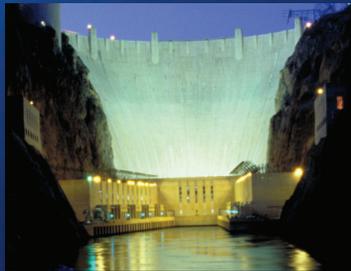




# ANNUAL REPORT



2013 - 2014





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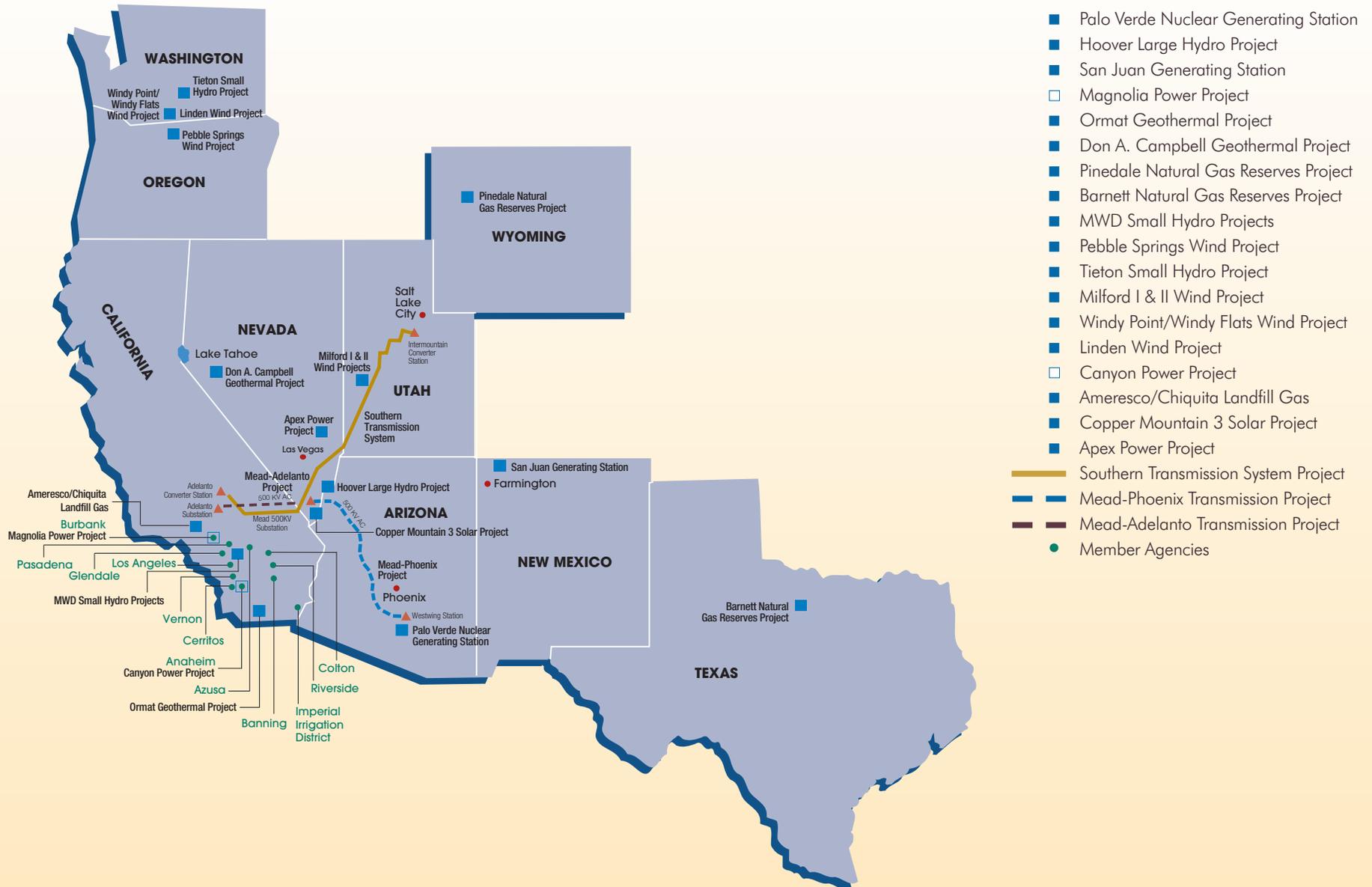
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# SCPPA PROJECTS



# LETTER

## from the President and Executive Director



SCPPA continues to assist its Members in developing the resources and services needed to meet customer expectations and provide low-cost, reliable electric services in an environmentally responsible manner. In the past year, SCPPA magnified its focus on developing new and innovative approaches to help its Members reach State-mandated renewable resource requirements, greenhouse gas reductions, energy efficiency improvements, and energy storage procurement expectations. All of these areas of utility operations will remain at the forefront of utility planning for our Members in the foreseeable future – and SCPPA stands ready to assist and support these efforts.

The resource development team at SCPPA continued to work closely with Members to meet growing power generation requirements. SCPPA assisted members with the development and acquisition of over 1,076 MW of new generation, the majority of which is renewable. These new resources under development, combined with the 1,154 MW of renewable generation from previous years, significantly help Members reach the State's 33-percent Renewable Portfolio Standard goal by the year 2020. These renewable resources will also be a cornerstone of Members' programs used to meet the greenhouse gas reductions specified in Assembly Bill 32.

***SCPPA strives to collaboratively work with its Members to provide them with additional tools and resources to improve utility operations and increase the valuable services***

In addition to the procurement of renewable resources, SCPPA has assisted Members in the expansion of their respective energy-efficiency programs to reduce energy consumption by customers, thereby reducing greenhouse gas emissions from fossil fuel-powered generating stations. Last year, SCPPA Members spent approximately \$52 million providing their customers

with incentives and financial support to increase the energy-efficiency of their homes and businesses. These incentives served to reduce annual energy consumption by 323 gigawatt-hours, and reduce peak demand by 54 megawatts for all SCPPA Members combined. The energy savings are intended to improve operating efficiencies and reduce costs, including an estimated reduction in greenhouse gases of approximately 160,000 tons per year, that provide significant benefits to all of our Members' customers.

SCPPA also has actively worked with Members to evaluate opportunities and the potential cost of new resources, products, or services for customers, as the utility industry continues to change and adapt to the increasing needs and expectations of constituents. Specifically, SCPPA received a \$500,000 grant from the California Energy Commission (CEC) to assist with Members' development of electric vehicle charger infrastructure in their service territories. SCPPA also undertook a comprehensive technical and economic review of energy storage technologies for Members' use in preparing utility-specific Energy Storage Procurement targets that were filed with the CEC in the fall of 2014. SCPPA also created a new working group comprised of Members' staff that is reviewing and analyzing traditional rate designs that are in place in the electric utility industry, and assessing opportunities that might be available to revise, update, and improve these rate structures to allow utilities to recover costs fairly and equitably from all customers, in the changing utility industry.

As evidenced by the many accomplishments over the past year, SCPPA strives to collaboratively work with its Members to provide them with additional tools and resources to improve utility operations and increase the valuable services that Members provide to the communities they serve. The continued successes of the joint actions of SCPPA and its Members are prime examples of the intent and purpose of a Joint Powers Authority. We remain dedicated to helping our Members meet their goals and the responsibilities that are associated with serving the needs of their Public Power customers and owners.



# 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 Federal Energy Regulatory Commission or the California Public Utilities Commission.

## 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.

- 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 seventeen generation 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, 2014, SCPPA had issued \$14.38 billion in bonds, notes, and refunding bonds, of which \$3.37 billion was outstanding.

