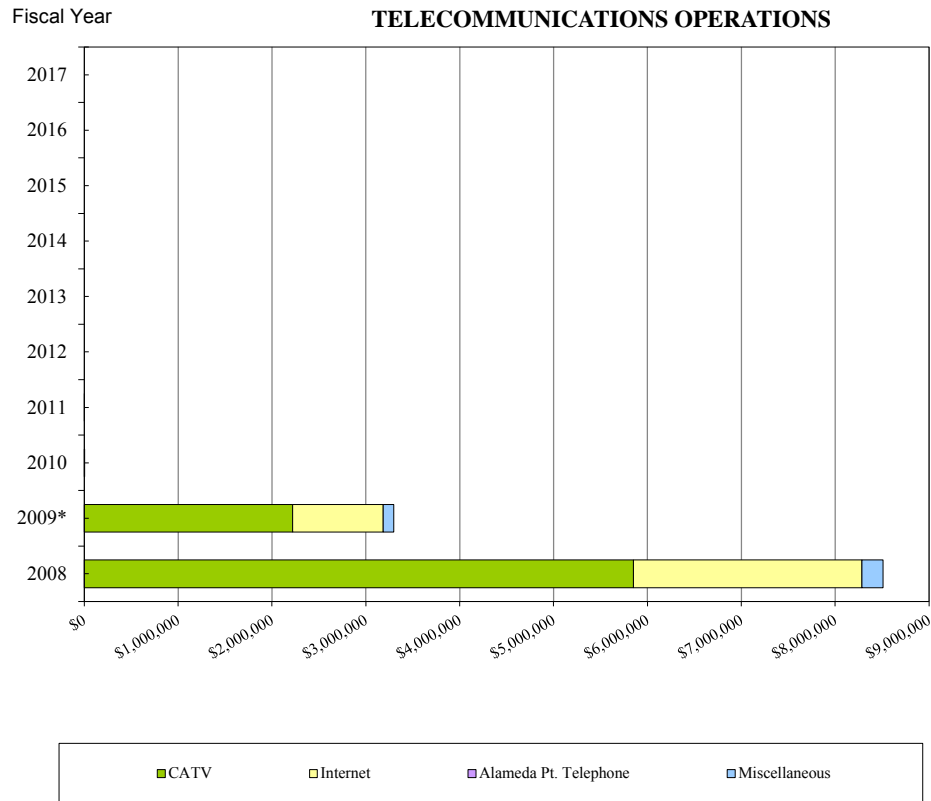


Fiscal Year	Sales of Electricity					Miscellaneous Services	Plant Lease & Jobbing Sales	GHG/C&T Related Sales	Total
	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting/ Other				
2008	\$17,783,232	\$24,021,704	\$4,982,103	\$1,897,547	\$456,320	\$168,761			\$49,309,667
2009	\$17,365,563	\$23,644,464	\$5,175,117	\$1,820,996	\$451,524	\$603,419	\$1,149,197		\$50,210,280
2010	\$17,647,604	\$23,090,891	\$5,026,286	\$1,749,835	\$461,947	\$643,929	\$327,559		\$48,948,051
2011	\$18,257,650	\$23,352,114	\$5,861,554	\$1,753,399	\$641,967	\$613,426	\$289,577		\$50,769,687
2012	\$18,488,086	\$23,964,056	\$5,666,350	\$1,793,977	\$464,788	\$687,220	\$370,392		\$51,434,869
2013	\$18,781,411	\$24,967,214	\$4,552,958	\$1,779,313	\$623,308	\$666,112	\$390,500	\$4,283,423	\$56,044,239
2014	\$18,974,096	\$25,554,219	\$4,088,510	\$1,859,914	\$660,902	\$773,677	\$843,737	\$6,938,783	\$59,693,838
2015	\$18,849,656	\$25,660,869	\$3,435,518	\$2,047,549	\$797,198	\$742,071	\$402,567	\$6,824,069	\$58,759,497
2016	\$19,869,104	\$27,071,358	\$4,278,240	\$1,973,689	\$1,028,631	\$947,765	\$479,791	\$6,363,950	\$62,012,528
2017	\$21,510,126	\$27,177,335	\$4,366,885	\$1,958,154	\$913,248	\$1,275,191	\$1,177,119	\$5,071,175	\$63,449,233

\$0

Fiscal Year	Kilowatt- Hour Sales					Total KWH	Peak Demand (KW)
	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting/ Other		
2008	142,718,493	187,720,577	43,966,176	15,202,494	3,212,483	392,820,223	71,937
2009	140,048,081	184,300,489	45,611,047	14,675,829	3,041,330	387,676,776	76,250
2010	142,109,998	179,960,145	44,243,371	13,598,342	3,207,924	383,119,780	73,712
2011	142,305,884	174,717,111	49,235,786	13,138,014	3,240,179	382,636,974	70,800
2012	139,665,283	172,445,087	45,512,960	12,880,649	3,283,309	373,787,288	67,188
2013	135,924,914	176,259,228	35,487,830	12,585,314	3,186,846	363,444,132	68,100
2014	131,209,422	175,075,476	31,951,900	12,537,513	3,138,994	353,913,305	69,308
2015	125,431,220	174,257,771	26,587,830	12,809,590	3,116,374	342,202,785	63,372
2016	125,831,929	176,575,883	31,490,040	12,375,517	2,546,494	348,819,863	64,283
2017	126,850,402	172,520,353	30,127,960	11,428,198	2,838,825	343,765,738	63,738

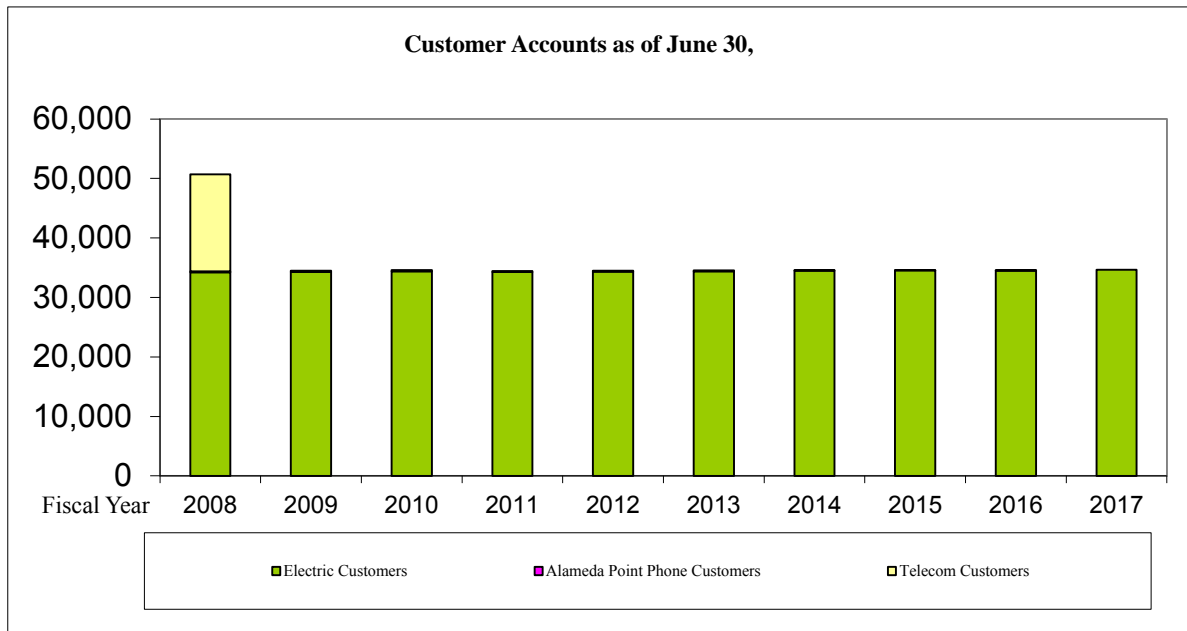
**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
TELECOMMUNICATIONS OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**



Fiscal Year	Cable Television	Internet	Alameda Point Telephone	Miscellaneous	Total
2008	\$5,850,854	\$2,433,976	No longer grouped with Telecom	\$224,284	\$8,509,114
2009*	\$2,219,610	\$964,513	Not Applicable	\$112,961	\$3,297,084
2010	\$0	\$0	Not Applicable	\$5,003	\$5,003
2011	\$0	\$0	Not Applicable	\$2,013	\$2,013
2012	\$0	\$0	Not Applicable	\$0	\$0
2013	\$0	\$0	Not Applicable	\$0	\$0
2014	\$0	\$0	Not Applicable	\$0	\$0
2015	\$0	\$0	Not Applicable	\$0	\$0
2016	\$0	\$0	Not Applicable	\$0	\$0
2017	\$0	\$0	Not Applicable	\$0	\$0

