

# S C P P A

2014-15 Annual Report



THIRTY FIFTH ANNIVERSARY

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# SCPPA PROJECTS

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- Geothermal Projects
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- Pebble Springs Wind Project
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- Mead-Adelanto Transmission Project
- Mead-Phoenix Transmission Project
- Southern Transmission System Project
- Member Agencies



# LETTER from the President

As SCPPA celebrates our 35th Anniversary, I thought it would be fitting to look back at where we've come from, as well as ahead to what the future may hold. Formed in 1980, SCPPA's original purpose was to provide opportunities for joint financing, construction and operation of transmission and generation projects. The ten founding members were the municipal utilities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, and the Imperial Irrigation District. The City of Vernon joined the group the following year, and the City of Cerritos completed the current roster when it joined SCPPA in 2001.

The initial project undertaken by SCPPA was the Palo Verde Project, which was consummated when the Authority purchased a 5.91% interest in the nuclear-fueled generating station in August 1981, for the benefit of ten of its members. One of the advantages of SCPPA is its "cafeteria style" approach to participation – members decide individually which projects they want to participate in, and at what level. Over the next decade SCPPA entered into a total of three generation and three transmission projects on behalf of its members, as shown in the table to the right:

In 1996 The Electric Utility Industry Restructuring Act (Assembly Bill 1890) was passed, which deregulated the electric utility industry in California.

This Bill initiated many changes in the industry (creation of the CAISO and Power Exchange, Direct Access, and establishment of Public Benefit funding to name just a few) and while AB1890 was supposed to result in an "open market" which would provide lower electric rates, it turned out to be the proverbial Pandora's Box. SCPPA responded to the resulting chaos with increased services and support for its members to deal with the multitude of transformations the industry would go through as a result of deregulation.

SCPPA has supported its members' needs by creating committees and working groups to respond to issues facing the members. The Finance Committee was the first one, and was formed to handle the issues associated with bonds and project finances. The Public Benefit



**FRED MASON**  
President

Committee and Resource Planning Working Group were formed in response to AB1890, and have been a tremendous resource to the members for joint projects, programs and services, as well as assistance with the multitude of regulatory reporting requirements. In addition to these, SCPPA currently has a total of 17 committees and working groups that cover a wide variety of areas including Customer Service, Legislative, Regulatory, T&D and E&O, just to name a few. These groups

Participants	Palo Verde	Southern Trans. System	Hoover Uprating	Mead-Phoenix	Mead-Adelanto	San Juan
City of Los Angeles	67.0%	59.5%		24.8%	35.7%	
City of Anaheim		17.6%	42.6%	24.2%	13.5%	
City of Riverside	5.4%	10.2%	31.9%	4.0%	13.5%	
Imperial Irrigation District	6.5%					51.0%
City of Vernon	4.9%					
City of Azusa	1.0%		4.2%	1.0%	2.2%	14.7%
City of Banning	1.0%		2.1%	1.0%	1.3%	9.8%
City of Colton	1.0%		3.2%	1.0%	2.6%	14.7%
City of Burbank	4.4%	4.5%	16.0%	15.4%	11.5%	
City of Glendale	4.4%	2.3%		14.8%	11.1%	9.8%
City of Pasadena	4.4%	5.9%		13.8%	8.6%	
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## LETTER from the President continued

provide a forum for members to share ideas, work collectively on joint issues, as well as take advantage of economies of scale. One of the significant values of SCPPA membership is that all members have access to the same benefits, regardless of the size of the individual utility.

We all know that California tends to be ahead of the curve on many issues (sometimes waaay ahead of the curve) and legislation over the past 20 years has reflected that “cutting edge” mentality. This has been especially evident in the State’s approach to renewable energy and emissions reductions. Starting in 2002 with the passage of SB1078, which set a Renewable Portfolio Standard (RPS) target of 20% by 2017, through 2006 with the far reaching AB32, to the Governor’s recent signing of SB350, which increased the RPS to 50% by 2030 and doubled the energy efficiency requirements for existing buildings, the State has passed a plethora of legislative bills, as well as regulatory policy, which have had a direct impact on every aspect of electric utility operations. SCPPA responded in 2001 by creating a Governmental Affairs position, based in Sacramento, to represent the members’ interests to the legislative and regulatory bodies. This has been extremely beneficial in keeping the members apprised of developing legislation and policy, and allows them to have a collective voice in the process through participation in the Legislative and Regulatory Committee meetings.

Although SCPPA only acquired three generation projects between 1980 and 2005, that changed with the implementation of the State’s RPS mandates. In 2003 SCPPA issued its first RFP for renewable generation projects, which produced nearly 50 responses for a variety of wind, geothermal, landfill gas, and solar projects. Since that time SCPPA has regularly gone out to bid for renewables, as well as other types of resources, based on the members’ needs. To date SCPPA has secured interest in 29 projects, either through ownership agreements or long-term contracts. These include three transmission projects, three natural gas projects, five non-renew-

able generation projects, and 18 renewable energy projects. This has resulted in a total debt issuance of \$14.7 billion, with \$3.3 billion outstanding. Quite an accomplishment for a “small” Southern California JPA.

In 2010 SCPPA decided to put down roots and purchase a building to house its operations, which were rapidly expanding. After significant research and discussion, the SCPPA Board chose a site in Glendora, which was easily accessible from six different freeways, and centrally located for the members. The building was renovated to meet SCPPA’s needs, and also attained the Leadership in Energy and Environmental Design (LEED) Gold certification. We are all very proud of our new facility.

*“As for the future – SCPPA continues to work with its members to provide the resources and services needed to meet the rapidly changing legislative and regulatory landscape...”*

Speaking of new facilities – SCPPA recently had a very unique opportunity, which after thorough research and evaluation, the Board decided to take advantage of. The office building located directly adjacent to SCPPA’s current building became available for purchase, and considering our current needs, as well as anticipated future growth, it was determined that this was an ideal opportunity for SCPPA. The new building will allow us to expand our current training program, as well as provide additional office space for future growth.

As for the future – SCPPA continues to work with its members to provide the resources and services needed to meet the rapidly changing legislative and regulatory landscape of the electric utility industry. These changes have a direct impact on the members’ daily operations, and it is SCPPA’s goal to assist the members in minimizing these impacts. The benefits of joint action are numerous and are enjoyed by all members, regardless of size. As SCPPA looks back on its past 35 years, it takes pride in knowing that it has had a significant role in helping its members provide safe, reliable and low cost electricity to the more than 2 million customers they serve, and will continue to do so for the next 35 years.

# LETTER from the Executive Director

When SCPPA was formed in 1980, the energy future of our state and our country was uncertain. We were nearing the end of the second oil crisis and oil prices were starting to recede after rising by nearly 150% only a year earlier. The Joint Action Agency concept was gaining momentum as a means to provide municipals access to lower cost power supply and economies of scale, with 29 agencies being established in the 1970's, and another 23 in the 1980's. Additionally, the country was still recovering from the scare of the Three Mile Island nuclear incident of 1979 and it was unclear if a clear path forward would emerge on alternative and renewable energy.

As SCPPA celebrates its 35th year of existence, we find ourselves again at another energy crossroads. The cost of renewable energy continues to decrease and renewables technology continues to improve. Distributed generation and storage will change how we as utilities do business as we strive to recover costs and finance infrastructure, require that growth pay for growth, and look for additional streams of revenue.

Carbon and renewables legislation adds another measure of complexity to our response. The year 2015 saw the adoption into law of SB350 which requires a 50% Renewable Portfolio Standard (RPS) by 2030, and the doubling of efficiency requirements for existing buildings. To meet these increasingly complex challenges, we at SCPPA have expanded our services to include far more than just providing financing for generation and transmission, as was our initial mandate.

Our Vision Statement says "SCPPA will provide cost-effective, joint-

action services that supplement member programs and activities to assure continued member success." By promoting energy efficiency and demand-side management programs and sources, educating Members through our ever-widening training opportunities, and developing and managing renewable energy projects, we believe we are well on our way of fulfilling that vision.

*"As SCPPA celebrates its 35th year... The cost of renewable energy continues to decrease and renewables technology continues to improve."*

I have had the incredible fortune of being a part of SCPPA from nearly the beginning. And let me tell you, I have seen some changes in those many years. From the first renewable energy contract signed in 2004 for 20 megawatts ("MW") from the Ormat Geothermal Project, to the over 426 megawatts in renewables that



**BILL CARNAHAN**  
Executive Director

we have today, it has been my privilege to see SCPPA develop into the success that it is today.

In 1980, the year of SCPPA's formation, the energy industry was concerned with mitigating dependence on foreign energy sources by looking at renewables and energy efficiency, and providing municipals with access to cheaper wholesale prices for their customers. In 2015, we are still managing similar challenges in many respects. The utility and energy industry continues to grow more complex and sophisticated every day. Our customers and lawmakers require solutions that meet renewables requirements for the lowest cost. As we move into the next era of SCPPA's existence, we will seek to integrate emerging technologies, advocate for low cost and efficient energy alternatives, and find innovative solutions to our members' needs.