## 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.

# STAFF



**BILL CARNAHAN**  
*Executive Director*



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



**BRYAN COPE**  
*Program Development  
Director*



**TANYA DeRIVI**  
*Regulatory Affairs  
Director*



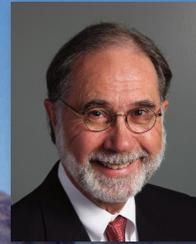
**KATIE ELLIS**  
*Senior Project  
Manager*



**JULIE FELIPE**  
*Energy Systems  
Manager*



**DANIEL HASHIMI**  
*Assistant General  
Counsel*



**STEVE HOMER**  
*Project Administration  
Director*



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Sacramento Office*



**ARPINE  
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*Administrative Assistant*



**RICHARD MORILLO**  
*General Counsel*



**KELLY NGUYEN**  
*Energy Systems Director*



**SALPI ORTIZ**  
*Office Manager*



**ERIN ROSE**  
*Administrative Assistant*



**ROBERT ROZANSKI**  
*Interim Director of  
Financiing and  
Accounting*

# OFFICERS



**RON DAVIS**  
*President*



**FRED MASON**  
*Vice President*



**MARIO IGNACIO**  
*Assistant Secretary*



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



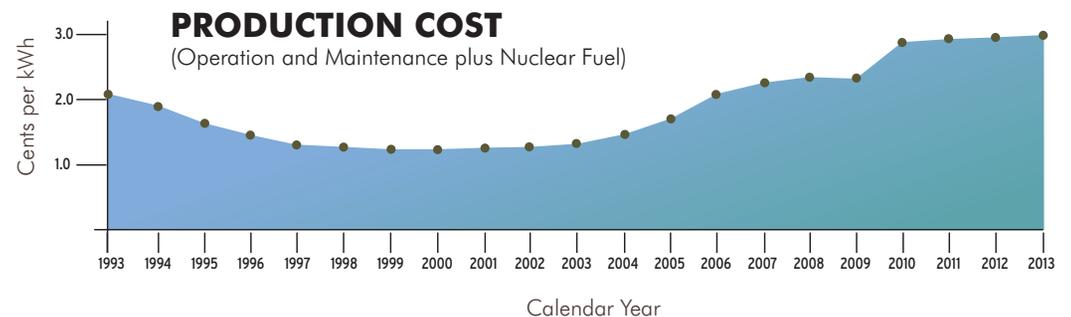
## 2013/2014 OPERATIONS

### Percentage of SCPPA member participation in Palo Verde Operations

Los Angeles	67.0%
Burbank/Glendale/Pasadena (4.4% each)	13.2%
Imperial Irrigation District	6.5%
Riverside	5.4%
Vernon	4.9%
Azusa/Banning/Colton (1% each)	3.0%

	Generation (Millions of MWhs)	Capacity Utilization (%)
<b>Unit 1</b>	11.4	99.0%
<b>Unit 2</b>	10.2	89.0%
<b>Unit 3</b>	9.8	85.6%
<b>Aggregate</b>	31.5	91.2%

The efforts of new management at Palo Verde have restored good relations with the Nuclear Regulatory Commission, which led to improved performance and excellent ratings from the NRC and INPO. In calendar 2013, Palo Verde achieved its 22nd consecutive year as the nation's largest power producer.

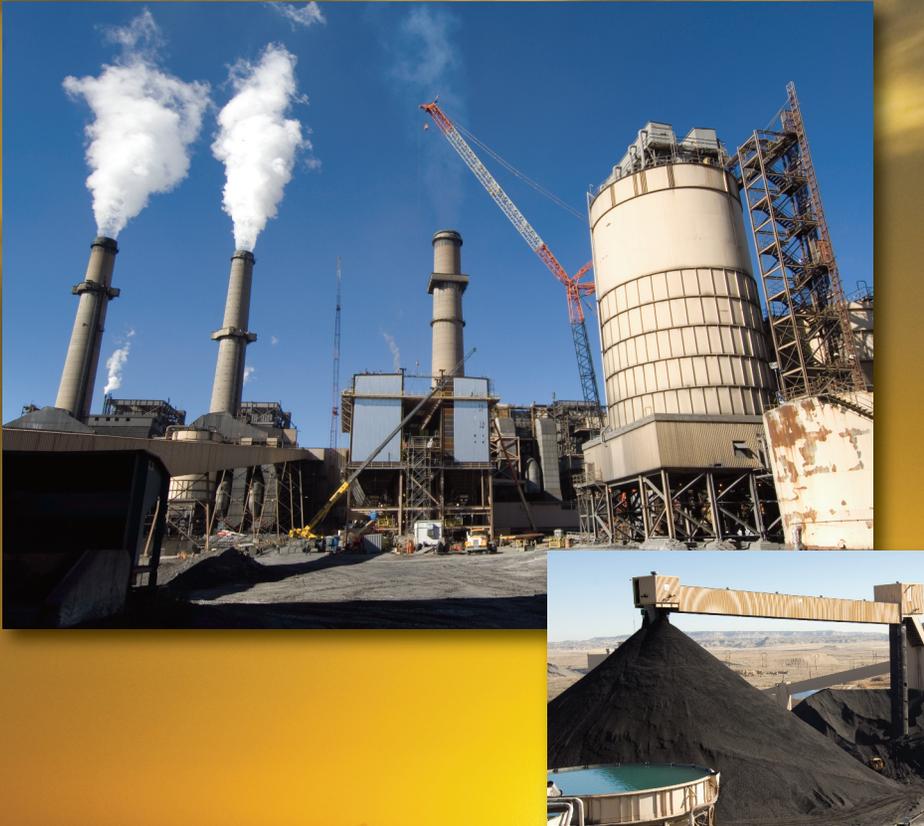


# SAN JUAN

## Unit 3

Five SCPPA participants own 41.8% of Unit 3 at the San Juan Generating Station, a coal-fired plant in New Mexico.

Although San Juan currently meets all environmental standards, the plant was ordered by the EPA to install selective catalytic reduction technology to further reduce NOx emissions, which are a component of regional haze. A state plan to install less expensive selective non-catalytic reduction on two units and close the remaining two units (including Unit 3) has been approved. Unit 3 will close at the end of 2017.



Percentage of SCPPA member participation  
in San Juan Unit 3 Operations

Imperial Irrigation District	51.0%
Azusa	14.7%
Colton	14.7%
Banning	9.8%
Glendale	9.8%

# MEAD-PHOENIX

## Mead-Adelanto

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



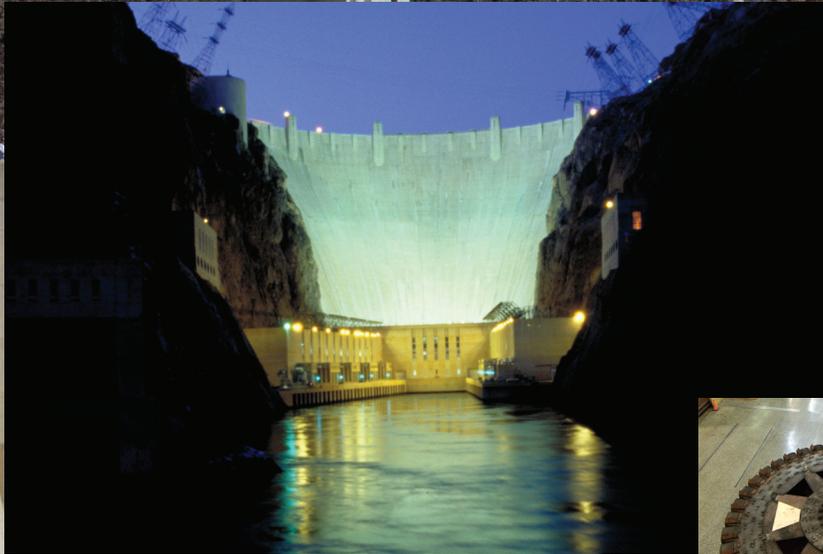
### Percentage of SCPPA member participation in Mead-Phoenix Project

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%

### Percentage of SCPPA 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%

# HOOVER UPRATING



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.