\*Telecommunication operation was sold in November 2008

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CUSTOMER ACCOUNTS  
LAST TEN FISCAL YEARS**



**Number of Electric Customer Accounts:**

Fiscal Year	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting & Other	Total Customer Accounts
2008	30,084	3,750	12	333	38	34,217
2009	30,119	3,782	11	333	27	34,272
2010	30,191	3,818	18	342	30	34,399
2011	30,171	3,744	13	330	23	34,281
2012	30,194	3,776	12	327	29	34,338
2013	30,260	3,781	9	331	24	34,405
2014	30,293	3,786	12	363	28	34,482
2015	30,307	3,834	8	361	15	34,525
2016	30,377	3,735	8	363	11	34,494
2017	30,495	3,764	12	362	15	34,648

**Number of Telecommunications and Alameda Point Telephone Customer Accounts:**

Fiscal Year	Cable TV	Internet Data	Telecommunications* Customer Accounts	Alameda Point Telephone Customer Accounts
2008	9,285	7,031	16,316	185
2009	-	-	-	205
2010	-	-	-	223
2011	-	-	-	138
2012	-	-	-	135
2013	-	-	-	130
2014	-	-	-	102
2015	-	-	-	100
2016	-	-	-	88
2017	-	-	-	79

\*Telecommunication operation was sold in November 2008

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
PRICING CHANGES**

**Electric Rate Changes**

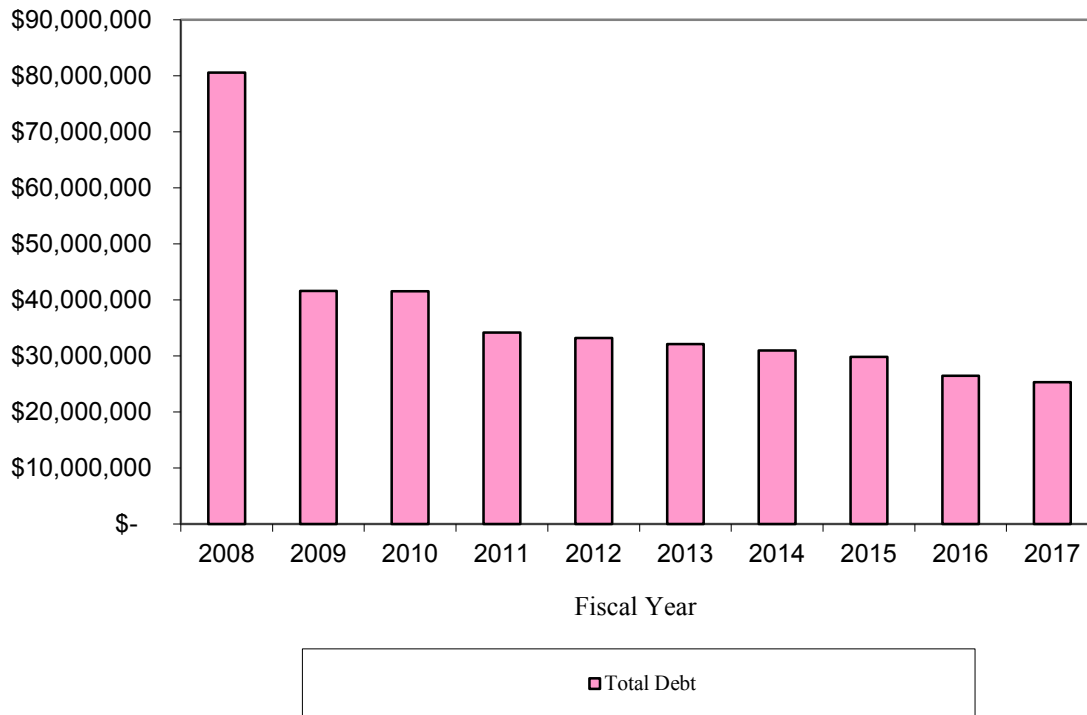
<u>Date</u>	<u>Percent Change</u>	
July 1, 2006	0.56%	
July 1, 2008	0.70%	(State Mandated Solar Program)
July 1, 2009	0.09%	(2.5% MU-1 rate increase)
July 1, 2010	3.75%	
July 1, 2011	3.85%	
July 1, 2012	3.25%	
July 1, 2013	3.25%	
July 1, 2014	2.00%	
July 1, 2015	4.60%	
July 1, 2016	5.00%	
July 1, 2017	5.00%	(Fiscal Year 2018)

**Telecommunications Rate Changes**

<u>Date</u>	<u>Cable TV Percent Change</u>	<u>Internet Data Percent Change</u>
October 1, 2002	6.00%	N/A
October 1, 2003	4.27%	0.00%
October 1, 2004	6.10%	0.00%
August 5, 2005	5.60%	0.00%
January 7, 2007	7.80%	0.00%
October 7, 2007	6.40%	0.00%
October 7, 2008	6.77%	7.65%

Telecommunication operation was sold in November 2008

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

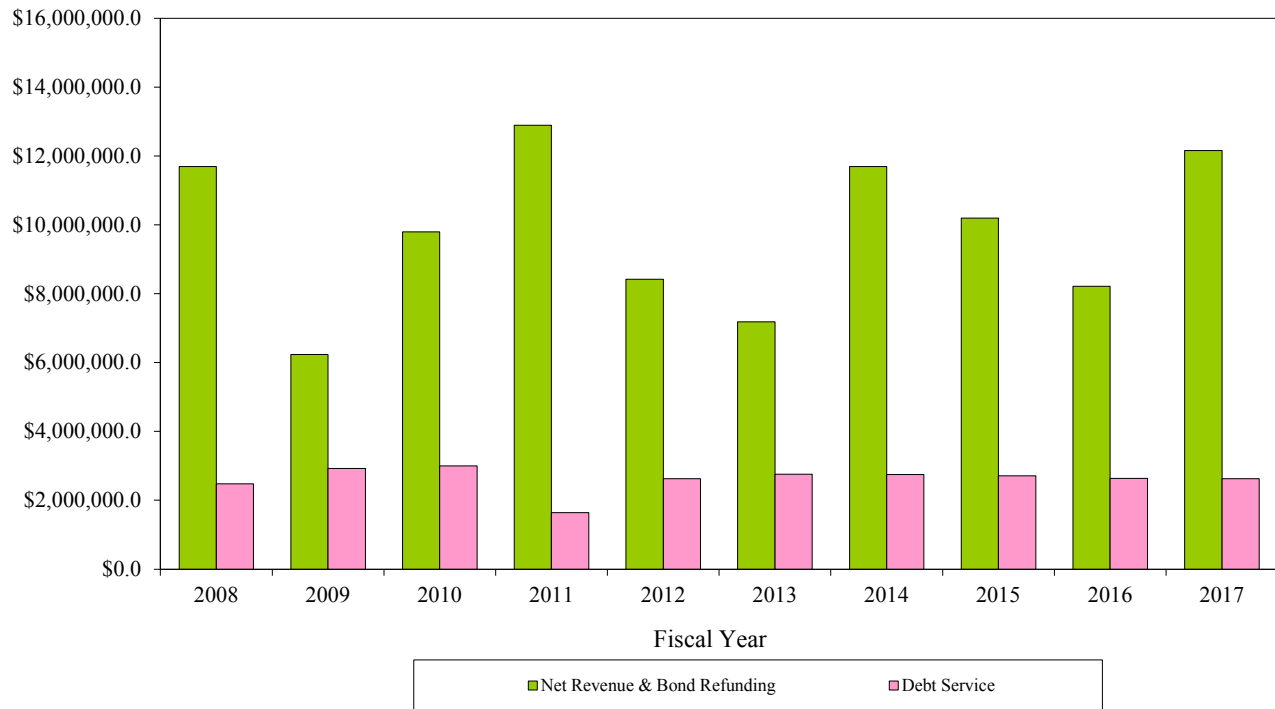


Fiscal Year	Certificates of Participation	Revenue Bonds/ Anticipation Notes	Loans and Lease Purchases	Total	Per Customer Accounts	Per Capita (a)
2008	\$ 45,190,000	\$ 33,000,000	\$ 2,372,836	\$ 80,562,836	\$2,350.69	\$ 1,098.20
2009	\$ 39,045,000	\$ -	\$ 2,553,401	\$ 41,598,401	\$1,201.50	\$ 561.90
2010	\$ 39,045,000	\$ -	\$ 2,501,906	\$ 41,546,906	\$1,211.95	\$ 555.92
2011	\$ -	\$ 31,685,000	\$ 2,447,380	\$ 34,132,380	\$994.01	\$ 460.74
2012	\$ -	\$ 30,790,000	\$ 2,389,610	\$ 33,179,610	\$964.38	\$ 444.53
2013	\$ -	\$ 29,750,000	\$ 2,328,405	\$ 32,078,405	\$930.29	\$ 426.99
2014	\$ -	\$ 28,685,000	\$ 2,263,581	\$ 30,948,581	\$896.41	\$ 405.02
2015	\$ -	\$ 27,590,000	\$ 2,200,000	\$ 29,790,000	\$862.85	\$ 392.17
2016	\$ -	\$ 26,460,000	\$ -	\$ 26,460,000	\$767.09	\$ 333.77
2017	\$ -	\$ 25,290,000	\$ -	\$ 25,290,000	\$729.91	\$ 316.41