# What is SCPPA?

**Southern California Public Power Authority** (SCPPA or Authority), with headquarters in Glendora, California, is a joint powers agency comprised of eleven municipal utilities and one irrigation district. SCPPA's members consist of the municipal utilities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District. Together they deliver electricity to over 2 million customers in the southern California basin, spanning an area of 7,000 square miles, and with a total population that exceeds 5 million. Formed in 1980, SCPPA was created for the purpose of providing joint financing, construction and operation of transmission and generation projects. Today, SCPPA fulfills a broad range of services for its members by providing effective forums of collaboration through committees such as Customer Service, Finance, Public Benefits, Resource Planning, Transmission and Distribution, Engineering and Operations, Natural Gas, and Renewable Energy Resources.

In order to support its primary purpose, SCPPA is also involved in legislative advocacy, contracting for support services, information sharing, training, and regulatory monitoring on behalf of its members.

SCPPA's twelve members are proud to be public power utilities, customer-based, locally-controlled, and vertically-integrated, who retain the obligation to serve and plan for all the customers in their territories. In these times of change and uncertainty, it is important to realize all the things they are.

- SCPPA members are non-profit. They are owned by their local customers.
- They are governed locally, not regulated by the

## Mission

SCPPA provides financing and oversight for large joint projects in the electric utility industry and through coordinated efforts, facilitates, implements, and communicates information relative to issues and projects of mutual interest to its members as determined by the Board of Directors.

## Vision

SCPPA will provide cost-effective joint action services that supplement member programs and activities, and that secure long-term physical supplies at predictable pricing levels for usage in power generation to assure continued member success..

Federal Energy Regulatory Commission or the California Public Utilities Commission.

- They are vertically integrated, responsible for power supply, transmission, distribution, and customer service.
- They are meeting their legally mandated obligation to serve by planning to meet the long-term needs of their customers.
- They are optimizing their energy supply resources. A mixed portfolio of coal, nuclear, natural gas, hydro, geothermal and emerging renewable resources gives protection from price volatility.
- They are providing aggressive, local demand-side management programs to encourage conservation and energy efficiency.
- The twelve SCPPA members, along with their counterparts in the northern part of the state, provide approximately one third of the electricity used in California.
- And finally, they are here to stay. Public power has a history of more than 100 years in Southern California, and continues to be viable and strong.

The Authority currently has twenty projects and three transmission projects in operation, generating and bringing power from Arizona, New Mexico, Utah, Washington, Oregon, California, and Nevada. In addition, the Authority owns natural gas reserves in Wyoming and Texas.

SCPPA projects have been financed through the issuance of taxable and tax-exempt bonds, backed by the combined credit of the SCPPA members participating in each project. As of June 30, 2015, SCPPA had issued \$14.7 billion in bonds, notes, and refunding bonds, of which \$3.36 billion was outstanding.



# Staff and Officers



**BILL CARNAHAN**  
Executive Director



**TED BEATTY**  
Director of Resource  
and Program Development



**BRYAN COPE**  
Program Development Director



**KEVIN CRAWFORD**  
Chief Financial Officer



**TANYA DERIVI**  
Director of Government  
Affairs



**KATIE ELLIS**  
Senior Project  
Manager



**DANIEL HASHIMI**  
Assistant General  
Counsel



**STEVE HOMER**  
Project Administration Director



**ANASTASIA KOVALCHUCK**  
Administrative Assistant



**ARPINE LEPEZHYAN**  
Administrative Assistant



**ERIN LEWIS**  
Administrative Assistant



**RICHARD MORILLO**  
General Counsel



**KELLY NGUYEN**  
Energy Systems Director



**SALPI ORTIZ**  
Office Manager



**SARAH TAHERI**  
Energy Analyst



**FRED MASON**  
President



**GIRISH BALACHANDRAN**  
Vice President



**MARIO IGNACIO**  
Assistant Secretary



**ANN M. SANTILLI**  
Secretary



**BILL CARNAHAN**  
Treasurer/Auditor and  
Assistant Secretary



# PALO VERDE

**Location: Tonopah, Arizona**  
 (45 miles due west of  
 downtown Phoenix, Arizona)



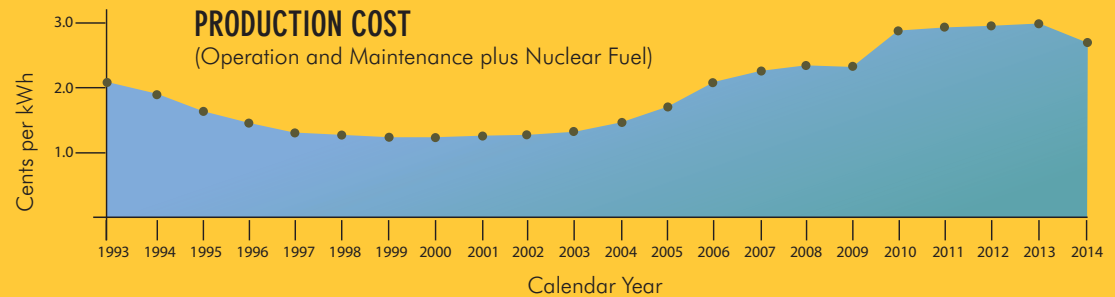
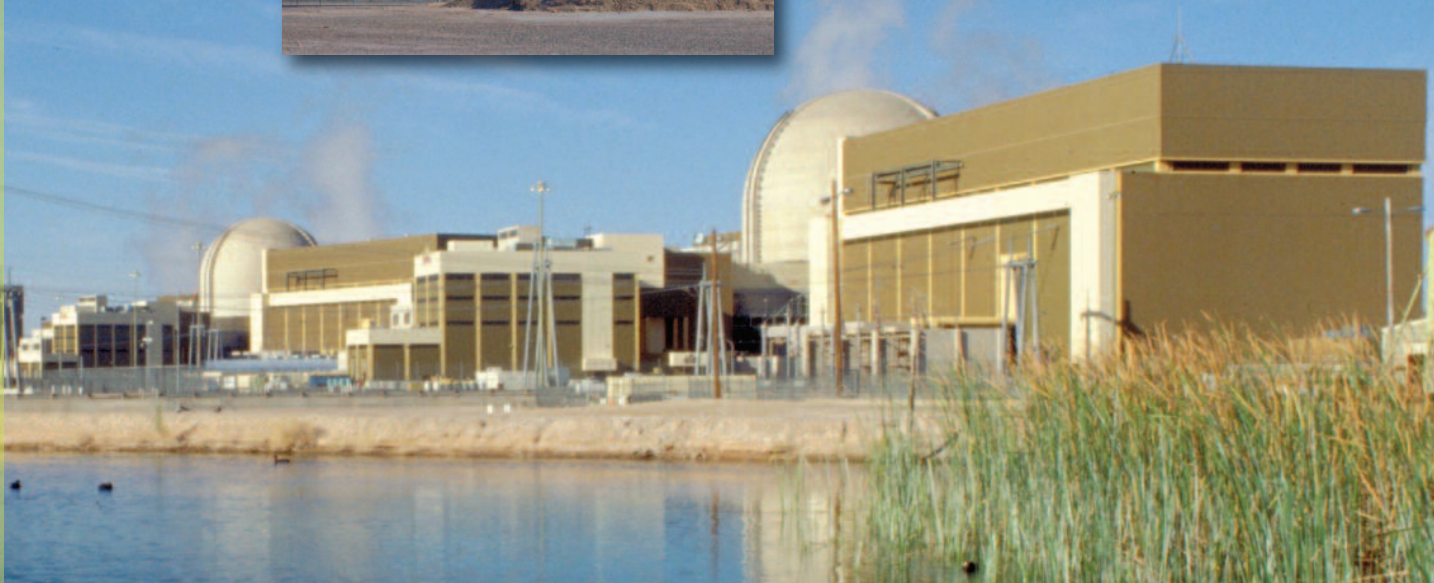
Palo Verde enjoys continued good relations with the Nuclear Regulatory Commission, and excellent ratings from the NRC and INPO. In calendar 2014, Palo Verde achieved its 23rd consecutive year as the nation's largest power producer.

## Percentage of SCPPA member participation in Palo Verde Operations

Los Angeles	67.0%
Burbank/Glendale/Pasadena (4.4% each)	13.4%
Imperial Irrigation District	6.5%
Riverside	5.4%
Vernon	4.9%
Azus/Banning/Colton (1% each)	3.0%

## 2014-2015 Operations

	Generation (Millions of MWh)	Capacity Utilization (%)
Unit 1	10.5	91.4%
Unit 2	11.4	99.0%
Unit 3	10.3	91.4%
Aggregate	32.4	93.9%



# MEAD-PHOENIX/ MEAD ADELANTO

## Terminating at the Marketplace Substation

(near Boulder City , Nevada)



The two 500-kV transmission lines, which connect Phoenix to Las Vegas, and Las Vegas to Southern California, completed their nineteenth year of dependable operation for the nine SPPA members who participate in the projects.