## Percentage of SCPPA member participation in Hoover Upgrading

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

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.

# SOUTHERN Transmission System

As usual, the STS operated with near-perfect availability (98.69%), delivering over 15 million MWHs to the six SCPPA members who are participants. The power comes 488 miles from the Intermountain Power Project, in Utah, over the  $\pm$  500-kv DC line. The participants funded the STS Upgrade Project, which increased the capacity of the line by 480 MWs. 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%



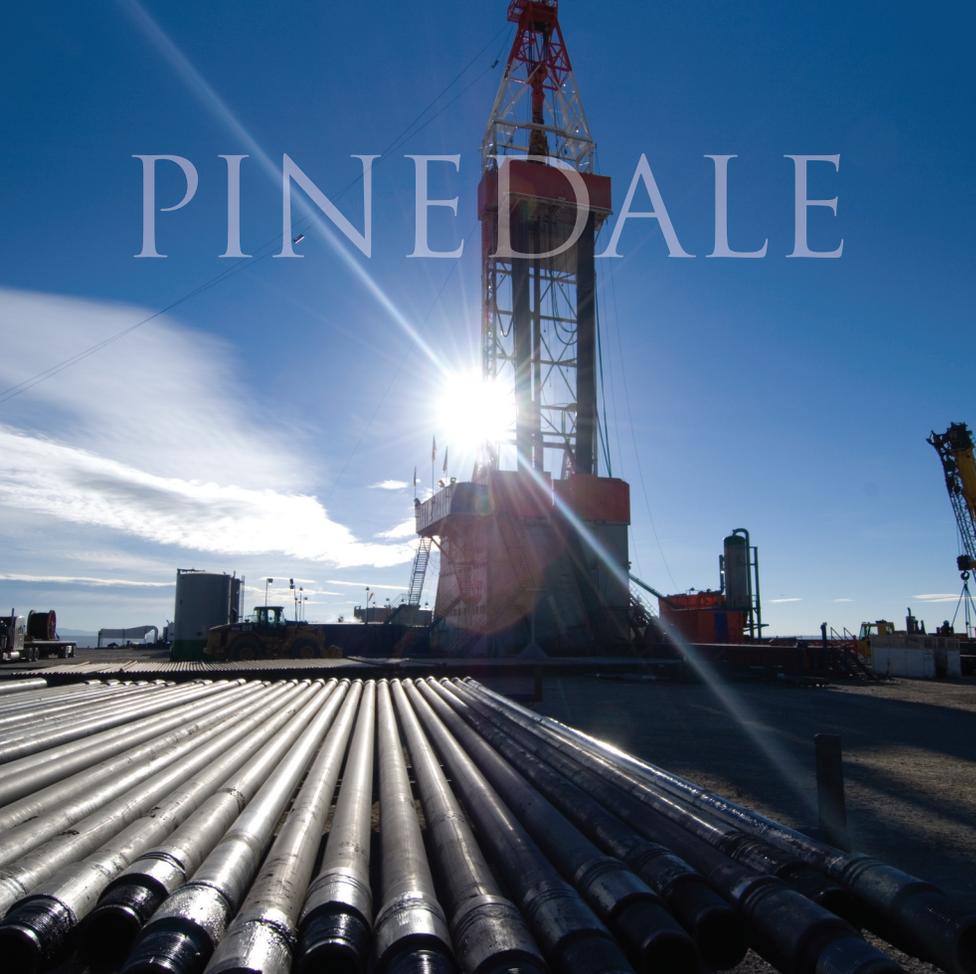
The Magnolia Power Project is a 240 megawatt natural gas-fired, combined cycle plant, located on the site of an existing plant in the City of Burbank. The plant reached commercial operation in September 2005, and is the first project to be wholly-owned and operated by SCPPA members. The Participants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

Percentage of SCPPA member participation in Magnolia Power Project

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

# MAGNOLIA Power



# PINEDALE

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.

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

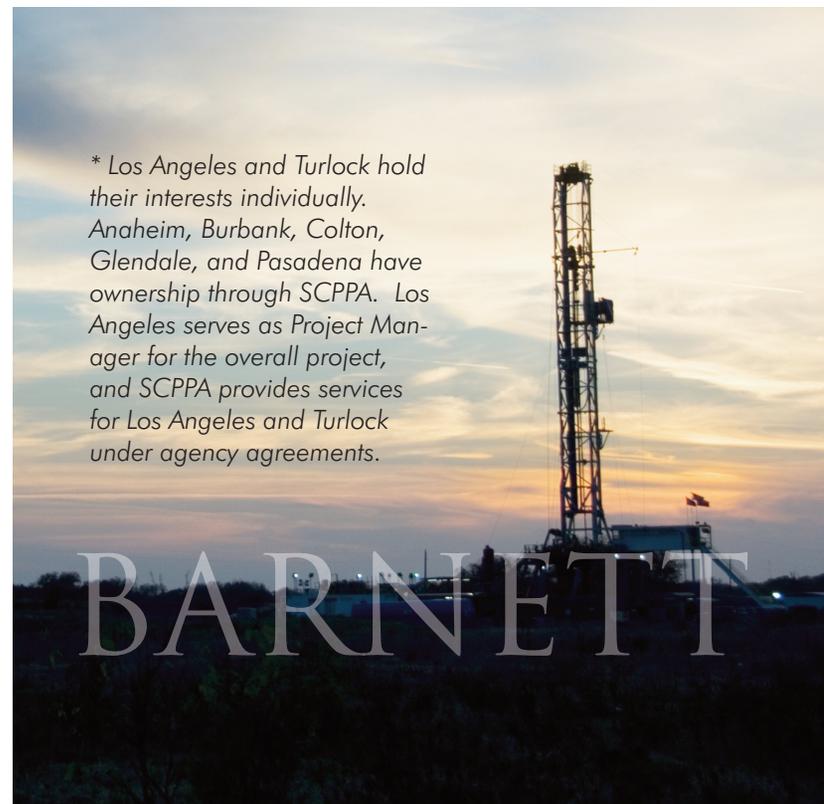
Percentage of SCPPA member participation in Pinedale Natural Gas Reserves Project