Source: (a) City of Alameda (population)

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
REVENUE BONDS/CERTIFICATES OF PARTICIPATION COVERAGE  
LAST TEN FISCAL YEARS**

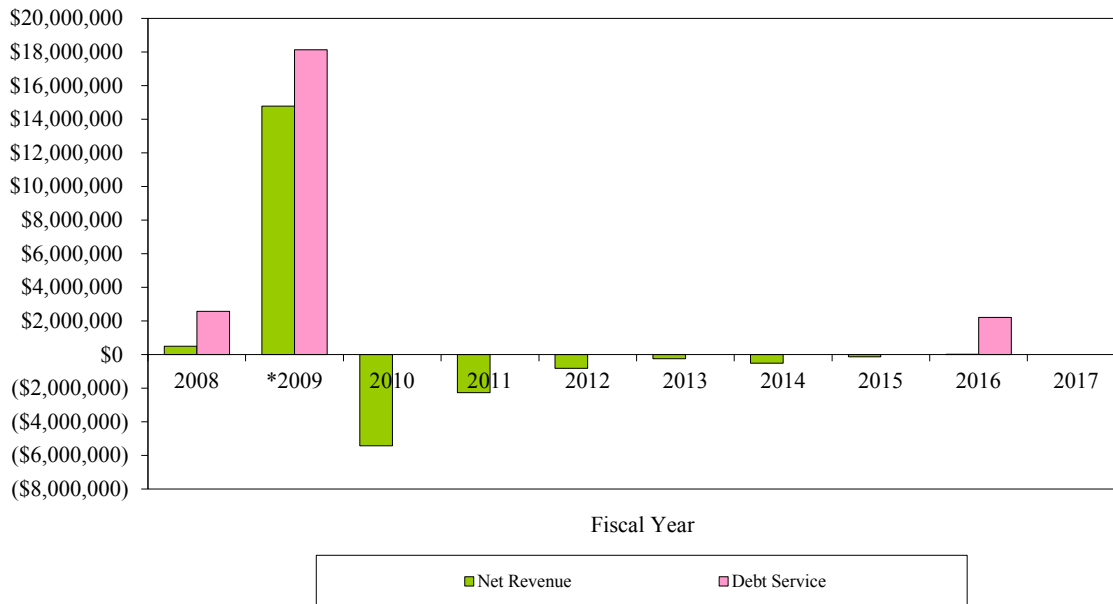
**ELECTRIC OPERATIONS**



Fiscal Year	Electric Gross Revenue Including Non-Operating Revenue	GHG/C&T Related Sales Net Revenue Not Available for Debt Service	Electric Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
					Principal	Interest and Fiscal Charges	Total	
2008	\$ 52,012,671		\$ 40,319,750	\$ 11,692,921	\$ -	\$ 2,476,808	\$ 2,476,808	4.72
2009	\$ 51,552,840		\$ 45,315,677	\$ 6,237,163	\$ 48,603	\$ 2,877,163	\$ 2,925,766	2.13
2010	\$ 49,540,502		\$ 39,750,159	\$ 9,790,343	\$ 51,495	\$ 2,945,095	\$ 2,996,590	3.27
2011	\$ 50,482,874		\$ 37,590,949	\$ 12,891,925	\$ 54,526	\$ 1,582,668	\$ 1,637,194	7.87
2012	\$ 51,698,976		\$ 43,284,441	\$ 8,414,535	\$ 952,770	\$ 1,677,854	\$ 2,630,624	3.20
2013	\$ 56,431,462	4,283,423	\$ 44,964,882	\$ 7,183,157	\$ 1,101,205	\$ 1,651,892	\$ 2,753,097	2.61
2014	\$ 59,435,371	6,938,783	\$ 40,809,073	\$ 11,687,515	\$ 1,129,824	\$ 1,617,655	\$ 2,747,479	4.25
2015	\$ 59,005,393	6,824,069	\$ 41,987,012	\$ 10,194,312	\$ 1,158,581	\$ 1,554,056	\$ 2,712,637	3.76
2016	\$ 62,437,408	6,362,947	\$ 47,864,751	\$ 8,209,710	\$ 1,130,000	\$ 1,510,325	\$ 2,640,325	3.11
2017	\$ 64,156,296	5,071,175	\$ 46,926,046	\$ 12,159,075	\$ 1,170,000	\$ 1,461,044	\$ 2,631,044	4.62