### Percentage of SPPA member participation in Mead-Adelanto Project

Los Angeles	35.7%
Anaheim/Riverside (13.5% each)	27.0%
Burbank	11.5%
Glendale	11.1%
Pasadena	8.6%
Colton	2.6%
Azusa	2.2%
Banning	1.3%

### Percentage of SPPA member participation in Mead-Phoenix Project

Los Angeles	24.8%
Anaheim	24.2%
Burbank	15.4%
Glendale	14.8%
Pasadena	13.8%
Riverside	4.0%
Azusa/Banning/Colton (1% each)	3.0%



# HOOVER UPRATING

Location: 30 miles southeast of Nevada, Las Vegas

The Hoover Upgrading Project continues to provide six SCPPA members with low-cost, renewable energy (hydro). A SCPPA representative is active in the implementation of the Lower Colorado River Multi-Species Conservation Program.

SCPPA and the other Hoover Contractors worked together to propose legislation to extend the availability of Hoover power 50 years beyond the contracts' expiration in 2017. The Hoover Power Allocation Act of 2011 was signed into law on December 21, 2011. New contracts are being negotiated.

Percentage of SCPPA member participation in Hoover Upgrading Project

Anaheim	42.6%
Riverside	31.9%
Burbank	16.0%
Azusa	4.2%
Colton	3.2%
Banning	2.1%



# SOUTHERN TRANSMISSION SYSTEM

Line connects the Intermountain Power Project (near Delta, Utah) to a switching station located in Adelanto, California.

As usual, the STS operated with near-perfect availability (98.42%), delivering over 14 million MWHs to the six SCPPA members who are participants. The power comes 488 miles from the Intermountain Power Project, in Utah, over the + 500-kV DC line. The participants funded the STS Upgrade Project, which increased the capacity of the line by 480 MW. The new capacity is being used to bring power from renewable resources to southern California.

## Percentage of SCPPA member participation in STS Project

Los Angeles	59.5%
Anaheim	17.6%
Riverside	10.2%
Pasadena	5.9%
Burbank	4.5%
Glendale	2.3%



# MAGNOLIA POWER PROJECT

**Location: Burbank, California**

(12 miles northwest of downtown Los Angeles)



The Magnolia Power Project is a 240 MW natural gas-fired, combined cycle plant, located on the site of an existing plant in the City of Burbank. The plant reached commercial operation in September, 2005, and is the first project to be wholly-owned and operated by SCPPA members. The Participants are Anaheim, Burbank, Cerritos, Colton, Glendale, and Pasadena.

## Percentage of SCPPA member participation in Magnolia Power Project

Anaheim	38.0%
Burbank	31.0%
Glendale	16.5%
Pasadena	6.1%
Colton	4.2%
Cerritos	4.2%



# PINEDALE

Location: Sublette County,  
Wyoming



SCPPA negotiated its first purchase of gas in the ground, with the deal closing July 1, 2005. SCPPA members Los Angeles, Anaheim, Burbank, Colton, Glendale, and Pasadena joined together with the Turlock Irrigation District to purchase shares of existing natural gas wells in the Pinedale area of Wyoming. This purchase, along with similar future purchases, will provide a secure source of gas for the participants, and hedge against volatile prices in the market.

Percentage of SCPPA member participation  
in Pinedale Natural Gas Reserves Project

Los Angeles	74.5%
Turlock	10.6%
Anaheim	5.3%
Glendale	4.2%
Pasadena	2.2%
Burbank	2.1%
Colton	1.1%



# BARNETT

Location: Fort Worth region  
of Texas



In 2006, SCPPA members purchased a share of natural gas leases in the Barnett Shale area of Texas.

\*Los Angeles and Turlock hold their interests individually. Anaheim, Burbank, Colton, Glendale, and Pasadena have ownership through SCPPA. Los Angeles serves as Project Manager for the overall project, and SCPPA provides services for Los Angeles and Turlock under agency agreements.

Percentage of SCPPA member participation  
in Barnett Natural Gas Reserves Project

Turlock	44.44%
Anaheim	25.25%
Burbank	15.15%
Pasadena	10.10%
Colton	5.05%



# ORMAT GEOTHERMAL

**Location: Heber, California**  
(4.5 miles north of Calexico)



SCPPA Members Anaheim, Banning, Glendale, and Pasadena receive up to 16 MWs of geothermal energy from plants in Heber, California, on a long-term purchase contract with Ormat.

**Percentage of SCPPA member participation  
in Heber-South Geothermal Project**

Anaheim	60%
Pasadena	15%
Glendale	15%
Banning	10%



# MWD SMALL HYDRO PROJECT

Located along the Metropolitan Water District (MWD) distribution system.



SCPPA Members Anaheim, Azusa, and Colton receive up to 17 MWs of renewable energy from four small hydroelectric plants on the MWD distribution system, through a purchase contract with MWD.

Percentage of SCPPA member participation  
in MWD Small Hydro Project

Anaheim	56.4%
Azusa	21.8%
Colton	21.8%



# TIETON SMALL HYDRO

Located along the Metropolitan Water District (MWD) distribution system.



Burbank and Glendale receive up to 13.6 MWs of power from the Tieton Small Hydro Project, in Washington.

Percentage of SCPPA member participation  
in Tieton Small Hydro Project

Burbank	50.0%
Glendale	50.0%



# PEBBLE SPRINGS WIND PROJECT

Location: Gilliam County,  
Oregon  
(near the town of Arlington)



Los Angeles, Glendale, and Burbank participate in the Pebble Springs Wind Project, receiving 98.7 MWs of wind power from Oregon.

## Percentage of SPPA member participation in Pebble Springs Wind Project

Los Angeles	69.6%
Glendale	20.3%
Burbank	10.1%



# MILFORD 1

Location: Milford, Utah



Los Angeles, Burbank, and Pasadena participate in the Milford I Wind Project, a 200 MW wind farm in Milford, Utah.

Percentage of SCPPA member participation  
in Milford 1 Wind Project

Los Angeles	92.5%
Burbank	5.0%
Pasadena	2.5%

# MILFORD 2

Location: Milford, Utah



Los Angeles and Glendale participate in the 100 MW expansion of the Milford Wind Farm in Milford, Utah.

Percentage of SCPPA member participation  
in Pebble Springs Wind Project

Los Angeles	95.1%
Glendale	4.9%



# WINDY FLATS

Location: Goldendale,  
Washington



Los Angeles and Glendale receive up to 262 MWs from the Windy Flats Wind Project, in Klickitat County, Washington.

Percentage of SCPPA member participation in  
Windy Flats Wind Project

Los Angeles	92.4%
Glendale	7.6%

# LINDEN WIND

Location: Near Goldendale,  
Washington



Los Angeles and Glendale participate in the Linden Wind Project, a 50 MW wind farm in Klickitat County, Washington.

Percentage of SCPPA member participation  
in Linden Wind Project

Los Angeles	90.0%
Glendale	10.0%



# AMERESCO/ CHIQUITA LANDFILL



Location: Valencia, California

Burbank and Pasadena receive up to 10 MWs of energy from the Ameresco/Chiquita Landfill Gas Project in Valencia, California.

Percentage of SPPA member participation in  
Ameresco/Chiquita Landfill Gas Project

Pasadena	83.3%
Burbank	16.7%

# CANYON POWER



Location: Anaheim, California

Anaheim is the sole Participant and Operator of the Canyon Power Project, a 200 MW natural gas-fired peaking plant in Anaheim, California.

Percentage of SPPA member participation  
in Canyon Power Project

Anaheim	100%
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# DON A. CAMPBELL GEOTHERMAL

Location: Mineral County, Nevada



Burbank and Los Angeles receive up to 16.2 MWs of geothermal energy from the Don A. Campbell Geothermal Project in northern Nevada.

Percentage of SPPA member participation in Don A. Campbell Geothermal Project

Los Angeles	84.62%
Burbank	15.38%



# APEX POWER

Location: North of Las Vegas,  
Nevada



Los Angeles is the sole Participant of the Apex Power Project, a 531 MW natural gas fired generation station located north of Las Vegas.

Percentage of SCPPA member participation in  
Apex Power Project

Los Angeles	100%
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# COPPER MOUNTAIN 3

Location: Southeast of Las Vegas, Nevada



Burbank and Los Angeles participate in the Copper Mountain 3 Solar Project, a 250 MW solar project located southeast of Las Vegas.

Percentage of SPPA member participation in Copper Mountain 3 Solar Project

Los Angeles	84.0%
Burbank	16.0%



# COLUMBIA TWO SOLAR

Location: North of Los Angeles, California



Azusa, Pasadena, and Riverside participate in the Columbia Two Solar Project, a 45 MW solar project located north of Los Angeles.

## Percentage of SCPPA member participation in Columbia 2 Solar Project

Riverside	74.3%
Pasadena	17.1%
Azusa	8.6%





# KINGBIRD B SOLAR

Location: North of Los Angeles, California



Azusa, Colton, and Riverside participate in the Kingbird B Solar Project, a 20 MW solar project located north of Los Angeles.