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

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%

*\* 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.*



# BARNETT

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%



# ORMAT GEOTHERMAL

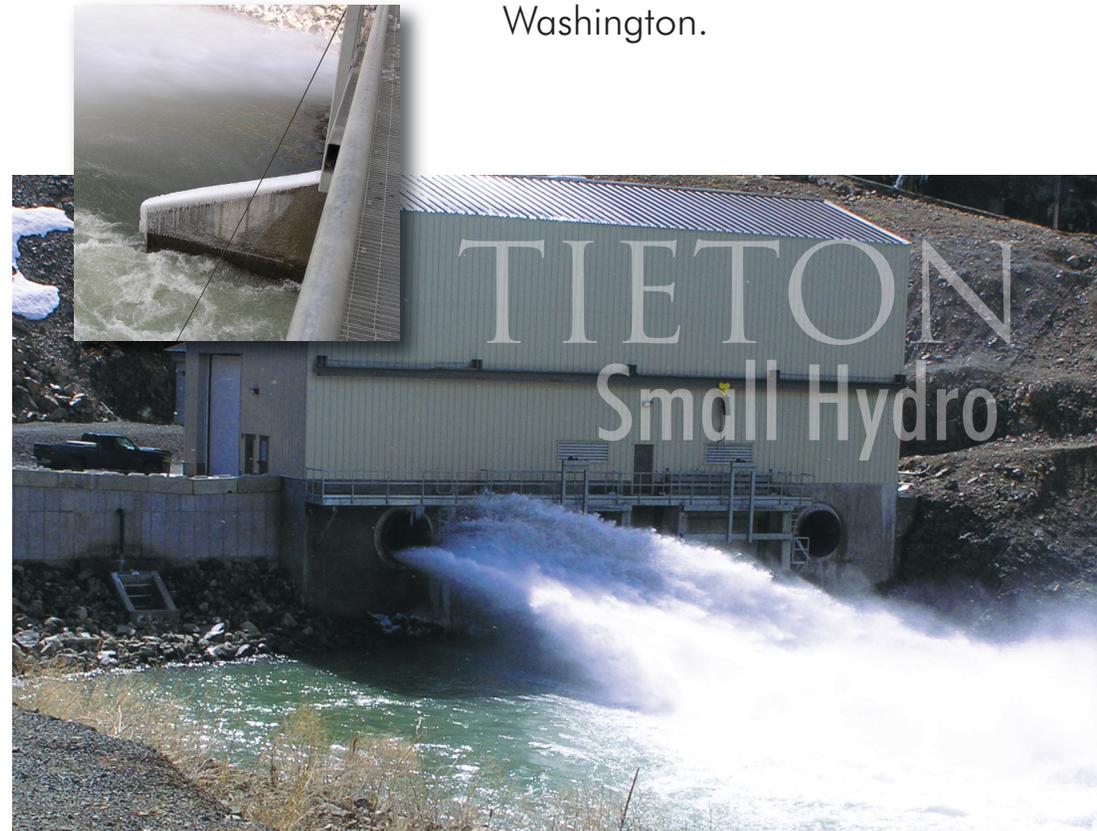


SCPPA Members Anaheim, Azusa, and Colton receive up to 17 MWs of renewable energy from four small hydroelectric plants on the MWD distribution system, through a purchase contract with MWD.

Percentage of SCPPA member participation in MWD Small Hydro Project

Anaheim	56.4%
Azusa	21.8%
Colton	21.8%

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

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



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

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Los Angeles	69.6%
Glendale	20.3%
Burbank	10.1%

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

Percentage of SPPA member participation in Milford 1 Wind Project

Los Angeles	92.5%
Burbank	5.0%
Pasadena	2.5%

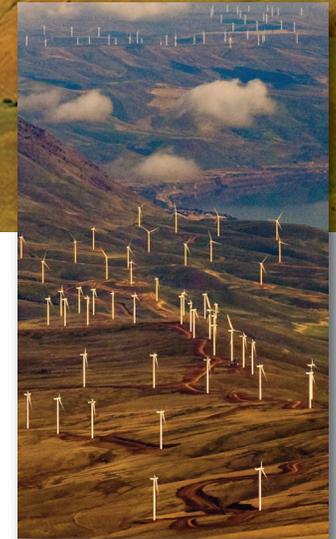
# MILFORD 1



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

Percentage of SPPA member participation in Milford 2 Wind Project

Los Angeles	95.1%
Glendale	4.9%



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

Percentage of SCPPA member participation in  
Windy Point/Windy Flats Wind Project

---

Los Angeles	92.4%
Glendale	7.6%



## Wind

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%

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

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

Pasadena	83.3%
Burbank	16.7%

AMERESCO/  
CHIQUITA Landfill Gas

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 SCPPA member participation in Canyon Power Project

Anaheim	100%
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Burbank and Los Angeles receive up to 25 MWs of geothermal energy from the Don A. Campbell Geothermal Project in northern Nevada.

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

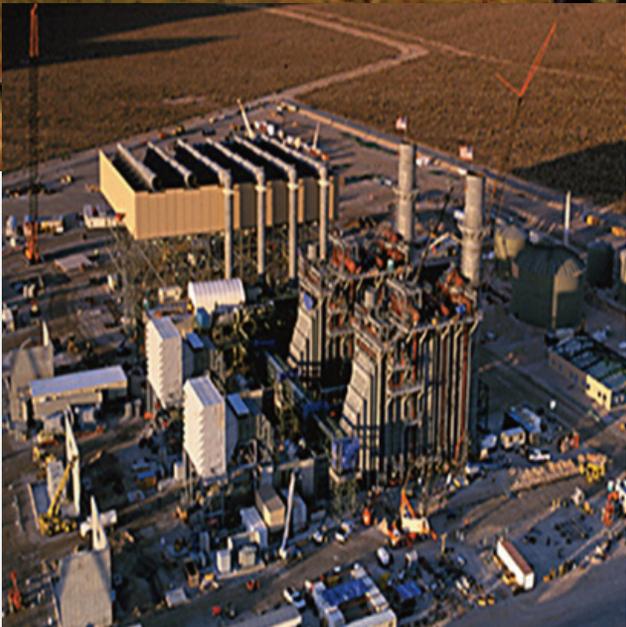
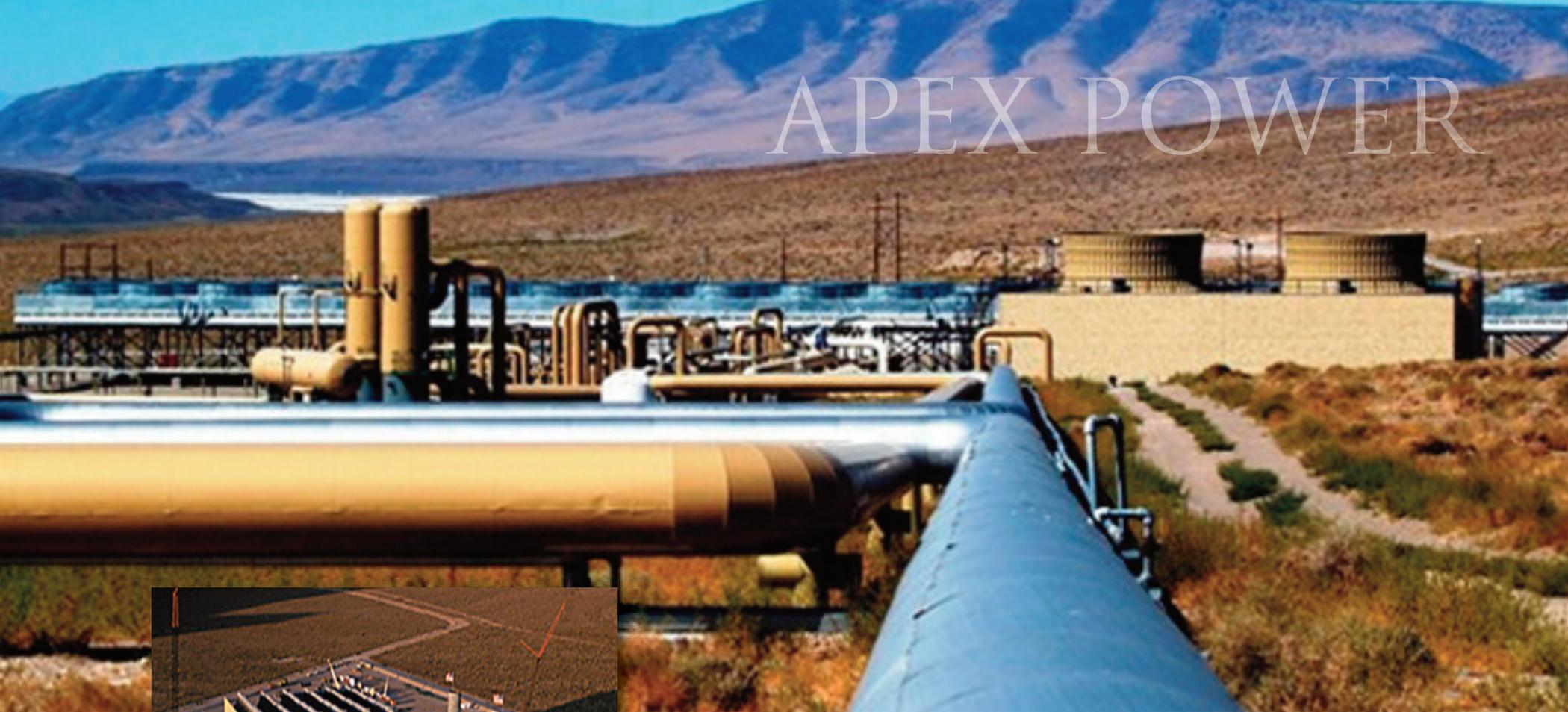
Los Angeles	84.62%
Burbank	15.38%



# DON A. CAMPBELL Geothermal



# APEX POWER



Los Angeles is the sole Participant of the Apex Power Project, a 500 MW natural gas-fired generation station located north of Las Vegas.