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CERTIFICATES OF PARTICIPATION COVERAGE  
LAST TEN FISCAL YEARS**

**TELECOMMUNICATIONS OPERATIONS**

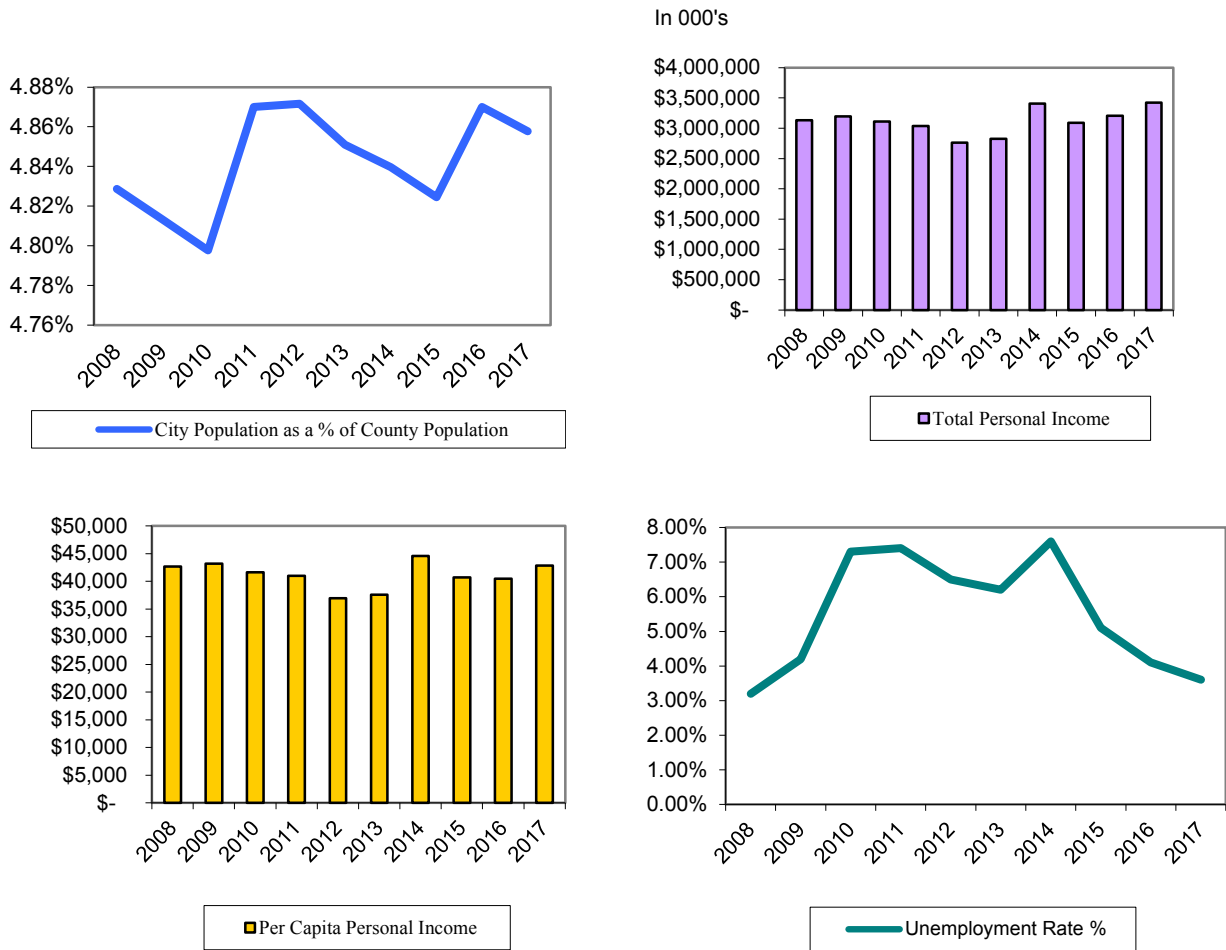


Fiscal Year	Gross Revenue Including Non-Operating Revenue	Direct Operating Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service, Renewals, Replacements and Additions	Debt Service			Coverage
				Principal	Interest and Fiscal Charges	Total	
2008	\$ 8,753,141	\$ 8,250,746	\$ 502,395	\$ -	\$ 2,562,764	\$ 2,562,764	0.20
*2009	\$ 18,875,451	\$ 4,084,420	\$ 14,791,031	\$ 15,826,839	\$ 2,310,000	\$ 18,136,839	0.82
2010	\$ 5,003	\$ 5,430,304	\$ (5,425,301)	\$ -	\$ -	\$ -	Not Applicable
2011	\$ 2,013	\$ 2,272,937	\$ (2,270,924)	\$ -	\$ -	\$ -	Not Applicable
2012	\$ 1,060	\$ 814,557	\$ (813,497)	\$ -	\$ -	\$ -	Not Applicable
2013	\$ 892	\$ 247,336	\$ (246,444)	\$ -	\$ -	\$ -	Not Applicable
2014	\$ 815	\$ 515,127	\$ (514,312)	\$ -	\$ -	\$ -	Not Applicable
2015	\$ 1,020	\$ 137,271	\$ (136,251)	\$ -	\$ -	\$ -	Not Applicable
2016	\$ 9,977	\$ -	\$ 9,977	\$ 2,200,000	\$ -	\$ 2,200,000	0.00
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Not Applicable

\*Telecommunication operations was sold in November 2008. Sale proceed was used to pay debt principal.



**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
DEMOGRAPHIC AND ECONOMICS STATISTICS  
LAST TEN FISCAL YEARS**



Fiscal Year	City Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate %	Alameda County Population	City Population % of County
2008	73,359	\$ 3,131,575	\$ 42,688	3.2%	1,519,250	4.83%
2009	74,032	\$ 3,197,344	\$ 43,189	4.2%	1,538,054	4.81%
2010	74,736	\$ 3,110,554	\$ 41,621	7.3%	1,557,749	4.80%
2011	74,081	\$ 3,035,929	\$ 40,981	7.4%	1,521,157	4.87%
2012	74,640	\$ 2,763,776	\$ 36,962	6.5%	1,532,137	4.87%
2013	75,126	\$ 2,824,097	\$ 37,591	6.2%	1,548,681	4.85%
2014	76,413	\$ 3,406,033	\$ 44,574	7.6%	1,578,891	4.84%
2015	75,961	\$ 3,092,904	\$ 40,717	5.1%	1,574,497	4.82%
2016	79,277	\$ 3,207,096	\$ 40,454	4.1%	1,627,865	4.87%
2017	79,928	\$ 3,423,524	\$ 42,833	3.6%	1,645,359	4.86%

Source: California State Department of Finance

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
Top 10 Customers  
For the Fiscal Year Ended June 30, 2017**

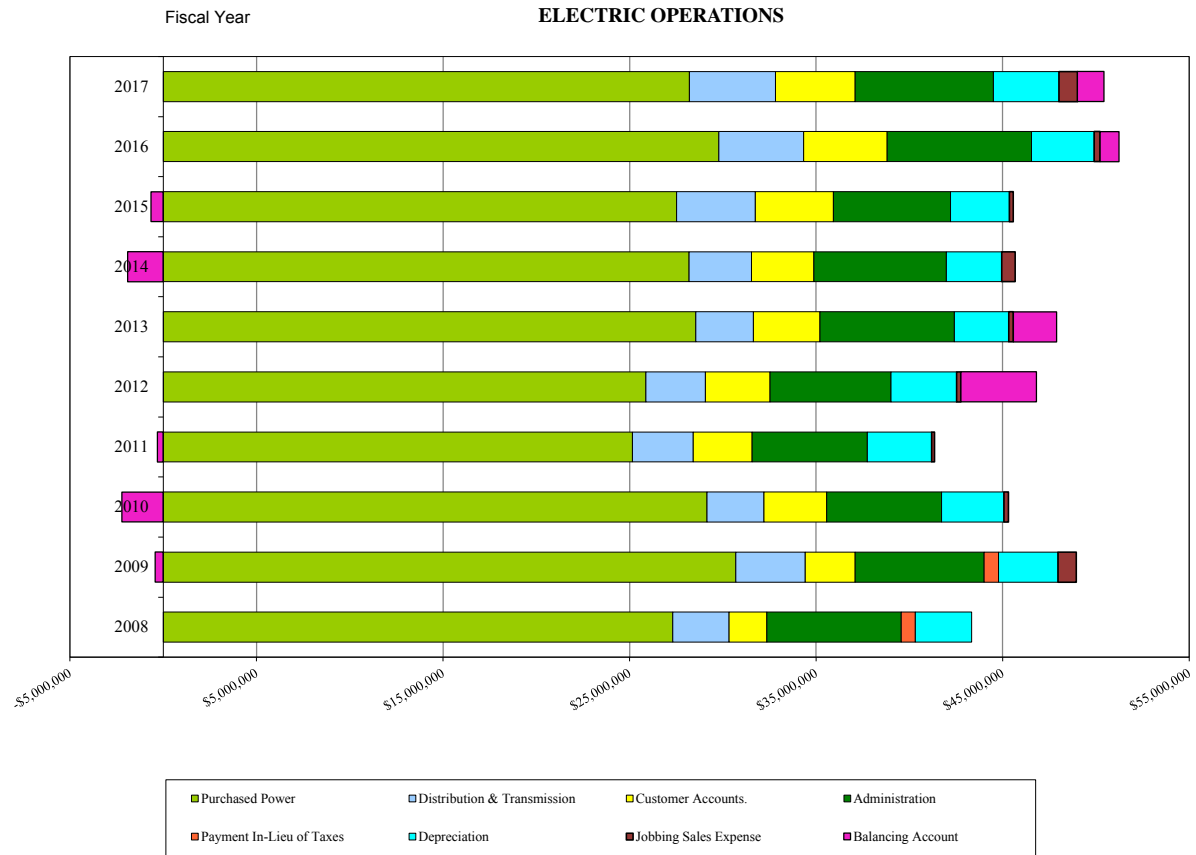
<u>No.</u>	<u>Customer</u>	<u>Type of Business</u>	<u>KWHS</u>	<u>Percent of System Total</u>
1	US Coast Guard Integrated Support	Regulation, Admin. of Transportation	14,335,490	4.17%
2	Maritime Administration	Regulation, Admin. of Transportation	13,985,922	4.07%
3	Amstar - 105, LLC	Lessor of Nonresidential Building	7,737,880	2.25%
4	Safeway Stores Inc. BSREP Marina Village Owner, LLC	Grocery Retailer	6,154,200	1.79%
5	(formally Legacy Partners )	Lessor of Nonresidential Building	6,141,033	1.79%
6	Alameda Unified School District	Public School District	5,535,371	1.61%
7	City of Alameda/AMP	Local Government	5,101,667	1.48%
8	Penumbra Inc.	Medical Devices Developer/Manufacturer	5,049,800	1.47%
9	Wind River	Computer Programming Services	4,730,499	1.38%
10	Alameda Hospital	Hospital, Medical and Emergency Services	4,526,631	1.32%
Top 10 Customers KWHS			<u>73,298,493</u>	21.32%
Total Kilowatt Hour Sales			343,765,738	

**City Of Alameda  
Principal Employers  
Last Fiscal Year and Nine Years Ago**

No.	Business Name	FY2016-17			2007-08		
		Number of Employees	Rank	Percentage % of Total City Population	Number of Employees	Rank	Percentage % of Total City Population
1	Penumbra	1071	1	1.34%			
2	Alameda Unified School District	1044	2	1.31%			
3	VF Outdoor	783	3	0.98%			
7	Alameda Hospital	727	4	0.91%	492	1	0.65%
4	Oakland Raiders	595	5	0.74%	150	9	0.20%
6	Abbott Diabetes Care	531	6	0.66%	457	2	0.60%
5	City of Alameda	522	7	0.65%			
8	Kaiser Foundation Health Plan	425	8	0.53%			
9	Safeway Stores	418	9	0.52%			
	Cost Plus Corporate Headquarters	412	10	0.52%			
	Wind River Systems				450	3	0.59%
	Associated Third Party				200	4	0.26%
	Bay Ship and Yacht				200	4	0.26%
	Sage Group				200	4	0.26%
	Celera Diagnostics LLC				180	7	0.24%
	United States Postal Services				180	7	0.24%
	Xenogen				156	9	0.21%
	MBH Architects				150	9	0.20%
	Subtotal	<u>6528</u>		<u>8.17%</u>	<u>2815</u>		<u>3.71%</u>
Total City Population		79,928			75,823		