Percentage of SCPPA member participation in Kingbird B Solar Project

Azusa	15.0%
Colton	15.0%
Riverside	70.0%

# HEBER 1 GEOTHERMAL

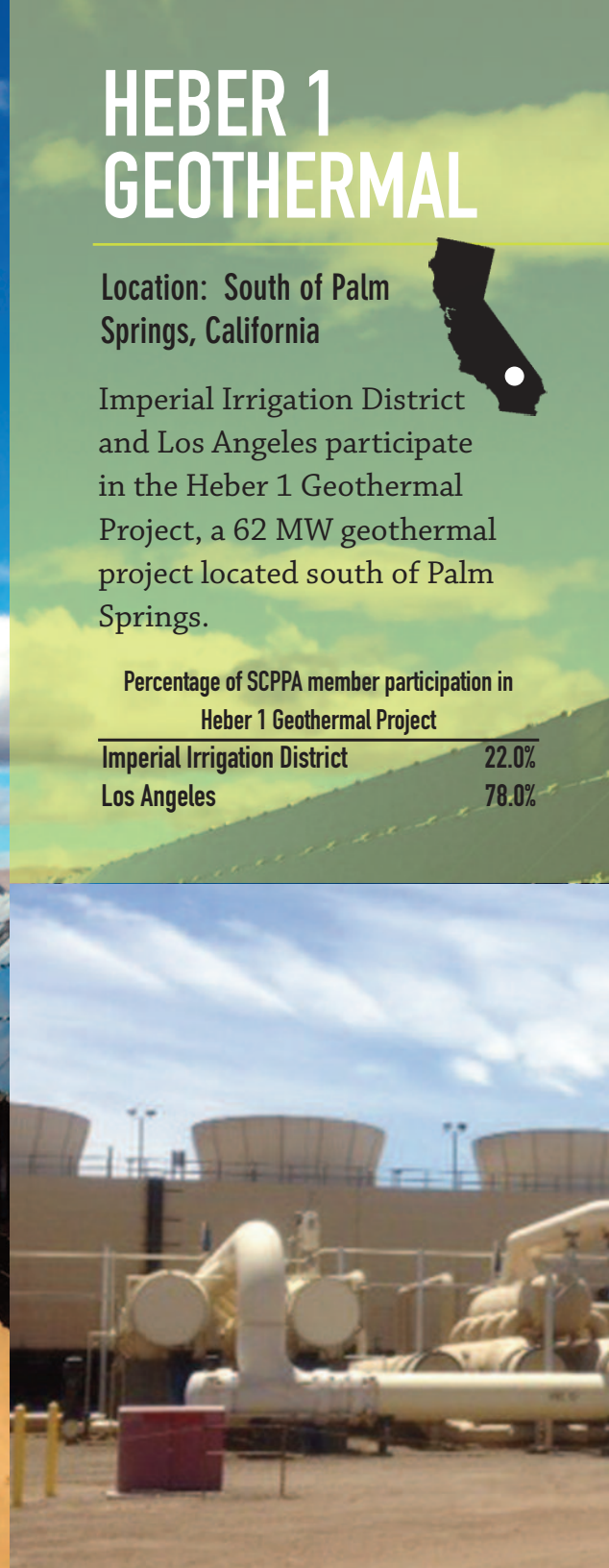
Location: South of Palm Springs, California



Imperial Irrigation District and Los Angeles participate in the Heber 1 Geothermal Project, a 62 MW geothermal project located south of Palm Springs.

Percentage of SCPPA member participation in Heber 1 Geothermal Project

Imperial Irrigation District	22.0%
Los Angeles	78.0%



# FINANCING Activities

Over the past fiscal year, the low interest rate environment enabled SCPPA to capture market opportunities by completing cost-reducing and risk-mitigating refundings or restructurings of existing debt. A summary of SCPPA's financing activities for the fiscal year starting July 1, 2014 and ending June 30, 2015 is provided below.

In December 2014, SCPPA directly placed \$42,935,000 of the San Juan Power Project Revenue Bond, 2014 Refunding Series A (San Juan Unit 3) (the "2014 Bond") with Banc of America Preferred Funding Corporation ("Bank of America") to effect the refunding and restructuring of the San Juan Power Project Revenue bonds, 2005 Refunding Series A (San Juan Unit 3) (the "2005 Bonds"). A competitive process, in which nine banking firms responded, resulted in the selection of Bank of America as the direct purchase lender. The restructuring shortened the term of the debt—the January 1, 2017 final maturity of the 2014 Bond is better aligned with the planned exit from the San Juan Power Project than the January 1, 2020 final maturity of the 2005 Bonds. SCPPA completed the transaction with a low interest cost of 0.79% for the two-year fixed-rate loan. The refunding achieved significant savings<sup>1</sup> of almost \$5 million, representing almost 7% of refunded par, on a present value basis.

In March 2015, SCPPA issued the Southern Transmission Project Revenue Bonds, 2015 Subordinate Refunding Series A ("2015 Series A Subordinate Bonds") and 2015 Subordinate Refunding Series B (Federally Taxable) ("2015 Series B Subordinate Bonds," and together "2015 Subordinate Bonds") to refund the Southern Transmission Project Revenue Bonds, 2000 Subordinate Refunding Series A ("2000 Subordinate Bonds") then outstanding in a par amount of \$102,000,000 and to finance the termination of an interest rate swap agreement associated with the 2000 Subordinate Bonds. The 2015 Series A Subordinate Bonds were issued with a par amount of \$84,640,000 and the 2015 Series B Subordinate Bonds were issued with a par amount of \$28,925,000, for an aggregate par amount of \$113,565,000 for the 2015 Subordinate Bonds. The 2015 Subordinate Bonds were issued with the same final maturity of July 1, 2023 as

the 2000 Subordinate Bonds which were refunded. Prior to completing the transaction, SCPPA monitored the market for opportunities to refund the variable-rate 2000 Subordinate Bonds and terminate the associated swap at a close to breakeven level. The transaction eliminated variable-rate debt risk, bank liquidity and swap exposure, and concerns of the potential unfavorable accounting treatment of the swap mark-to-market amount in the Southern Transmission Project debt portfolio, thereby dramatically reducing SCPPA's ongoing financial exposure. Furthermore, a strong pricing and favorable market movements enabled execution at present value savings<sup>1</sup> of almost \$1 million.

*"Furthermore, a strong pricing and favorable market movements enabled execution at present value savings of almost \$1 million."*

In March 2015, SCPPA issued the Southern Transmission Project Revenue Bonds, 2015 Subordinate Refunding Series C ("2015 Series C Subordinate Bonds") to refund the Southern Transmission Project Revenue Bonds, 2008 Subordinate Refunding Series B ("2008 Series B Subordinate Bonds") then outstanding in a par amount of \$125,005,000. The 2015 Series C Subordinate Bonds were issued with a par amount of \$116,535,000. The 2015 Series C Subordinate Bonds were issued with the same final maturity of July 1, 2027

as the 2008 Series B Subordinate Bonds which were refunded. The transaction achieved significant savings<sup>1</sup> of almost \$21 million, representing almost 17% of refunded par, on a present value basis.

In addition to the cost reduction and risk reduction financing actions completed during the fiscal year, SCPPA continues to plan for and develop financing options for renewable projects to help its members meet renewable energy goals, expects to complete financings for additional renewable energy projects in the coming years, and continues to aggressively pursue competitively priced renewable energy projects for its members.

SCPPA also continuously evaluates other financing opportunities and the existing portfolio of financings to balance the lowest possible cost and smallest amount of financial risk exposure for its members.

<sup>1</sup>Savings numbers from final transaction cash flows that incorporate certain assumptions.

# STATE Legislative Report

The first half of the 2015-2016 Legislative Session was filled with significant debate over long-term environmental policies. While the ongoing drought continues to impact every part of the state, state policy leaders also advanced significant new legislation based upon Governor Brown's 2015 inaugural address to: 1) increase California's Renewables Portfolio Standard from 33% to 50%; 2) double the efficiency in existing buildings, and 3) halve petroleum consumption from today's vehicles by half – all by the year 2030. Ultimately the petroleum component proved too controversial to overcome opposition in the final weeks of the 2015 legislative session and was dropped from consideration.

## Renewables

Renewable resources continued to be one of the primary energy topics discussed in the Capitol in 2015. Senator de León's SB 350 was one of the most significant bills signed into law in 2015. It mandates a new 50% RPS target by 2030, sets goals to double the efficiency in existing buildings by 2030, sets forth the framework to expand the California Independent System Operator into a regional entity, and introduced new Integrated Resource Planning requirements for most utilities – with oversight by the California Energy Commission. SCPPA had adopted a “support if amended” position with changes sought towards making the RPS more flexible (including appropriately counting behind-the-meter rooftop solar as a “Bucket 1” resource), seeking interim flexibility for our “fully resourced” utilities that are locked into municipally-financed long-term coal contracts, and maintaining local control of utility operations. SCPPA successfully advanced an amendment to help our “fully resourced” utilities in coming years, and other amendments to credit transportation electrification efforts and to make the energy efficiency goals more workable.