Percentage of SCPPA member participation  
in Apex Power Project

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Los Angeles	100%
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Burbank and Los Angeles participate in the Copper Mountain 3 Solar Project, a 250 MW solar project located southeast of Las Vegas.



# COPPER Mountain 3

Percentage of SCPPA member participation  
in Copper Mountain 3 Solar Project

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Los Angeles	84.0%
Burbank	16.0%

# 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 refinancings or restructurings of existing debt and associated financial contracts. SCPPA was very active in developing or acquiring a significant number of new SCPPA projects, including the purchase of Apex Power Project that was financed entirely with debt.

A summary of SCPPA's financing activities for the fiscal year starting July 1, 2013 and ending June 30, 2014 is provided below.

In September 2013, SCPPA restructured Gas Project No. 1 (i.e., a natural gas prepayment) that was originally structured in October 2007. As part of the restructuring, SCPPA replaced AIG Broadgate with Mitsubishi UFJ Securities as the commodity swap counterparty by means of a Custodial Agreement with Goldman Sachs; replaced American General Life with Goldman Sachs as counterparty for the Debt Service Fund Investment Contract; and wrapped the credit enhancement provided by National Public Finance Guarantee with additional credit enhancement from Goldman Sachs under a Receivables Purchase Agreement. The restructuring was affected by way of a Consent Solicitation process in which more than 50% of the Gas Project No. 1 bondholders provided consent to change the deal terms. The restructuring had several benefits to SCPPA and the Gas Project No. 1 participants. First, the participants received \$3.4 million of additional savings delivered over several years. Second, Fitch Ratings upgraded the debt associated with Gas Project No. 1 to A from BBB+. Finally, SCPPA's counterparty exposure was reduced from several firms to almost exclusively Goldman Sachs.

In March 2014, SCPPA issued the Apex Power Project, Revenue Bonds, 2014 Series A (Tax-Exempt) and Apex Power Project, Revenue Bonds, 2014 Series B (Taxable), (collectively "the 2014 Apex Project Bonds") with an aggregate principal amount of \$318,860,000. The 2014 Apex Project Bonds were issued to finance the acquisition of a 531 MW nameplate capacity natural gas-fired combined cycle generating facility near Las Vegas, Nevada. SCPPA completed the financing for the Apex Power Project with a low interest cost of 4.04% for 24-year financing. The Apex Power Project, Revenue Bonds, 2014 Series A (Tax-Exempt) and 2014 Series B (Taxable) were issued with principal amounts of \$151,880,000 and \$166,980,000, respectively. The Apex Power Project is a new SCPPA project with

***The Apex Power Project is a new SCPPA project with the Los Angeles Department of Water and Power as the sole project participant.***

the Los Angeles Department of Water and Power as the sole project participant. At the time of issuance, the 2014 Apex Project Bonds were assigned long-term ratings of AA- by Standard & Poor's and AA- by Fitch Ratings.

In March 2014, SCPPA renewed a liquidity facility that had been provided by U.S. Bank in association to the Magnolia Power Project A, Series 2009-1 bonds. The extension will have the result of lowering SCPPA's ongoing total cost on the Magnolia Power Project A, Series 2009-1 bonds, that remain outstanding with an aggregate principal amount of \$144,765,000. At the same time SCPPA appointed U.S. Bank as the remarketing agent for the Magnolia Power Project A, Series 2009-1 bonds.

In March 2014, SCPPA renewed a liquidity facility that had been provided by Wells Fargo in association to the Magnolia Power Project A, Series 2009-2 bonds. The extension will have the result of lowering SCPPA's ongoing total cost on the Magnolia Power Project A, Series 2009-2 bonds, that remain outstanding with an aggregate principal amount of \$110,205,000. At the same time SCPPA appointed Wells Fargo as the remarketing agent for the Magnolia Power Project A, Series 2009-2 bonds.

In addition to the cost reduction, and risk reduction financing actions and financing of the Apex Power Project 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.

The second half of the 2013-2014 Legislative Session ended quietly despite being filled with controversy and contentious policy battles. The Senate and the Assembly started off the year with battles over leadership as both Senate President Pro Tem Steinberg and Assembly Speaker Perez were being termed out of office. Senator De León was elected as the new Pro Tem but did not assume the position until after the session ended, while Assemblymember Atkins took over as Speaker just months before the end of the session. The ongoing drought is impacting every part of the state, and is now intertwined with related policy areas such as energy, air quality, and the environment.

### **Water Policy**

As the premier policy issue this year, there was a lot of activity regarding water. First came the Emergency Drought Legislation. The bills passed in February provided \$687.4 million to support drought relief, including money for housing and food for workers, bond funds for projects to help local communities, and funding for securing emergency drinking water supplies. Second was the Water Bond in mid-August. AB 1471 became the ultimate vehicle for the bipartisan measure that placed Proposition 1 on the 2014 Ballot. The Water Bond provides money to disadvantaged communities, watersheds, drought preparedness, surface storage, groundwater sustainability, water recycling, and flood management. Finally, in the last week of the Session, the Legislature also acted on groundwater. The three-bill package, composed of AB 1739, SB 1168, and SB 1319, requires the formation of new local groundwater sustainability agencies responsible for establishing long-term groundwater management plans and protecting groundwater quality within their jurisdictions. The legislation also provides for limited State intervention as necessary to ensure that groundwater resources are being protected.

### **Cap-and-Trade Program Auction Revenues**

Cap-and-Trade program auction revenues were a major factor in the fiscal year 2014/2015 Budget deliberations this June. In addition to 25% of such revenues being allocated to high-speed rail, the deal calls for 15% to go to other transportation projects, and 20% to go to affordable housing projects and other

programs that help reduce greenhouse gases. The remaining 40% was allocated to various transportation, natural resources, and energy projects.

Assemblymember Perea and Senator Vidak introduced bills, AB 69 and SB 1079 respectively, that would have prevented transportation fuels from being included in the Cap-and-Trade program in 2015. However, these bills did not get any traction, and Leadership and the Governor's Office both declared their support for transportation fuels falling under the Cap-and-Trade program in 2015. The integration of transportation fuels is expected to raise billions of dollars for the State, and therefore, the Cap-and-Trade program will become increasingly important as a source of funds for Greenhouse Gas (GHG) emission-reduction, and energy projects and policies.

### **Public Power**

SCPPA opposed AB 2145 (Bradford), which was sponsored by the utility workers' union and PG&E. The bill sought to change the formation process for Community Choice Aggregators (CCAs). The bill was amended to remove an opt-in requirement but still mandated additional disclosures and limited the expansion of existing CCAs to no more than three additional contiguous counties. The bill failed in the end, but SCPPA closely monitored the bill as it was seen as a litmus test for the expansion of public power.

SCPPA did not take a position on another Bradford bill, AB 2218, which requires the CPUC to establish discounted electrical rates for certain food banks. A late amendment on the Senate Floor "encourages" POUs to implement rate assistance for eligible food banks consistent with the CPUC action. The Governor signed the bill into law.

### **Renewables**

Renewable resources continued to be one of the primary energy topics discussed in the Capitol in 2014. Senator Hueso's SB 1139, which mandated the procurement of new geothermal resources, was at the heart of this discussion. The bill ultimately failed, but garnered a lot of attention.