Source: City of Alameda Community Development Department  
and City of Alameda Business License Records

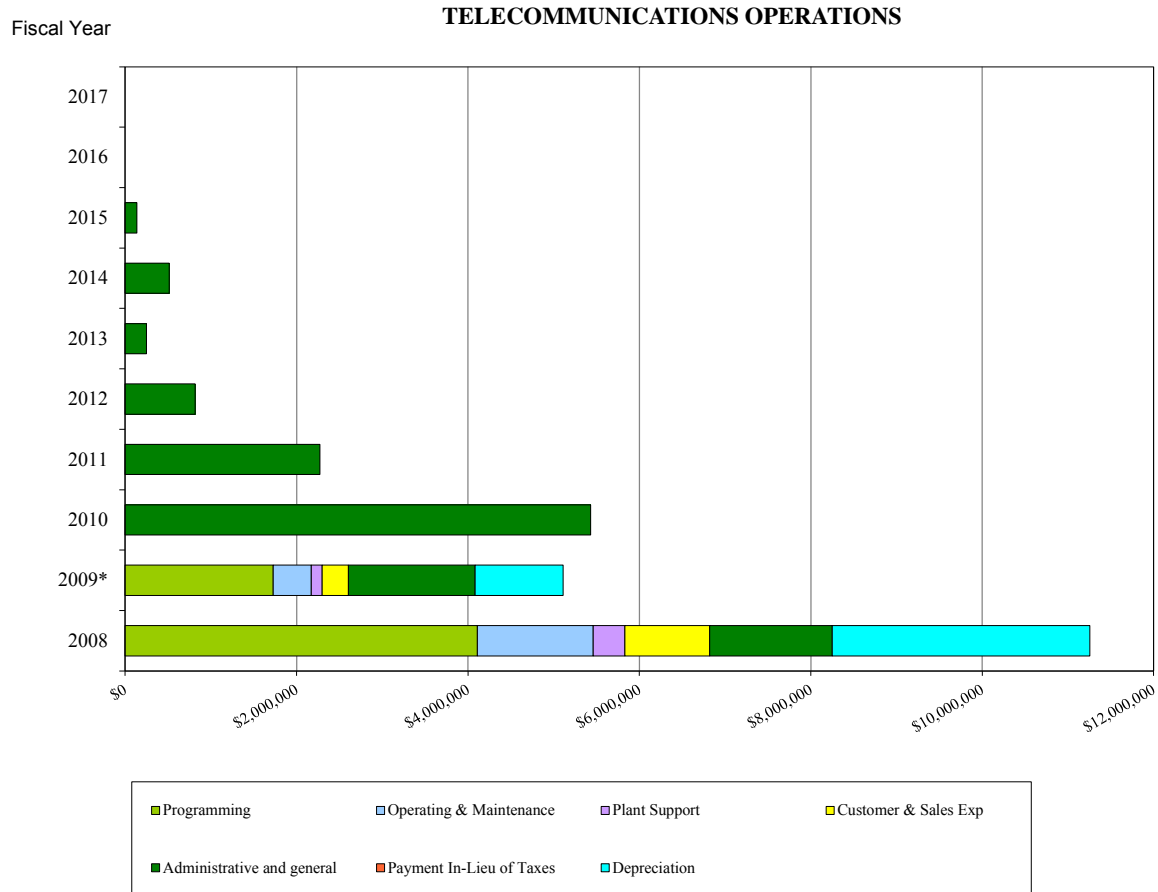
**ALAMEDA MUNICIPAL POWER  
OPERATING EXPENSES BY FUNCTION PER FERC CODES  
LAST TEN FISCAL YEARS**



Fiscal Year	Purchased Power	Distribution Operation	Transmission-Maintenance	Customer Accounts	Administration	*Payment In-lieu of Taxes	Depreciation	Jobbing Sales Expenses	Balancing Account	Total
2008	\$27,316,014	\$2,998,729	\$27,189	\$2,010,916	\$7,205,310	\$761,592	\$3,020,056	\$	-	\$43,339,806
2009	\$30,700,344	\$3,705,148	\$19,984	\$2,659,956	\$6,917,547	\$775,903	\$3,194,994	\$971,303	\$ (434,508)	\$48,510,671
2010	\$29,147,084	\$3,005,612	\$57,486	\$3,359,085	\$6,160,199		\$3,343,601	\$232,121	\$ (2,211,428)	\$43,093,760
2011	\$25,159,235	\$3,219,257	\$29,744	\$3,167,469	\$6,164,149		\$3,461,276	\$154,501	\$ (303,406)	\$41,052,225
2012	\$25,878,402	\$3,159,241	\$33,852	\$3,464,843	\$6,476,238		\$3,525,265	\$216,243	\$ 4,055,622	\$46,809,706
2013	\$28,544,844	\$3,093,277	\$6,708	\$3,564,481	\$7,197,031		\$2,921,400	\$239,946	\$ 2,318,595	\$47,886,282
2014	\$28,196,783	\$3,323,756	\$10,326	\$3,346,221	\$7,110,522		\$2,959,691	\$718,904	\$ (1,897,439)	\$43,768,764
2015	\$27,517,599	\$4,228,121	\$2,202	\$4,175,433	\$6,289,604		\$3,148,548	\$202,796	\$ (660,241)	\$44,904,062
2016	\$29,781,270	\$4,549,165	\$2,414	\$4,483,281	\$7,723,065		\$3,366,025	\$315,472	\$ 1,010,084	\$51,230,776
2017	\$28,201,607	\$4,618,340	\$0	\$4,274,066	\$7,412,807		\$3,506,452	\$993,589	\$ 1,425,636	\$50,432,497

\*Payment-in-lieu of taxes is included in non-operating revenues (expenses) to conform with 2010 A/B Bond operating expense definitions.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OPERATING EXPENSES BY FUNCTION PER FERC CODES  
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Programming &amp; Access</u>	<u>Operating &amp; Maintenance</u>	<u>Plant Support</u>	<u>Customer A/C &amp; Sale Expenses</u>	<u>Administration</u>	<u>Payment In-lieu of Taxes</u>	<u>Depreciation</u>	<u>Total</u>
2008	\$ 4,110,499	\$ 1,349,231	\$ 371,940	\$ 989,042	\$ 1,430,034	\$ -	\$ 3,005,331	\$ 11,256,077
2009*	\$ 1,728,905	\$ 441,452	\$ 126,742	\$ 307,607	\$ 1,479,714	\$ -	\$ 1,024,205	\$ 5,108,625
2010	\$ -	\$ -	\$ -	\$ -	\$ 5,430,304	\$ -	\$ -	\$ 5,430,304
2011	\$ -	\$ -	\$ -	\$ -	\$ 2,272,937	\$ -	\$ -	\$ 2,272,937
2012	\$ -	\$ -	\$ -	\$ -	\$ 814,557	\$ -	\$ -	\$ 814,557
2013	\$ -	\$ -	\$ -	\$ -	\$ 247,336	\$ -	\$ -	\$ 247,336
2014	\$ -	\$ -	\$ -	\$ -	\$ 515,127	\$ -	\$ -	\$ 515,127
2015	\$ -	\$ -	\$ -	\$ -	\$ 137,271	\$ -	\$ -	\$ 137,271
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\*Telecommunication operation was sold in November 2008

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
CAPITAL ASSETS  
LAST TEN FISCAL YEARS**