## Energy Efficiency

Governor Brown also signed Assembly Bill 802 (Williams) into law that allows savings to bring buildings up to code (rather than only “above code”) to count while setting new benchmarking requirements for California util-

ities. AB 802 was pushed strongly by the Investor-Owned Utilities who wanted the ability to count “below code” savings. The bill also makes major changes to benchmarking and data collection. SCPPA consistently opposed AB 1330 (Bloom) that would have established a “procurement standard” for incremental energy efficiency savings in any given year of not less than 1.5% of a utility's total retail sales of electricity by 2020, and not less than 2% annually by 2025 – all while transferring oversight authority from local governing boards to state regulators and deeming non-compliance to be a criminal offense. That legislation did not advance beyond the Senate in 2015.

*“Renewable resources continued to be one of the primary energy topics discussed in the Capitol in 2015”*

## Greenhouse Gas Emissions/Air Quality Improvements

There were numerous bills relating to air quality and GHG emissions reduction efforts. Senators Jackson and Pavley introduced legislation that sought to (1) strengthen the State's Emissions Performance Standard and establish a specific standard for “peaker plants” (SB 180, Jackson), and (2) look beyond the

State's 2020 emissions reductions goal (SB 32, Pavley). Neither bill advanced in 2015. SCPPA opposed SB 180, which would potentially pose a serious reliability problem for SCPPA's members who are trying to manage power supplies and plants, including a rapidly growing portfolio of intermittent renewable resources, because they would have been forced to consider future unknown costs on long-term project investments. SCPPA supported SB 32 and had recommended further policy improvements.

## Electric Vehicles

Additionally, there was a host of electric vehicle measures considered. The Governor signed AB 1236 (Chiu) into law, which requires all cities and counties to create an expedited permitting process for EV charging stations and outlines a checklist of requirements. Similar legislation had been advanced last year to expedite permitting procedures for rooftop solar installation. AB 808 (Ridley-Thomas) expanded the State's authority to regulate the sale of alternative fuels used for motor vehicles. The bill makes labeling and advertising practices for sale of alternative fuels consistent with existing

# STATE Legislative Report

law for petroleum and hydrogen fuels, with electricity identified as an alternative fuel in the legislation, but excluded from most of the labeling and advertising requirements; and directs state regulators to implement fuel standards and method of sale standards for alternative fuels that leverage existing national standards established by a variety of accredited standards-making entities. With no existing standards yet in place, this provides the authority to state regulators to establish interim standards.

## **Net Energy Metering**

SCPPA opposed SB 550 (Hertzberg), which would have increased the net energy metering obligation for municipal utilities with little additional credit

provided towards meeting California's 33% RPS. The increased NEM obligation required a recalculation of "aggregate customer peak demand" based upon the "the highest sum of the non-coincident peak demands of all the customers of electric utilities in that service area that occurs in any calendar year" as is used by the three largest Investor-Owned Utilities. Doing so also requires the use of smart meter capabilities, which not all public utilities have. The bill would have also removed LADWP's exemption from the NEM program. SCPPA opposed the legislation along with the Northern California Power Agency and the California Municipal Utilities Association. The bill failed to advance out of the State Senate.

# FEDERAL Legislative Report

At the beginning of the 114th Congress, Republicans took over control of both the House and Senate with a commitment to return to “regular order” and to work in a bipartisan fashion on issues of common concern with Democrats. These included several measures important to SCPPA and its member utilities, which addressed cybersecurity information-sharing, and changes to federal energy policy.

In early September, however, the level of bipartisan cooperation began to fray, as the 2016 presidential campaigns moved into higher gear, and the House encountered surprising leadership challenges, resulting in the election of Paul Ryan (R-WI) as Speaker of the House to replace, John Boehner (R-OH). Ryan will face significant hurdles through the remainder of the 114th Congress, as he tries to bridge policy and procedural differences among factions of the House GOP.

SCPPA actively engaged on federal legislative matters affecting its members, while working closely with allied state interests to discuss compliance with the Environmental Protection Agency’s (EPA’s) Clean Power Plan – an issue of overriding importance to SCPPA and its members.

## Cybersecurity Information Sharing Legislation

On Oct. 27, the Senate passed S. 754, the “Cybersecurity Information Sharing Act” or (CISA) by a vote of 74-21. CISA is a bipartisan bill, developed by Senate Intelligence Committee Chairman Richard Burr (R-NC) and Ranking Member Dianne Feinstein (D-CA) that would allow multi-directional cyber threat information sharing between the federal government and the private sector. It also provides liability and Freedom of Information Act (FOIA) protections for entities that voluntarily share cybersecurity information with the government, in accordance with the Act.

SCPPA actively supported Sen. Feinstein’s bill, and worked with Democratic Senator Barbara Boxer to encourage her support for the underlying bill and opposition to amendments that would have eliminated protections in the bill or complicated information-sharing efforts.

S. 754 will now have to be reconciled with the House-passed bill, H.R. 1560, the “Protecting Cyber Network Act” (PCNA) through a House-Senate conference or other means.

SCPPA will continue to work with its national trade association - the American Public Power Association - the electric sector cyber coalition as well as the Protecting the American’s Cyber Network Coalition, which includes the Chamber of Commerce, to ensure that the information-sharing program stays voluntary for non-federal entities and that liability protections and protections against disclosure stay in place for entities – including public power utilities – who choose to share cybersecurity information with the government.

## Bipartisan Energy Legislation

House and Senate champions advanced energy bills (S. 2012/H.R. 8) composed of initiatives on which they could agree, through their respective committees, but as Congress tries to bring those bills to the floor, the bipartisan consensus has started to dissipate.

Issues of interest to SCPPA included in the bills include hydropower licensing improvements, DOE emergency authority for electric grid threats, as well as provisions on short and long-term electric reliability impacts of federal rules.

SCPPA member’s who have small hydropower projects, are experiencing difficulty with state and federal resources agencies demanding multiple, costly, and often redundant studies. Hydropower licensing improvements in both bills would establish Federal Energy Regulatory Commission as the coordinating agency for hydropower licensing schedule and accompanying study process. Further, the House bill encouraging resources agencies and tribes to use existing relevant and reliable studies and information where appropriate, and identifying best study practices, among other things.

Also of interest, both bills provide limited emergency authority to the Department of Energy to order utilities to take steps to protect the bulk-power system from grid security threats. The Senate bill would apply only in the event of cyber threats; the House bill would apply to cyber, physical, electro-magnetic pulse and geomagnetic storm threats.

In addition, the Senate bill includes a provision that would require grid reliability analysis and recommendations for future major federal rulemakings that have a potential impact on grid operations; the House bill does not. The requirement was

*“SCPPA actively engaged on federal legislative matters affecting its members...”*

# FEDERAL Legislative Report

prompted by concern that EPA's Clean Power Plan will have implications for electric reliability that were not examined when it was developed.

House floor action on H.R. 8 the "North American Energy Security and Infrastructure Act" is expected before the end of the year, while consideration in the full Senate of S. 2012, the "Energy and Policy Modernization Act," is not expected until next year, at the earliest. SCPPA will stay engaged on both bills as they continue to move through the legislative process.

## **EPA's Clean Power Plan**

On Aug. 3, EPA released the final version of its Clean Power Plan (CPP) rule limiting carbon dioxide emissions from existing power plants.

SCPPA worked hand-in-hand with the California joint utility group (JUG) in submitting joint comments to EPA. Those comments encourage EPA to allow maximum flexibility for states to meet the interim and final emissions reduction targets, and to provide full credit for out-of-state renewable resources and adjustments to energy efficiency savings targets, among other things.

Shifts from the draft CPP to the final rule resulted in a 2030 goal of 828 lbs of CO<sub>2</sub> per MWh for California. Under a business-as-usual scenario, California is projected to achieve a rate of 635 lbs/MWh in 2030 under AB32. Therefore, California's path to federal compliance is likely to consist of extending its cap-and-trade program and determining an appropriate federal backstop mechanism.

Since California has a "trading ready" plan and is on track to surpass the goal set by EPA, the state will likely be able to sell emissions allowances to other states. However, under EPA's plan, mass-based states can only trade with other mass-based states and rate-based states can only trade with other rate-based states.

Given California's posture vis-à-vis the Clean Power Plan, it did not participate in any of the multiple and on-going legislative challenges to the rule. Those efforts are unlikely to succeed, because President Obama is sure to veto them to preserve his climate change legacy. The ultimate outcome will be determined by the courts, where

multiple challenges have already been filed.

## **Tax and Finance**

Although tax committee leaders in both the House and Senate repeatedly stated their intent to pursue comprehensive tax reform this year, competing priorities and lack of a consensus has punted the issue until after the 2016 Presidential election. Despite this, SCPPA has kept preservation of municipal bonds at the top of its legislative priorities list, realizing that when a tax reform bill, or federal deficit reduction bill, does gain traction, proposals to change the tax status of municipal bonds are almost guaranteed to be "on the table."

On July 21, the Municipal Bond for America Coalition, of which SCPPA is an active member, brought together - municipal bonds issuers, state and local governmental officials and the finance community - to lobby House and Senate leadership and members of the tax-writing, budget, and banking committees on the benefits of the municipal market and the negative implications of scaling back or eliminating the tax exemption on municipal bonds.