***Renewable resources continued  
to be one of the primary energy topics  
discussed in the Capitol in 2014.***

Another bill that received a lot of attention was Assembly member Muratsuchi's AB 2188, which expedited solar permitting by local governments. SCPPA opposed the legislation, but the Governor signed it into law.

AB 1478 (Budget) was a last minute "trailer bill" cleanup that the Governor signed. It allows those utilities that have previously used the 40 MW hydro allowance for Renewable Portfolio Standard (RPS) compliance to continue to do so, and those that have pending applications at the CEC will be able to count the output of those facilities up to a cap, but the 40 MW allowance will be removed from the statute, and therefore, will no longer be available.

### **Military Bases & Correctional Facilities**

Since net energy metering (NEM) was reformed in 2013, there were several bills introduced to make tweaks this year. AB 2649 by Assemblymember Mullin attempted to increase the size and scope of NEM on military bases, but the bill ultimately stalled. AB 2584 by Assemblymember Nestande did pass, however, it was a narrow bill that allowed a marine base in Barstow to use 1.5 MW of wind energy for NEM.

Enacted through the Budget in SB 862, a Department of Corrections facility is now allowed to participate in a NEM tariff with up to 8 MW of renewables, provided that it does not export more than 1.35 MW of wind to the grid at any time.

### **Greenhouse Gas Emissions/Air Quality Improvements**

There were numerous bills relating to air quality and GHG emissions reduction. Senators Jackson and Pavley and Assemblymember Perea all introduced legislation that sought to look beyond 2020 at the State's GHG emissions reductions, in relation to the State's energy plan. All three of the bills failed, but will likely be part of a larger discussion that will come to the forefront in 2015.

Additionally, there was a host of electric vehicle (EV) measures. One important bill, which SCPPA supported, was AB 2414 by Assemblymember Ting that clarified that the use of electricity at electric vehicle (EV) charging facilities is not a gift of public funds. Assemblymember Muratsuchi's AB 2013 increased the number of High-Occupancy Vehicle (HOV) lane permits that the California Department of

Motor Vehicles is permitted to issue by 15,000. SB 1275 by Senator De León establishes the Charge Ahead California Initiative to provide incentives for zero-emission vehicles (ZEV) and near zero-emission vehicles (NZEV), particularly in disadvantaged communities. Additionally, Senator Lara's SB 1204 used Cap and Trade Program revenues to support technologies for clean trucks, busses, and off-road equipment. The Governor signed these four bills and several other EV-related bills into law.

### **Physical Safety & Security**

Senator Hill introduced two bills regarding safety, both of which received the Governor's signature. SB 699 was inspired by the attacks on PG&E's Metcalf substation, and requires the California Public Utilities Commission (CPUC) to consider rules regarding physical security risks to the distribution system. SB 1409 requires the CPUC to produce an annual report that identifies all safety incidents during the year and lists all investigations undertaken by the commission.

The Governor signed AB 1782 by Assemblymember Chesbro into law. It increases the penalties for wire theft and was supported by SCPPA. Similarly, AB 2312 by Assemblymember Nestande was another metal theft bill signed into law. This bill requires all junk dealers or recyclers to enroll in a metal theft alert system.

Speaker Emeritus Perez's AB 2200 aimed to create a Cyber Security Commission, which would have brought together representatives from State government, the technology industry, and the energy industry. It required them to implement policy recommendations of the task force based on specified priorities. The bill passed out of the Senate at 3 a.m. on the final night of the Session, but unfortunately the Assembly was ahead of schedule and had already adjourned for the year.

### **SCPPA Legislative Staff Tour**

In 2014, SCPPA held its second consecutive annual tour for legislative staff members. Twenty staff members from a variety of legislative offices toured SCPPA projects and member-owned facilities. The tour continues to be a great opportunity to educate Capitol staff on Publicly-Owned Utility issues, and develop closer relationships with legislative staff that work on energy-related issues.



# FEDERAL Legislative Report

With the House and Senate largely deadlocked in the 113th Congress, the Executive Branch has asserted its authority to chart Federal energy and environmental policy through a series of far-reaching rules and regulations. Some of these Executive actions have been positive for SCPPA and public power generally; others present new challenges for SCPPA, both in terms of advocacy and compliance.

In a few cases, Congressional gridlock has been a good thing, and prevented legislation detrimental to SCPPA's interests and operations from advancing. 2014 provided a bit of "all of the above" on federal issues of direct impact on SCPPA and its members.

## **Municipal Bonds**

Although tax committee leaders in both the House and Senate repeatedly stated their intent to pursue comprehensive tax reform, differing priorities and positions on whether corporate and individual taxes are too high or too low prevented Republican and Democrats from finding any consensus on a comprehensive tax reform bill. In this case, Congressional gridlock prevented efforts by the Administration and some in Congress to limit the interest deduction on tax-exempt municipal bonds; which are essential to the financing of public power infrastructure.

Despite this, SCPPA kept preservation of municipal bonds at the top of its 2014 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."

## **Grid Security**

After years of urging Congress to pass comprehensive cyber security legislation, the White House and Democratic leaders in the Senate threw in the towel, and now support legislation that would authorize information sharing between the Federal government and the private sector (including public power), and providing liability protection for non-federal entities that voluntarily share information about cyber security threats and attacks with government.

The House passed its version of the bill, H.R. 624, the "Cyber Intelligence Sharing and Protection Act" (CISPA) in June 2013. The Senate Intelligence Committee

approved S. 2588, the "Cyber Information Sharing Act" (CISA) in July of this year, and Chair Dianne Feinstein (D-CA) hopes to take the bill to the full Senate for action in the post-election, lame duck session. Opposition from privacy groups and trial lawyers, however, may block final Senate action on the bill.

SCPPA has consistently advocated that information sharing and liability protection are key to improving national cyber security and supports enactment of this legislation this year.

***The victory for public power was the result of intensive advocacy, including active support for either a legislative or administrative solution by APPA, SCPPA, and others.***

## **Dodd-Frank Regulations**

While partisan differences prevented Congress from reaching agreement on a legislative fix to Dodd-Frank Act regulations that dampened counterparties' interest in public power derivatives to hedge commercial risk, the new Chairman and Commissioners on the Commodity Futures Trading Commission (CFTC) have shown much more responsiveness to concerns of public power utilities that use these financial products to manage risks.

The successors to hard-line former CFTC Chairman Gary Gensler have advanced administrative modifications to the Dodd-Frank rules that, among other things, will more fully implement the "end-user" exemption in the law. The biggest win for public power came in September, when the CFTC finalized a rule to treat swaps with public power utilities the same way as swaps with investor-owned and cooperative utilities.

These modifications – which CFTC Chair Timothy Massad views as "fine-tuning" the rules – should allay concerns of counterparties to public power swaps that they will not be subject to the more rigorous regulatory scrutiny the law requires for entities defined as "swap dealers" under the Dodd-Frank Act. More CFTC tweaks



# FEDERAL Legislative Report

are in the works, including a clarification of end-user contracts with embedded volumetric optionality.

The victory for public power was the result of intensive advocacy, including active support for either a legislative or administrative solution by APPA, SCPPA, and others.

### ***EPA's Clean Power Plan (111(d) Proposed Rule)***

One major consequence of Congressional inaction on climate is the June 2014 proposal from the U.S. Environmental Protection Agency (EPA) to limit GHG emissions from existing power plants. For years, many in the utility industry thought that regulation of GHG's under the Clean Air Act would be so burdensome and unwieldy that Congress would be compelled to act, in order to preempt administrative action.

With Congress stalemated on the issue following the failure of the Waxman-Markey bill in 2010, EPA has crafted a proposal that gives states a carbon intensity goal and asks them to put together a plan to reach it by 2030.