**ELECTRIC OPERATIONS**

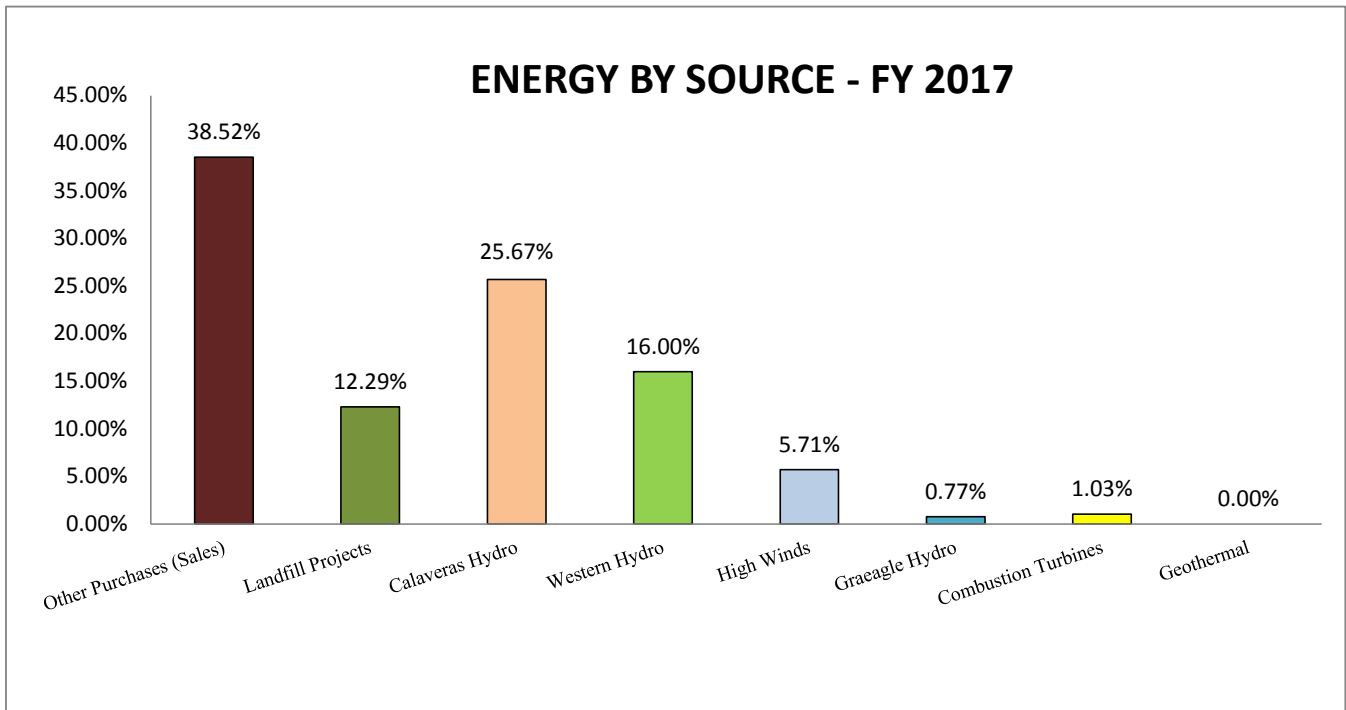
<u>Fiscal Year</u>	<u>Plant</u>	<u>Service Center Building</u>	<u>Land, Rights &amp; Easements</u>	<u>Machinery &amp; Equipment</u>	<u>Transportation Equipment</u>	<u>Computer Equipment</u>	<u>Furniture &amp; Fixtures</u>	<u>Construction in Progress</u>	<u>Less: Accumulated Depreciation</u>	<u>Net Electric Capital Assets</u>
2008	\$ 65,547,117	\$ 7,843,636	\$ 153,644	\$ 8,697,019	\$ 1,944,940	\$ 2,914,982	\$ 599,106	\$ 1,381,059	\$ (46,453,449)	\$ 42,628,054
2009	\$ 66,171,877	\$ 7,843,636	\$ 339,144	\$ 8,725,118	\$ 2,393,295	\$ 3,023,573	\$ 599,106	\$ 3,054,175	\$ (49,572,317)	\$ 42,577,607
2010	\$ 68,706,972	\$ 7,843,636	\$ 339,144	\$ 8,720,994	\$ 2,593,727	\$ 3,213,190	\$ 599,106	\$ 2,261,549	\$ (52,958,017)	\$ 41,320,301
2011	\$ 70,314,925	\$ 7,843,636	\$ 339,144	\$ 8,739,161	\$ 2,593,727	\$ 3,256,643	\$ 599,107	\$ 1,719,491	\$ (56,419,296)	\$ 38,986,538
2012	\$ 71,900,364	\$ 7,843,636	\$ 339,143	\$ 8,915,622	\$ 2,738,514	\$ 3,288,430	\$ 606,182	\$ 1,501,292	\$ (59,916,840)	\$ 37,216,343
2013	\$ 73,322,303	\$ 7,843,636	\$ 339,143	\$ 9,074,538	\$ 2,738,514	\$ 3,320,906	\$ 629,213	\$ 1,877,849	\$ (62,829,423)	\$ 36,316,679
2014	\$ 79,142,909	\$ 7,843,636	\$ 339,143	\$ 9,153,503	\$ 2,867,266	\$ 3,455,613	\$ 829,333	\$ 45,897	\$ (65,426,161)	\$ 38,251,139
2015	\$ 79,286,684	\$ 7,843,636	\$ 339,143	\$ 9,197,186	\$ 3,050,605	\$ 3,654,987	\$ 833,207	\$ 4,518,743	\$ (68,536,089)	\$ 40,188,102
2016	\$ 84,548,411	\$ 7,850,886	\$ 339,143	\$ 9,439,316	\$ 3,048,241	\$ 3,832,459	\$ 835,790	\$ 1,736,459	\$ (71,425,024)	\$ 40,205,681
2017	\$ 84,654,592	\$ 8,071,667	\$ 339,143	\$ 9,510,378	\$ 3,240,418	\$ 4,158,116	\$ 835,790	\$ 6,452,324	\$ (74,534,854)	\$ 42,727,575

**TELECOMMUNICATIONS OPERATIONS**

<u>Fiscal Year</u>	<u>Plant</u>	<u>Service Center Building</u>	<u>Land &amp; Rights</u>	<u>Machinery &amp; Equipment</u>	<u>Transportation Equipment</u>	<u>Computer Equipment</u>	<u>Furniture &amp; Fixtures</u>	<u>Construction in Progress</u>	<u>Less: Accumulated Depreciation</u>	<u>Net Telecommunications Capital Assets</u>
2008	\$ 23,147,625	\$ -	\$ 605,029	\$ 211,885	\$ 253,752	\$ 494,189	\$ 739	\$ 19,485	\$ (10,090,048)	\$ 14,642,656
2009*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\*Telecommunications operation was sold in November 2008.

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OPERATION INDICATORS**



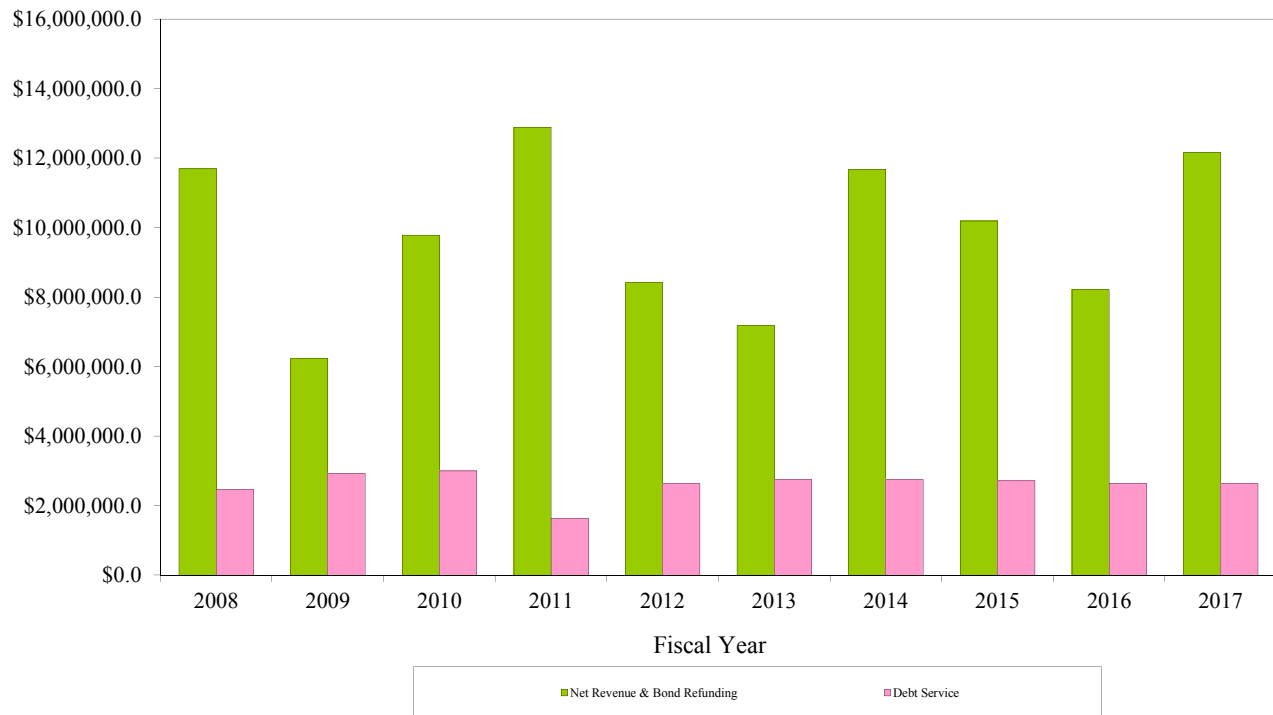
Energy By Source Last Ten Fiscal Years										
Fiscal Year	Other Purchases (Sales)	Calaveras Hydro	Western Hydro	Landfill Projects	High Winds	Combustion Turbines	Graeagle Hydro	Geothermal	Morgan Stanley	Total
2008	12.00%	9.00%	7.00%	6.00%	6.00%	4.00%	0.00%	39.00%	17.00%	44.00%
2009	9.09%	9.85%	6.46%	10.26%	6.38%	2.22%	0.27%	39.32%	16.15%	44.53%
2010	2.10%	12.60%	6.10%	19.80%	5.60%	1.20%	0.50%	35.80%	16.30%	47.90%
2011	-10.27%	20.61%	9.06%	21.08%	5.62%	0.64%	0.70%	36.19%	16.37%	47.44%
2012	-3.67%	12.09%	9.96%	21.53%	4.75%	0.13%	0.67%	37.63%	16.91%	45.46%
2013	33.51%	7.03%	9.00%	16.71%	4.46%	0.15%	0.52%	11.41%	17.21%	71.38%
2014	50.61%	5.39%	6.68%	14.32%	4.71%	0.28%	0.43%	0.00%	17.58%	82.42%
2015	59.11%	4.62%	5.70%	14.74%	5.83%	0.39%	0.39%	0.00%	9.22%	90.78%
2016	63.57%	10.91%	7.05%	12.07%	5.44%	0.40%	0.55%	0.00%	0.00%	100.00%
2017	38.52%	25.67%	16.00%	12.29%	5.71%	1.03%	0.77%	0.00%	0.00%	100.00%