## **Energy Tax Incentives**

Renewable advocates and others groups are working to extend clean energy tax credits, such as the Production Tax Credit for wind, among others, that expired at the end of 2014. SCPPA often enters into purchase power agreements with developers who benefit from the federal tax credits, helping lower the overall cost of the projects to public power customers.

On July 21, the Senate Finance Committee reported a bill, to extend those credits for two years (2015 -2016); the House of Representatives passed a bill that did not include any clean energy extenders.

This is an issue that will be decided at the end-of-the-year, when Congressional leadership and the White House come to a final resolution on the remaining "must pass" bills, likely including individual funding bills for the rest of FY 2016, a highway transportation reauthorization and, which, if any, tax credits should be extended.

# REGULATORY report

## Renewables Portfolio Standard (RPS) and Energy Efficiency

SCPPA members are working diligently to implement a wide range of mandatory programs now in place to meet California's aggressive climate change goals, and are on target to meet or exceed such goals. The second compliance period towards meeting the State's ambitious 33% spans from January 2014 to December 2016. SCPPA dedicated a significant amount of time in 2015 working with senior staff at the Energy Commission to streamline and automate RPS reporting requirements, to revise the RPS Enforcement Procedures for Publicly-Owned Utilities, and was actively engaged in efforts to revise the 8th edition of the RPS Eligibility Guidebook. SCPPA will be actively engaged in new rulemakings expected to begin in early 2016 to modify RPS and energy efficiency requirements to incorporate changes made by SB 350 (de Leon, 2015) and AB 802 (Williams, 2015) that sets a 50% RPS by 2030 while also doubling the efficiency of existing buildings, and setting new benchmarking and energy savings goals, respectively.

## Greenhouse Gas Emissions (GHG) Reduction Efforts

SCPPA is heavily involved in the State's ongoing efforts to meet GHG emissions reduction goals under the 2006 Global Warming Solutions Act (AB 32). That bill directed California's Air Resources Board to enact policies and programs to reduce GHG emissions to 1990 levels by the end of 2020. An "interim goal" announced by Governor Jerry Brown on April 29, 2015 via Executive Order B-30-15 is to further reduce emission levels to 40% below 1990 levels by 2030. Enforceable compliance obligations began with the 2013 GHG emissions reported by electricity providers and other major in-

dustry stakeholders; the transportation sector fell under the Cap-and-Trade Program in 2015. SCPPA members have already made significant strides towards reducing GHG emissions and continue working with State regulatory agencies to both ensure compliance, and that the program is implemented in such a way that maintains environmental integrity at reasonable and stable costs for ratepayers. SCPPA is involved in discussions to address post-2020 goals via the 2030 Target Scoping Plan, the proposed 2016 Cap-and-Trade Program amendments, and implementation of the federal Clean Power Plan heading into 2016.

*"In August, President Obama announced the final "Clean Power Plan" rules to reduce carbon emissions from new, existing, and modified or reconstructed power plants."*

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## President Obama's Climate Action Plan

SCPPA is actively engaged in federal efforts to implement President Obama's Climate Action Plan. In August, President Obama announced the final "Clean Power Plan" rules to reduce carbon emissions from new, existing, and modified or reconstructed power plants. SCPPA had previously filed detailed comments on the proposed rule, urging the EPA to recognize the significant steps that California has already undertaken to combat climate change and to make changes to the proposed rule to incentivize greater regional cooperation, to maximize implementation flexibility, to protect grid reliability, and to make changes to the proposed Best System of Emissions Reduction. The U.S. Environmental Protection Agency also announced proposed rules to reduce methane emissions from the oil and gas sector, to regulate "coal ash" as a non-hazardous substance, and to strengthen the national ozone standard to 70 parts per billion. The South Coast Air Basin is expected to be designated as an "extreme" non-attainment area and will have longer to comply with the new ozone standard.

## Anaheim

Anaheim Public Utilities (APU) began operations in 1894 as the first municipal electric utility in Southern California. Today, APU provides affordable and reliable water and power to more than 351,000 residents across a city that spans 50 square miles, boasting a thriving business community that includes world-class meeting and entertainment venues.



**DUKKU LEE**  
General Manager

Anaheim's electric system supports a diverse customer base, and has a historic peak demand of 593 MW. Distinguishing features include commissioning the nation's first underground substation in 2006, undergrounding over 115 circuit miles as part of an aggressive

underground conversion program, and operating the nation's largest municipally-owned, 2.4 megawatt photovoltaic system on the roof of the Anaheim Convention Center in 2014.

Customers – Retail	117,846
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	371,657
Purchased	3,417,459
Total	3,789,116
Total Revenues (000s)	\$453,696
Operating Costs (000s)	\$377,511

\*Unaudited Fiscal Year End June 30, 2015 information

## Azusa

Azusa's electric utility was established in 1898 after the City purchased a private power company. The City's foresight in planning and system maintenance has resulted in a reliable supply of low cost electricity to the incorporated area of Azusa for over 100 years. Azusa's water utility service area was significantly expanded in 1993 and includes portions of Covina, Glendora,



**GEORGE F. MORROW**  
Director of Utilities

Irwindale, West Covina, and county unincorporated areas. Azusa is committed to increasing the amount of renewable energy sold to retail customers and to meeting all state and federal requirements to reduce greenhouse gas emissions associated with global warming. Azusa Light & Water remains customer-focused and strives for excellence in providing personal service to all types of customers, from residential to large industrial customers and developers.

personal service to all types of customers, from residential to large industrial customers and developers.

Customers - Retail	16,466
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased (net)	396,402
Total	396,402
Total Revenues (000s)	\$46,365*
Operating Costs (000s)	\$44,106*

\*Unaudited

## Banning

The City of Banning Electric Utility provides electric service to approximately 11,900 accounts covering an area of approximately 22 square miles. Originally established in 1913 as a private utility, the City of Banning purchased the Utility in 1922 and has been providing quality electric service to its residents since that time. Banning's energy resource base includes portions of coal, nuclear, and hydro generating plants, that provide the majority of electricity required to meet its summer peak demand of 48 MW. The City supports clean-energy, and is committed to adding additional renewable energy resources to its already diverse portfolio. The Utility met the renewable energy requirement of Compliance Period #1 through energy produced from two geothermal generating facilities located in the Imperial Valley. In addition, the Utility executed two Power Sales Agreements for energy from Solar and Landfill Gas facilities, which will put the Utility at 77 percent renewable by 2018, far exceeding the current State mandate of 50 percent by 2030. The Utility is dedicated to continue providing quality service to its customers in a safe and reliable manner, at reasonable rates.



**FRED H. MASON**  
Electric Utility Director

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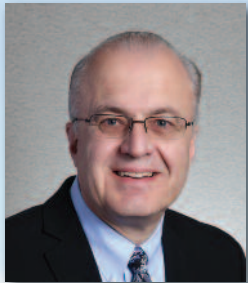
Customers - Retail	11,900
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	148,696
Total	148,696
Sales	
Retail	144,994
Total Revenues (000s)	\$29,145*
Operating Costs (000s)	\$27,135*

\*Unaudited



## Burbank

For over 100 years Burbank Water and Power (BWP) has provided the City of Burbank with safe, reliable, and affordable electric services; and BWP continues to provide exceptional service at competitive rates to residents, businesses, and the community every day. Keeping a keen eye on innovative technologies and sustainability efforts, BWP constantly looks to find more sustainable ways to do business, lower dependence on fossil fuels, and develop clean and renewable energy sources. BWP now has installed 27 electric vehicle charging stations throughout Burbank and has launched a free citywide wireless community broadband service. During FY 2014-15, Burbank's electric service was



**RONALD E. DAVIS**  
General Manager

available to the average customer an exceptional 99.999% of the time. BWP is committed to continuous improvement that will facilitate serving Burbank customers with competitive rates and providing reliability that is amongst the best in the nation.

Customers – Retail	55,301
Retail Sales in MWh	1,108,597
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	8,500
Purchased	1,157,500
Total	1,166,000
Total Revenues (000s)	\$184,535*
Operating Costs (000s)	\$158,480*

\*Unaudited and excludes wholesale transactions

## Cerritos

The City of Cerritos became a member of SCPPA in 2003. Since 2005, the City of Cerritos has been serving the electrical demands of the City's business community. Over the years, the City's customer base has steadily increased and the utility currently serves 318 accounts. The utility serves educational institutions and major retail businesses in the City with the primary goal of providing an economical and reliable supply of electricity. Cerritos continues to receive power primarily from the Magnolia Power Plant. However, with increasing customer load and demand, the City has applied for and received a small allocation of hydroelectric power from the Western Area Power Administration. This hydroelectric power generated by the Boulder Canyon Power project will become available to Cerritos starting in the summer of 2017.



**ART GALLUCCI**  
City Manager

Customers - Retail	318
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	70,908
Purchased	11,711
Total	82,619
Total Revenues (000s)	\$6,282*
Expenses (000s)	\$7,264*

\*Unaudited

## Colton

The largest and oldest municipal utility in San Bernardino County, the Colton Electric Department has been meeting the electric needs of Colton's businesses and residents since 1895. Today, the Department serves approximately 19,000 customers with a diverse mix of generation resources.