The simplicity of the EPA proposed framework belies the myriad of complications with the proposal, from the way EPA calculated states' ability to reach the goals, to how it expects the inherently interstate nature of electricity to fall into line with a state-by-state approach. Because of California's long-standing commitment to carbon reduction, the State and its utilities, including SCPPA members, are expected to fare better than most under the proposal. Nonetheless, SCPPA has significant questions and concerns about how the Federal plan will mesh with the State program, and whether utilities and states will be fully credited for early expenditures or how out of state investments will be counted towards their state GHG targets.

Congress' inability to preempt or modify the terms of the EPA rule makes direct engagement with EPA critical, and SCPPA is actively engaged with the State, stakeholders and has submitted comments to the EPA outlining these compliance questions.

### ***Waters of the United States (WOTUS)***

A controversial rulemaking that EPA and the Army Corps of Engineers announced in March seeks to clarify which streams, wetlands and other waters will be considered "waters of the United States," and therefore, be subject to agency jurisdiction and Clean Water Act permitting requirements. The "clarification" expands the definition of tributary by adding new categories of tributaries, including ditches and certain ephemeral water features. Many private sector groups believe the rule would affect project development and operations across the energy, water, construction, building, agricultural and transportation sectors.

WOTUS has garnered widespread opposition from industry, including APPA, NRECA, Edison Electric Institute, American Farm Bureau, and others. Numerous letters critical of the rule have been sent to the EPA, including one with 231 bipartisan congressional signatures, and another from governors and attorneys general from 17 states. Many congressional hearings have been held to press the administration on its effort, but House-passed efforts to block the agencies' expansion of jurisdiction have not passed the Senate.

The Administration is expected to push to finalize the rule in the next Congress. If so, SCPPA will continue to engage with stakeholders and its delegation on its potential impact.

In closing, SCPPA's effective Federal advocacy has helped inform its member utilities, remove barriers, as well as sync-up State and Federal policies to ensure member utilities continue to provide reliable and affordable electric services to its customers.

# REGULATORY Report

## **Renewables Portfolio Standard Implementation**

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 first compliance period towards meeting the State's ambitious 33% by the end of 2020 RPS goal ended on December 31, 2013; the second compliance period spans from January 2014 to December 2016. SCPPA members dedicated a significant amount of staff time in 2014 towards meeting new RPS reporting obligations to ensure compliance, as directed by the California Energy Commission. SCPPA is also actively engaged in efforts to improve and streamline the data reporting process, to revise the 7th edition of the RPS Eligibility Guidebook, and to seek appropriate Portfolio Content Category status for local distributed generation systems.

## **Greenhouse Gas Emissions Reduction Efforts**

SCPPA is heavily involved in the State's ongoing efforts to meet emissions reduction goals under the Global Warming Solutions Act (AB 32). That bill directed California's Air Resources Board to enact policies and programs to reduce greenhouse gas emissions to 1990 levels by the end of 2020. A secondary goal is to reduce emission levels to 80% below 1990 levels by the end of 2050. Enforceable compliance obligations began with the 2013 GHG emissions reported by electricity providers and other major industry stakeholders; the transportation sector will fall

under the Cap-and-Trade program beginning 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 plans to be involved in discussions to address post-2020 goals and targets heading into 2015.

## **President Obama's Climate Action Plan**

SCPPA is actively engaged in Federal efforts to implement President Obama's Climate Action Plan. In January, the EPA released a revised proposed rule to reduce emissions from new power plants; the proposed rule to reduce emissions from existing and modified or reconstructed power plants was released in June. SCPPA previously urged the EPA to recognize the significant steps that California has already undertaken to combat climate change, and will file comments on the existing power plant proposed rule by the December 1st comment deadline. SCPPA will principally urge the Federal government to provide states with maximum implementation flexibility; provide the ability for states to work towards "modular" multi-state agreements on specific program elements; and a realistic timeframe for states to develop State Implementation Plans that practically address enforceability measures. The final rule for existing power plants is expected to be released by the EPA in June 2015.

***SCPPA is also actively engaged in efforts to improve and streamline the data reporting process, and to seek appropriate Portfolio Content Category status for local distributed generation systems.***

# ANAHEIM



**DUKKU LEE**  
General Manager  
Anaheim Public  
Utilities Dept.

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 over 350,000 residents and 15,000 businesses in Anaheim, the 10th largest city in California. Each year, over 40 million visitors travel to Anaheim, home to Angels Baseball, the Anaheim Ducks, the Disneyland Resort, and the Anaheim Convention Center.

Anaheim's electric system supports a wide customer base, with annual peak demand of 549 megawatts. Proactive maintenance and strategic capital investments have helped APU maintain its strong track record of electric reliability. In 2014, APU was recognized by the American Public Power Association as a Reliable Public Provider (RP3), a designation given to less than 10% of the 2000+ public power agencies nationwide for excellence in reliable day-to-day service and safety performance.

As a municipal, not-for-profit utility, APU provides water and power at competitive rates that are among the lowest in California. Rebates and incentives are also offered to help customers save money while conserving resources. APU remains committed to providing reliable, high quality, environmentally sustainable, and competitively-priced water and power, and delivering the maximum, economically reasonable return to its customer-owners in order to preserve Anaheim's health and prosperity.

Customers - Retail . . . . .	115,474
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	467,348
Purchased . . . . .	3,751,220
Total . . . . .	4,218,568
Total Revenues (000s) . . . . .	\$435,144
Operating Costs (000s) . . . . .	\$383,505

\*Unaudited Fiscal Year End June 30, 2014 information

# AZUSA



**GEORGE F. MORROW**  
Director of Utilities  
City of Azusa  
Light & Water

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, 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.

Customers - Retail . . . . .	15,955
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	0
Purchased (net) . . . . .	330,947
Total . . . . .	330,947
Total Revenues (000s) . . . . .	\$44,690*
Operating Costs (000s) . . . . .	\$43,026*

\*Unaudited

# BANNING



**FRED H. MASON**  
Electric Utility Director  
City of Banning

The City of Banning Electric Utility provides electric service to approximately 11,800 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 33 percent by 2020. The Utility is dedicated to continue providing quality service to its customers in a safe and reliable manner, at reasonable rates.

Customers - Retail . . . . .	11,800
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	0
Purchased . . . . .	146,193
Total . . . . .	146,193
Sales	
Retail . . . . .	138,926
Total Revenues (000s) . . . . .	\$30,323*
Operating Costs (000s) . . . . .	\$27,417*

\*Unaudited

# BURBANK



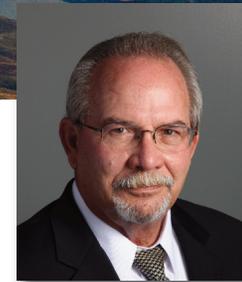
**RONALD E. DAVIS**  
General Manager  
Burbank Water and Power

# CERRITOS



**ART GALLUCCI**  
City Manager  
City of Cerritos

# COLTON



**DAVE X. KOLK, PH.D.**  
Electric Utility Director  
City of Colton

For 100 years, Burbank Water and Power (BWP) has provided the City of Burbank with safe, reliable, and affordable electric services. 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. This year BWP installed 11 electric vehicle charging stations throughout Burbank to help develop the fledging infrastructure to support this important new technology, and provide confidence for customers that fuel will be available when needed. In addition, BWP completed the foundational work to provide customers access to their water and electric consumption data as well as payment information over the internet BWP is committed to continuous improvement that will facilitate serving Burbank customers with competitive rates and providing reliability that is among the best in the nation.

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 308 accounts. The utility serves educational institutions and major retail businesses in the City with the primary goal of providing an affordable 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 is exploring alternate sources of power such as the hydroelectric power reallocation by the Western Area Power Administration of the power generated by Boulder Canyon Power.

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 19,000 customers with a diverse mix of generation resources.

The Department's employees are proud to provide the community reliable 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.