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
OPERATION INDICATORS  
LAST TEN FISCAL YEARS**

Fiscal Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Since:	1887	1887	1887	1887	1887	1887	1887	1887	1887	1887
Budgeted Employees	119	95	95	91	91	90	94	93	98	98
Vehicles in Service	53	43	40	40	40	40	40	39	46	46
Service Area (Miles)	22.80	22.80	22.80	22.80	22.80	22.80	22.80	22.80	22.80	22.80
Transmission Lines (115kV)										
Overhead Pole Miles	6.77	6.77	6.77	6.77	6.77	6.80	6.77	6.77	6.77	6.77
Underground Circuit Miles	1.93	1.93	1.93	1.93	1.93	1.90	1.93	1.93	1.93	1.93
Distribution Lines (12kV)										
Overhead Pole Miles	86.56	86.56	86.19	86.11	86.08	86.10	86.08	86.10	86.08	86.08
Underground Circuit Miles	169.98	170.92	171.26	171.76	172.93	172.50	174.01	176.40	177.17	178.06
Street Lights (excluding inactivated lights)	6,440	6,440	6,069	5,584	5,593	5,315	5,372	5,441	5,470	5,470

**CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER  
REVENUE BONDS/CERTIFICATES OF PARTICIPATION COVERAGE  
LAST TEN FISCAL YEARS**

**ELECTRIC OPERATIONS**



Fiscal Year	Electric	GHG/C&T	Electric	Net Revenue					
	Gross	Related Sales	Direct	Available for					
	Revenue	Net Revenue	Operating	Debt Service,					
	Including	Not Available for	Expenses	Renewals,	Debt Service				
Non-Operating	Debt Service	(Excluding	Replacements	Interest and					
Revenue		Depreciation)	and Additions	Principal	Fiscal Charges	Total	Coverage		
2008	\$ 52,012,671		\$ 40,319,750	\$ 11,692,921	\$ -	\$ 2,476,808	\$ 2,476,808	4.72	
2009	\$ 51,552,840		\$ 45,315,677	\$ 6,237,163	\$ 48,603	\$ 2,877,163	\$ 2,925,766	2.13	
2010	\$ 49,540,502		\$ 39,750,159	\$ 9,790,343	\$ 51,495	\$ 2,945,095	\$ 2,996,590	3.27	
2011	\$ 50,482,874		\$ 37,590,949	\$ 12,891,925	\$ 54,526	\$ 1,582,668	\$ 1,637,194	7.87	
2012	\$ 51,698,976		\$ 43,284,441	\$ 8,414,535	\$ 952,770	\$ 1,677,854	\$ 2,630,624	3.20	
2013	\$ 56,431,462	4,283,423	\$ 44,964,882	\$ 7,183,157	\$ 1,101,205	\$ 1,651,892	\$ 2,753,097	2.61	
2014	\$ 59,435,371	6,938,783	\$ 40,809,073	\$ 11,687,515	\$ 1,129,824	\$ 1,617,655	\$ 2,747,479	4.25	
2015	\$ 59,005,393	6,824,069	\$ 41,987,012	\$ 10,194,312	\$ 1,158,581	\$ 1,554,056	\$ 2,712,637	3.76	
2016	\$ 62,437,408	6,362,947	\$ 47,864,751	\$ 8,209,710	\$ 1,130,000	\$ 1,510,325	\$ 2,640,325	3.11	
2017	\$ 64,156,296	5,071,175	\$ 46,926,046	\$ 12,159,075	\$ 1,170,000	\$ 1,461,044	\$ 2,631,044	4.62	



# Bond Disclosure Section

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November 10, 2017

**Subject: Bond Disclosure Information**

We are pleased to provide bond disclosure information for Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California. The information presented is for AMP's five (5) most recent fiscal years, which includes those ended June 30, 2017, 2016, 2015, 2014, and 2013. AMP believes that the data presented here is accurate in all material respects, that the data is presented in a manner designed to set forth fairly the financial position of the organization and that all disclosures necessary to gain an understanding of the financial activity of AMP are included in this report.

This Bond Disclosure Section is provided to fulfill requirements for an Annual Financial Report, and other information, as required by the:

Continuing Disclosure Certificates for the Alameda Public Financing Authority, Revenue Bonds, Series 2010A/B (Alameda Municipal Power Refinancing).

Continuing Disclosure Certificates obligation for the Bureau of Electricity/City of Alameda with respect to the Northern California Power Agency's revenue bonds:

Geothermal-2009 Series A due 7/1/2024  
Geothermal-2012 Series A due 7/1/2022  
Geothermal-2016 Series A due 7/1/2024

Hydroelectric-1992 Refunding Series A due 7/1/2018,  
Hydroelectric-2008 Refunding Series A due 7/1/2032,  
Hydroelectric-2008 Refunding Series B due 7/1/2020,  
Hydroelectric-2008 Refunding Series C due 7/1/2024,  
Hydroelectric-2010 Refunding Series A/B due 7/1/2023,  
Hydroelectric-2012 Refunding Series A due 7/1/2032,  
Hydroelectric-2012 Refunding Series B due 7/1/2024,  
Capital Facilities-2010 Refunding Series A due 8/1/2025

**Annual Financial Report**

This Bond Disclosure Section, included within AMP's Comprehensive Annual Financial Report (CAFR) for Fiscal Years Ended 2017 and 2016, provides the most recent information required by the Continuing Disclosure Certificates (the Certificates). The CAFR, in turn, will be filed with the appropriate Dissemination Agent(s) for transmittal to the repositories in accordance with the requirements of the Certificates. The Annual Financial Report is incorporated into the CAFR and includes by reference the audited financial statements of AMP for the prior fiscal year.

This Bond Disclosure Section incorporated into this fiscal year's CAFR, also contains the following information required by the Certificates:

1. Updated information comparable to the information in the table entitled "City of Alameda, Alameda Municipal Power, Power Supply Resources";
2. Updated information comparable to the information in the table entitled "City of Alameda, Alameda Municipal Power, Electric Rate Changes";
3. Updated information comparable to the information in the table entitled "City of Alameda, Alameda Municipal Power, Electric Customers, Sales, Revenues and Demand"; and,
4. Updated information comparable to the information in the table entitled "City of Alameda, Alameda Municipal Power, Condensed Operating Results and Selected Balance Sheet Information".

### **Reporting of Significant Events**

As of June 30, 2017, none of the events listed in Section 5 of the Certificates have occurred for the Series 2010 A/B bonds issued by the Alameda Public Financing Authority. As of June 30, 2017, Alameda Municipal Power has no knowledge of any impending significant event that would require disclosure under the provisions of the Certificates.