The Department's employees are proud to provide the community safe, reliable, affordable and environmentally sustainable electric service while working with each customer to meet their home or business' energy needs.

The Department's main focus is ensuring that customer's use electricity effectively to minimize their costs and promote sustainability. Colton's residents want improved environmental quality and

support the steps taken by the Department to improve the quality of life in the city. Department efforts include acquiring renewable resources and working with residential and business customers to install energy efficient equipment and appliances.

The Department looks forward to serving the electric needs of the community with low-cost, reliable supplies for the next 120 years and to serve as an asset helping promote economic development in the City.



**DAVE X. KOLK, PH.D.**  
Electric Utility Director

Customers - Retail	19,087
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	21,920
Purchased	379,051
Total	400,971
Total Revenues (000s)	\$61,281*
Operating Costs (000s)	\$55,175*

\*Unaudited

## Glendale

Incorporated in 1906, Glendale purchased its electric utility in 1909, obtaining power from outside suppliers. In 1937, it began receiving power from the Hoover Dam and inaugurated the first unit of its own steam generating plant units with 260 MW of gas-fired steam and combustion generating capacity. Glendale Water & Power (GWP) has a diversified portfolio that also includes coal, nuclear, and hydro generating resources, as well as a comprehensive renewables resource program comprised of landfill gas, wind, and geothermal projects. Today, GWP provides reliable electric services to over 86,700 residential, commercial, and industrial customers within a 31 square mile area. GWP continues to invest in improving the system infrastructure to ensure its long-term reliability. Our vision is to provide our customers with reliable and sustainable water and power services that are cost-effective and innovative.



**STEVE ZURN**  
General Manager

Customers - Retail . . . . .	86,782
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	180,493
Purchased . . . . .	1,869,050
Total . . . . .	2,049,543
Total Revenues (000s) . . . . .	\$221,947
Operating Costs (000s) . . . . .	\$209,459

## Imperial Irrigation District

The Imperial Irrigation District (IID) was established in 1911 and entered the power business in 1936. Proudly serving Imperial and Coachella valleys and a portion of San Diego County, IID has a service area of 6,483 square miles that encompasses an expanding 1,400-mile transmission network. One of five balancing authorities in the state, IID controls over 1,100 MW of energy derived from a diverse resource portfolio that includes native generation, SPPA partnerships, and long- and short-term power purchases. IID, in the enviable position of having access to locally-generated geothermal, solar, wind and biomass resources, is on track to meet the 33 percent Renewables Portfolio Standard by 2020. A valuable public resource, IID is regarded as an affordable and reliable service provider serving more than 152,136 customers.



**KEVIN KELLEY**  
City Manager

Customers Served . . . . .	152,136
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	1,695,499
Purchased . . . . .	2,130,777
Total . . . . .	3,826,276
Total Revenues (000s) . . . . .	\$438,862
Operating Costs (000s) . . . . .	\$427,057
As of December 31, 2014	

## Los Angeles

Providing service for more than a century, the Los Angeles Department of Water and Power began delivering water to the city in 1902, and with the water came power. In 1916, LADWP first delivered electricity to the city purchased from the Pasadena Municipal Plant. A year later, LADWP began generating its own hydroelectric power at the San Francisquito Power Plant No. 1. After purchasing the remaining distribution system of Southern California Edison within the city limits in 1922, LADWP became the sole water and electricity provider for the City of Los Angeles. It is now the largest municipally owned electric utility in the nation, serving a population of 3.8 million residents over a 465 square mile area. LADWP remains on firm financial footing and serves as a valuable asset to the City of Los Angeles. LADWP reached its 20% renewable goal in 2010 with a significant portion of such goal accomplished with projects transacted through the Southern California Public Power Authority (SCPPA). LADWP is undergoing a transformation of its power supply, as documented in its Power Integrated Resource Plan. In the next 15 years, there will be a transition away from coal, replacing such energy through meeting a mandated 33% renewable goal by 2020 and a long-term mandated 50% renewable goal by 2030, increasing energy efficiency to at least 15% by 2020, balancing the system demands with increased use of natural gas from new and rebuilt existing facilities, repowering gas facilities to eliminate the use of ocean water for cooling, investing in the Power System Reliability Program to ensure a robust power system, and supporting electric transportation growth to decrease overall greenhouse gas emissions in the L.A. Basin.



**MARCIE L. EDWARDS**  
General Manager

Customers - Served . . . . .	1,493,205
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	14,617,015
Purchased . . . . .	12,190,730
Total . . . . .	26,807,745
Total Revenues (000s) . . . . .	\$3,336,963*
Operating Costs (000s) . . . . .	\$2,937,135*
*Unaudited	

## Pasadena

Pasadena Water and Power (PWP) has been providing electricity since 1906 and began delivering water to customers in 1912. The City built its first electric generating steam plant in 1907 and took over operation of its municipal street lighting from Edison Electric. In 1909, Pasadena began the extension of its operations to commercial and residential customers that resulted in the replacement of all Edison Electric service in the City by 1920. While much has changed over the years, PWP's strong connection to its customer/owner base remains constant. Today, PWP provides electric service to more than 65,000 metered accounts over a 23 square-mile service area at competitive rates.



**ERIC KLINKNER**  
Interim General Manager

During 2015, Pasadena made significant progress toward reaching the goal for renewable energy resources established in its Integrated Resource Plan ("IRP") update. Pasadena's IRP includes a commitment to provide 40% of retail energy requirements with renewable resources by 2020, surpassing the State of California's stated goal of 33% by 2020. During calendar year 2014, over 27.228% of the City's retail energy requirements were supplied by renewable resources, well beyond the

state-wide requirements of 20%. Pasadena will continue to acquire cost-effective renewable energy and support local renewable energy resources and community solar efforts. PWP is actively pursuing opportunities to expand its renewable resources portfolio, while remaining committed to its mission of providing reliable service at a reasonable cost to its customers.

During 2015, PWP continued its progress to construct a repowering project to replace an aging local generation plant with a new combined-cycle plant. Most of the major equipment was installed and the natural gas fuel supply system was upgraded. The new power plant is expected to be operational by the June 2016. PWP's success is a result of its commitment to remain a valued community asset, an exceptional employer, and a partner in Pasadena's prosperous future.

Customers - Retail . . . . .	65,564
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	83,296
Purchased . . . . .	1,101,285
Total . . . . .	1,184,581
Total Revenues (000s) . . . . .	\$216,527
Operating Costs (000s) . . . . .	\$166,715

## Riverside

Established in 1895, Riverside Public Utilities (RPU) is a consumer-owned water and electric utility that provides high quality, reliable services to over 109,000 metered electric customers, and 64,000 metered water customers throughout an 82 square mile area in and around the City of Riverside, CA, serving a population of more than 317,000. RPU is committed to providing the highest quality water and electric services at the lowest possible rates to benefit its customer owners.



**GIRISH BALACHANDRAN**  
General Manager

To maintain its energy delivery commitment, the utility maintains a diverse resource portfolio mix that includes: 236 MW of simple-cycle, natural gas peaking generation, and 29.5 MW combined-cycle natural gas generation; participation in joint SCPPA (42 MW) and IPA (137 MW) generation projects; long-term renewable power purchase agreements (123.4 MW), as well as short, mid, and long-term contracts from various other power providers. Riverside is committed to promoting sustainable communities and becoming a municipal leader in the use of renewable energy resources. For calendar year 2014, renewable resources provided 18% of retail sales requirements and RPU is on-target to meet its minimum three-year 2014-2016 RPS procurement goal with a significant number of new renewable energy projects scheduled to come on-line in 2015 and 2016.

Customers - Retail . . . . .	109,327
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	56,550
Purchased . . . . .	1,863,550
Renewables . . . . .	397,000
Total . . . . .	2,317,100
Total Revenues (000s) . . . . .	\$ 346,607
Operating Costs (000s) . . . . .	\$ 284,185

## Vernon

City of Vernon Gas and Electric Department began serving industrial customers in 1933, with completion of its diesel generating plant. In addition to its own power from diesel units and gas turbines, Vernon also receives power from the Malburg Generating Station, Palo Verde, Hoover, and various suppliers. The Malburg Generating Station resides within city limits. Vernon is part of the California independent System Operator (CAISO) Control Area and is a Participating Transmission Owner.



**CARLOS FANDINO**  
Director-Light & Power

Customers - Retail . . . . .	1,755
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	266
Purchased . . . . .	1,175,762
Total . . . . .	1,176,028
Total Revenues (000s) . . . . .	\$170,498*
Operating Costs (000s) . . . . .	\$127,391*

\*Unaudited

# Selected Financial Data & Statements

## Participant Ownership Interests

The Authority's participants may elect to participate in the projects. As of June 30, 2014, the members have the following participation percentages in the Authority's financed operating projects:

PARTICIPANTS	GENERATION					TRANSMISSION			
	PALO VERDE PROJECT	SAN JUAN PROJECT	MAGNOLIA POWER PROJECT	CANYON POWER PROJECT	APEX POWER PROJECT	SOUTHERN TRANSMISSION SYSTEM PROJECT	MEAD-PHOENIX PROJECT	MEAD-ADELANTO PROJECT	
City of Los Angeles	67.0%	-	-	-	100.0%	59.5%	24.8%	35.7%	
City of Anaheim	-	-	38.0%	100.0%	-	17.6%	24.2%	13.5%	
City of Riverside	5.4%	-	-	-	-	10.2%	4.0%	13.5%	
Imperial Irrigation District	6.5%	51.0%	-	-	-	-	-	-	
City of Vernon	4.9%	-	-	-	-	-	-	-	
City of Azusa	1.0%	14.7%	-	-	-	-	1.0%	2.2%	
City of Banning	1.0%	9.8%	-	-	-	-	1.0%	1.3%	
City of Colton	1.0%	14.7%	4.2%	-	-	-	1.0%	2.6%	
City of Burbank	4.4%	-	31.0%	-	-	4.5%	15.4%	11.5%	
City of Glendale	4.4%	9.8%	16.5%	-	-	2.3%	14.8%	11.1%	
City of Cerritos	-	-	4.2%	-	-	-	-	-	
City of Pasadena	4.4%	-	6.1%	-	-	5.9%	13.8%	8.6%	
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	
PARTICIPANTS	GREEN POWER						NATURAL GAS		
	HOOVER UPRATING PROJECT	TIETON HYDRO-POWER	MILFORD I WIND	MILFORD II WIND	LINDEN WIND ENERGY	WINDY POINT PROJECT	PINEDALE PROJECT	BARNETT PROJECT	PREPAID NATURAL GAS PROJECT
City of Los Angeles	-	-	92.5%	95.1%	90.0%	92.4%	-	-	-
City of Anaheim	42.6%	-	-	-	-	-	35.7%	45.4%	16.5%
City of Riverside	31.9%	-	-	-	-	-	-	-	-
Imperial Irrigation District	-	-	-	-	-	-	-	-	-
City of Vernon	-	-	-	-	-	-	-	-	-
City of Azusa	4.2%	-	-	-	-	-	-	-	-
City of Banning	2.1%	-	-	-	-	-	-	-	-
City of Colton	3.2%	-	-	-	-	-	7.1%	9.1%	11.0%
City of Burbank	16.0%	50.0%	5.0%	-	-	-	14.3%	27.3%	33.0%
City of Glendale	-	50.0%	-	4.9%	10.0%	7.6%	28.6%	-	23.0%
City of Cerritos	-	-	-	-	-	-	-	-	-
City of Pasadena	-	-	2.5%	-	-	-	14.3%	18.2%	16.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

# Selected Financial Data & Statements

## Participant Ownership Interests

The Authority's participants may elect to participate in the projects. As of June 30, 2014, the members have the following participation percentages in the Authority's financed operating projects:

The Authority has entered into power sales, natural gas sales, and transmission service agreements with the above project participants. Under the terms of the contracts, the participants are entitled to power output, natural gas, or transmission service, as applicable. The participants are obligated to make payments on a "take-or-pay" basis for their proportionate share of operating and maintenance expenses and debt service. The contracts cannot be terminated or amended in any manner that

will impair or adversely affect the rights of the bondholders as long as any bonds issued by the specific project remain outstanding.

The Authority's interests or entitlements in natural gas, generation, and transmission projects are jointly owned with other utilities, except for the Magnolia Power Project, Canyon Power Project, Apex Power Project, Tieton Hydropower Project, and the Linden Wind Energy Project, which are wholly owned by the Authority.

Under these arrangements, a participating member has an undivided interest in a utility plant and is responsible for its proportionate share of the costs of construction and operation and is entitled to its proportionate share of the energy, available transmission capacity, or natural gas produced. Each joint plant participant, including the Authority, is responsible for financing its share of construction and operating costs. The financial statements reflect the Authority's interest in each

jointly owned project as well as the projects that it owns. Additionally, the Authority's share of expenses for each project is included in the statements of revenues, expenses, and changes in net position as part of operations and maintenance expenses. The Authority has entered into power purchase agreements with project participants as follows. These agreements are substantially "take-and-pay" contracts where there may be other obligations not associated with the delivery of energy.

### The contracts expire as follows:

Palo Verde Project	2030
San Juan Project	2030
Magnolia Power Project	2036
Canyon Power Project	2040
Apex Power Project	2038
Hoover Upgrading Project	2018
Tieton Hydropower Project	2040
Milford I Wind Project	2030
Milford II Wind Project	2031
Linden Wind Energy Project	2035
Windy Point Project	2030
Southern Transmission System Project	2027
Mead-Phoenix Project	2030
Mead-Adelanto Project	2030
Natural Gas Pinedale Project	2040
Natural Gas Barnett Project	2040
Prepaid Natural Gas Project	2038
Ormat Geothermal Energy Project	2031
Pebble Springs Wind Project	2025
MWD Small Hydro Project	2023
Ameresco Chiquita Landfill Gas Project	2030
Don A Campbell Wild Rose Project	2033
Copper Mountain Solar 3 Project	2040
Columbia Solar 2 Project	2033

### POWER PURCHASE AGREEMENTS

Participants	Ormat Geothermal Energy Project	Pebble Springs Wind Project	MWD Small Hydro Project	Ameresco/Chiquita Landfill Gas Project	Don A. Campbell Wild Rose Geothermal Project	Copper Mountain Solar 3 Project	Columbia Solar 2 Project
Capacity	17.00 MW	98.7 MW	17.04 MW	10.00 MW	16.00 MW	250.00 MW	15.00 MW
City of Los Angeles	-	69.6%	-	-	84.6%	84.0%	-
City of Anaheim	60.0%	-	56.4%	-	-	-	-
City of Riverside	-	-	-	-	-	-	74.3%
City of Azusa	-	-	21.8%	-	-	-	8.6%
City of Banning	10.0%	-	-	-	-	-	-
City of Colton	-	-	-	21.8%	-	-	-
City of Burbank	-	10.1%	-	16.7%	15.4%	16.0%	-
City of Glendale	15.0%	20.3%	-	-	-	-	-
City of Pasadena	15.0%	-	-	83.3%	-	-	17.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Contract expires	2031	2025	2023	2030	2033	2040	2033

# Combined Summary of Financial Condition and Changes in Net Position

(\$ In Thousands)

	JUNE 30.	
	2015	2014
<b>Assets</b>		
Net utility plant	\$ 1,475,962	\$ 1,574,194
Investments	676,135	679,569
Cash and cash equivalents	337,374	301,753
Prepaid and other	1,030,529	1,099,682
Total assets	<u>\$ 3,520,000</u>	<u>\$ 3,655,198</u>
Deferred outflows of resources	119,709	95,061
Total assets and deferred outflows of resources	<u>\$ 3,639,709</u>	<u>\$ 3,750,259</u>
<b>Liabilities</b>		
Noncurrent liabilities	\$ 3,249,181	\$ 3,456,473
Current liabilities	449,772	392,473
Total liabilities	<u>3,698,953</u>	<u>3,848,946</u>
Deferred inflows of resources	207	-
<b>Net Position</b>		
Net investment in capital assets	(594,920)	(608,196)
Restricted	610,915	583,618
Unrestricted	(75,446)	(74,109)
Total net position	<u>(59,451)</u>	<u>(98,687)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,639,709</u>	<u>\$ 3,750,259</u>
<b>Revenues, Expenses and Changes in Net Position for the year ended June 30</b>		
Operating revenues	\$ 813,095	\$ 702,327
Operating expenses	(668,880)	(564,690)
Operating income	<u>144,215</u>	<u>137,637</u>
Investment and other income	21,909	30,066
Derivative gain (loss)	28,364	395
Debt expense	(157,254)	(156,729)
Change in net position	<u>37,234</u>	<u>11,369</u>
<b>Net Position, beginning of year</b>	(98,687)	(106,999)
<b>Cumulative effect of restatement</b>	(1,004)	-
<b>Net Position, beginning of year as restarted</b>	(99,691)	(106,999)
<b>Net Contributions/(Withdrawals) By Participants</b>	3,006	(3,057)
<b>Net Position, end of year</b>	<u>\$ (59,451)</u>	<u>\$ (98,687)</u>



## SCPPA Accounting Group

Therese Savery, Manager SCPPA Accounting

### Accounting Group:

Yolanda Pantig, Assistant Accounting Manager  
Sharon Moore, Administrative Assistant

Adrian Chung, Lead Utility Accountant  
Atif Haji Dattoo, Lead Utility Accountant  
Jonathan Della, Utility Accountant  
Ashanti De La Mesa, Utility Accountant (Picture Not Shown)  
Grace Elarmo, Utility Accountant  
Grace Mao, Utility Accountant  
Carolina Parducho, Utility Accountant

### Investment Group:

Joan Ilagan, Investment Manager (Picture Not Shown)  
Margarita Estrella, Lead Utility Accountant