### **Additional Information**

Senate Bill (SB) 1X 2 requires that load serving entities like AMP maintain their percentage of eligible renewable power used to supply their retail end-use customers at no less than an average of 20% for the calendar years (CY) 2011 through 2013, 20 percent for 2014 and 2015, 25 percent for 2016, 27 percent for 2017, 29 percent for 2018, 31 percent for 2019, and 33 percent for 2020 and beyond. For CY 2011-2013 AMP's Renewables Portfolio Standard (RPS) Policy required a minimum of 25 percent renewables, which AMP achieved. In January 2016 AMP's Public Utilities Board (Board) approved a revised RPS Policy that is consistent with that of the State for the years 2014 through 2020. Additionally, the Board approved a Renewable Energy Sales and Use of Resulting Revenues Policy that allows AMP to sell any eligible renewable power through 2019 not required to comply with AMP's RPS. The resulting revenues from these sales are used to support initiatives to reduce Green House Gas (GHG) emissions associated with electricity use by AMP's customers.

AMP established a Board designated reserve in compliance with the policy. AMP sold its share of eligible renewable energy generated by NCPA's Geothermal Project and Ameresco's Ox Mountain LFGE facility to the California Department of Water Resources from October 15, 2012 through December 31, 2016. A new agreement was entered into with Shell for the same renewable energy effective January 1, 2017 with a maturity date of December 31, 2019. All Net revenue from the renewable energy sales is held in a designated reserve that is part of a Rate Stabilization Fund and, as such, is not pledged to secure the payment of the 2010 Installment Payments, the payments with respect to any Parity Obligations or any payment with respect to any Subordinate Debt. During fiscal year (FY) 2017, AMP allocated \$4,210,248 of net revenue from the sale of eligible renewable power (see *Statement of Revenues, Expenses and Changes in*

*Net Position*) toward the Board designated reserve as part of the Rate Stabilization Fund. This allocated net revenue included \$21,508,056 of cash and \$870,946 of receivables (see *Statement of Net Position*).

Additionally, the California Cap-and-Trade (C&T) program began implementation of auction sales of directly allocated allowances from the California Air Resources Board (CARB). The resulting revenues from these sales must be used for the benefit of retail ratepayers consistent with the goals of Assembly Bill 32. AMP established a Board designated reserve in compliance with the requirements of these directions. An expenditure plan that complies with current C&T regulations has been reviewed by the Board. Net revenue from auction sales of directly allocated allowances are held in a designated reserve that is part of a Rate Stabilization Fund and, as such, is not pledged to secure the payment of the 2010 Installment Payments, the payments with respect to any Parity Obligations or any payment with respect to any Subordinate Debt. During FY 2017, AMP allocated \$860,927 of net revenue from the auction sales of directly allocated allowances (see *Statement of Revenues, Expenses and Changes in Net Position*) toward the Board designated reserve as part of the Rate Stabilization Fund. This allocated net revenue included \$2,254,349 of cash and \$0 of receivables (see *Statement of Net Position*).

**CITY OF ALAMEDA**  
**ALAMEDA MUNICIPAL POWER**  
**POWER SUPPLY RESOURCES**

For the Fiscal Year Ended June 30, 2017

<b>Source</b>	<b>Capacity Available (MW) <sup>(1)</sup></b>	<b>Actual Energy MWH</b>	<b>% of Total Energy</b>
Purchased Power <sup>(2)</sup>			
Western	14.0	57,523.2	16.73%
High Winds	12.2	44,166.8	12.85%
Landfill Gas	3.1	20,538.0	5.97%
Graeagle	0.0	2,785.0	0.81%
NCPA			
Geothermal Plant 1 <sup>(3)</sup>	7.6	-	0.00%
Geothermal Plant 2 <sup>(3)</sup>	1.3	-	0.00%
Hydroelectric Project	25.3	92,292.9	26.85%
Combustion Turbine Project No. 1 &2	24.9	3,686.5	1.07%
Other Purchases (Net) <sup>(3)</sup>	0.0	138,474.4	40.28%
<b>TOTAL</b>	<b>88.4</b>	<b>359,466.8</b>	<b>104.57%</b>
Losses	N/A	(15,701.1)	-4.57%
Alameda's System Requirement for Retail	63.7	343,765.7	100.00%

<sup>(1)</sup> Non-coincident capacity available.

<sup>(2)</sup> Entitlements, firm allocations and contract amounts.

<sup>(3)</sup> Renewable Energy Sales exchanged for market purchases

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

<b>Date</b>	<b>Percent Change (Average)</b>	<b>Notes</b>
July 1, 2005	0.89%	
July 1, 2006	0.56%	
July 1, 2008	0.70%	State mandated Solar Program
July 1, 2009	0.09%	2.5% MU-1 rate increase
July 1, 2010	3.75%	
July 1, 2011	3.85%	
July 1, 2012	3.25%	
July 1, 2013	3.25%	
July 1, 2014	2.00%	
July 1, 2015	4.60%	
July 1, 2016	5.00%	
July 1, 2017	5.00%	Note: Fiscal Year 2018

**CITY OF ALAMEDA**  
**ALAMEDA MUNICIPAL POWER**  
**ELECTRIC CUSTOMERS, SALES, REVENUES AND DEMAND**  
Through the Fiscal Year Ended June 30,

Description	2013	2014	2015	2016	2017
<b>Number of Customers Accounts:</b>					
Residential	30,260	30,293	30,307	30,377	30,495
Commercial	3,781	3,786	3,834	3,735	3,764
Industrial	9	12	8	8	12
Public Authority	331	363	361	363	362
Other	24	28	15	11	15
<b>Total Customers</b>	<b>34,405</b>	<b>34,482</b>	<b>34,525</b>	<b>34,494</b>	<b>34,648</b>
<b>Kilowatt Hour Sales:</b>					
Residential	135,924,914	131,209,422	125,431,220	125,831,929	126,850,402
Commercial	176,259,228	175,075,476	174,257,771	176,575,883	172,520,353
Industrial	35,487,830	31,951,900	26,587,830	31,490,040	30,127,960
Public Authority	12,585,314	12,537,513	12,801,245	12,375,517	11,428,198
Other	3,186,846	3,138,994	3,124,117	2,546,494	2,838,825
<b>Total kWh sales</b>	<b>363,444,132</b>	<b>353,913,305</b>	<b>342,202,183</b>	<b>348,819,863</b>	<b>343,765,738</b>
<b>Revenues from Sale of Energy:</b>					
Residential	\$18,781,411	\$18,974,096	\$18,849,656	\$19,869,104	\$21,510,126
Commercial	24,967,214	25,554,219	25,660,869	27,071,358	27,177,335
Industrial	4,552,958	4,088,510	3,435,518	4,278,240	4,366,885
Public Authority	1,779,313	1,859,914	2,047,549	1,973,689	1,958,154
Other	623,309	660,902	797,198	1,028,631	913,247
<b>Total Revenues</b>	<b>\$50,704,205</b>	<b>\$51,137,641</b>	<b>\$50,790,790</b>	<b>\$54,221,022</b>	<b>\$55,925,747</b>
<b>Peak Demand (kW)</b>	<b>68,100</b>	<b>68,100</b>	<b>63,372</b>	<b>64,283</b>	<b>63,738</b>



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

Through the Fiscal Year Ended June 30,

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

**Selected Balance Sheet**

**Information:**

Unrestricted Cash & Investments <sup>(4)</sup>	\$	50,095	\$	45,581	\$	42,094	\$	41,909	\$	39,422
Rate Stabilization Fund Balance <sup>(6)</sup>		4,283		11,222		16,505		20,583		24,633
Net Plant in Service		34,285		38,052		35,669		38,470		36,275
Construction Work in Progress		1,878		46		4,519		1,736		6,452
Electric Utility Plant-Net		36,163		38,097		40,188		40,206		42,727
Outstanding Electric System Debt <sup>(5)</sup>	\$	28,947	\$	28,749	\$	27,590	\$	26,460	\$	25,290

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

(2) Includes purchased power costs, payments to NCPA and TANC and prior year budget settlements from NCPA.

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

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

(5) During August 2010, AMP refinanced its 2000A/AT debt. The resulting 2010A/B revenue bonds had an initial book-entry principal of \$31,685,000, or \$7,360,000 less than the 2000A/AT debt. This advance refunding was undertaken to reduce debt service payments over the next 20 years by \$17,662,628 and resulted in an economic gain of \$2,308,432. In FY2014, AMP adopted GASB No. 65 and excluded the advance refunding from "Outstanding Electric System Debt", see Note 4 to Financial Statements

(6) Includes Renewable Energy Sales and Auction Sales placed into reserve for Rate Stabilization Fund.