Customers - Retail . . . . .	52,439
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	12,300
Purchased . . . . .	1,141,100
Total . . . . .	1,153,400
Total Revenues (000s) . . . . .	\$175,381
Operating Costs (000s) . . . . .	\$159,815

\*Unaudited and excludes wholesale transactions

Customers - Retail . . . . .	308
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	43,709
Purchased . . . . .	19,498
Total . . . . .	63,207
Total Revenues (000s) . . . . .	\$5,783,000*
Expenses (000s) . . . . .	\$6,900,000*

\*Unaudited

Customers - Retail . . . . .	18,896
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	29,650
Purchased . . . . .	360,230
Total . . . . .	389,880
Total Revenues (000s) . . . . .	\$60,640,885*
Operating Costs (000s) . . . . .	\$58,286,940*

\*Unaudited

# GLENDALE



**STEVE ZURN**  
General Manager  
Glendale Water  
and Power

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 86,000 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.

Customers - Retail . . . . .	86,012
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	167,663
Purchased . . . . .	1,737,829
Total . . . . .	1,905,492
Total Revenues (000s) . . . . .	\$205,185
Operating Costs (000s) . . . . .	\$215,502

# IMPERIAL



**KEVIN KELLEY**  
General Manager  
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 6,471 square miles that encompasses an expanding 1,400-mile transmission network. One of five balancing authorities in the state, IID controls over 1,100 megawatts of energy derived from a diverse resource portfolio that includes native generation, SCPPA 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 149,000 customers.

Customers Served . . . . .	149,800
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	1,695,499
Purchased . . . . .	2,130,777
Total . . . . .	3,826,276
Total Revenues (000s) . . . . .	\$443,978
Operating Costs (000s) . . . . .	\$444,882
As of December 31, 2013	

# LOS ANGELES



**MARCIE L. EDWARDS**  
Chief Operating  
Officer  
Los Angeles Department  
of Water and Power

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 SCPPA. LADWP is undergoing a transformation of its power supply, as documented in its 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, increasing energy efficiency to at least 10% by 2020, balancing the system demands with increased use of natural gas from new and rebuilt existing facilities, and repowering gas facilities to eliminate the use of ocean water for cooling.

Customers - Served . . . . .	1,503,424
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	14,378,788
Purchased . . . . .	13,482,513
Total . . . . .	27,861,301
Total Revenues (000s) . . . . .	\$3,362,300*
Operating Costs (000s) . . . . .	\$2,830,383*
*Unaudited	

# PASADENA



**PHYLLIS E. CURRIE**  
General Manager  
Pasadena Water  
and Power

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.

During 2014, Pasadena made significant progress toward reaching the goal for renewable energy resources established in its Integrated Resource Plan ("IRP"). 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 2013, over 27.2% of the City's retail energy requirements was supplied by renewable resources. 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 2014, PWP continued its progress to construct a repowering project to replace an aging local generation plant with a new combined-cycle plant. PWP awarded major contracts to supply power island equipment, project and construction management; and the design and installation of balance of plant equipment, and installation of the power island equipment. Site preparation and construction will begin during fiscal year 2015. PWP's success is a result of its commitment to remain a valued community asset, and exceptional employer, and a partner in Pasadena's prosperous future.

Customers - Retail . . . . .	65,039
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	75,837
Purchased . . . . .	1,127,617
Total . . . . .	1,203,454
Total Revenues (000s) . . . . .	\$201,687
Operating Costs (000s) . . . . .	\$173,942

# RIVERSIDE



**GIRISCH BALACHADRAN**  
General Manager,  
Riverside Public Utilities

Established in 1895, Riverside Public Utilities (RPU) is a consumer-owned water and electric utility that provides high quality, reliable services to over 108,000 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 313,000. RPU is committed to providing the highest quality water and electric services at the lowest possible rates to benefit its customer owners.

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, 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 2013, renewable resources provided 24% of retail sales requirements.

Customers - Retail . . . . .	108,358
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	86,300
Purchased . . . . .	1,769,400
Renewables . . . . .	423,800
Total . . . . .	2,279,500
Total Revenues (000s) . . . . .	\$343,448
Operating Costs (000s) . . . . .	\$276,328

# VERNON



**CARLOS FANDINO, JR.**  
Director –  
Light & Power  
City of Vernon

City of Vernon Light & Power 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.

Customers - Retail . . . . .	1,889
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated . . . . .	164
Purchased . . . . .	1,184,931
Total . . . . .	1,185,095
Total Revenues (000s) . . . . .	\$162,361*
Operating Costs (000s) . . . . .	\$117,944*

\*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

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 shown below. 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
STS 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

## 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
Capacity	17.00 MW	98.7 MW	17.04 MW	10.00 MW	16.00 MW	250.00 MW
City of Los Angeles	-	69.6%	-	-	84.6%	84.0%
City of Anaheim	60.0%	-	56.4%	-	-	-
City of Azusa	-	-	21.8%	-	-	-
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%	-	-
	<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

## Combined Summary of Financial Condition and Changes in Net Position

(\$ In Thousands)

	JUNE 30,		
	2014	2013 (restated)	2012 (restated)
<b>Assets</b>			
Net utility plant	\$ 1,574,194	\$ 1,362,772	\$ 1,431,352
Investments	679,569	730,573	678,358
Cash and cash equivalents	301,753	230,929	348,515
Prepaid and other	1,099,682	1,152,331	1,230,973
Total assets	<u>\$ 3,655,198</u>	<u>\$ 3,476,605</u>	<u>\$ 3,689,198</u>
Deferred outflows of resources	95,061	122,746	126,951
Total assets and deferred outflows of resources	<u>\$ 3,750,259</u>	<u>\$ 3,599,351</u>	<u>\$ 3,816,149</u>
<b>Liabilities</b>			
Noncurrent liabilities	\$ 3,456,473	\$ 3,307,841	\$ 3,578,046
Current liabilities	392,473	398,509	415,090
Total liabilities	<u>3,848,946</u>	<u>3,706,350</u>	<u>3,993,136</u>
Deferred inflows of resources	-	-	-
<b>Net Position</b>			
Net investment in capital assets	(608,196)	(621,687)	(641,171)
Restricted	583,618	565,717	555,522
Unrestricted	(74,109)	(51,029)	(91,338)
Total net position	<u>(98,687)</u>	<u>(106,999)</u>	<u>(176,987)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,750,259</u>	<u>\$ 3,599,351</u>	<u>\$ 3,816,149</u>
<b>Revenues, Expenses and Changes in Net Position for the year ended June 30</b>			
Operating revenues	\$ 702,327	\$ 639,925	\$ 682,990
Operating expenses	(564,690)	(503,837)	(511,062)
Operating income	<u>137,637</u>	<u>136,088</u>	<u>171,928</u>
Investment and other income	30,066	14,727	23,745
Derivative gain (loss)	395	60,189	(42,743)
Debt expense	(156,729)	(157,645)	(164,017)
Change in net position	<u>11,369</u>	<u>53,359</u>	<u>(11,087)</u>
Net Position, beginning of year	(106,999)	(176,987)	(127,079)
Cumulative effect of restatement	-	-	(50,792)
Net Position, beginning of year as restarted	<u>(106,999)</u>	<u>(176,987)</u>	<u>(177,871)</u>
Net Contributions/(Withdrawals) By Participants	(3,057)	16,629	11,971
Net Position, end of year	<u>\$ (98,687)</u>	<u>\$ (106,999)</u>	<u>\$ (176,987)</u>



### SCPPA Accounting & Investment Group

Therese Savery  
Manager SCPPA Accounting & Investments

#### Accounting Group:

Yolanda Pantig, Assistant Accounting Manager  
Jocelyn Mariano, Senior Utility Accountant  
Sharon Moore, Administrative Assistant  
Adrian Chung, Lead Utility Accountant  
Atif Haji Dato, Lead Utility Accountant  
Kimberly Chen, Utility Accountant  
Ashanti De La Mesa, Utility Accountant  
Joshua Ley, Utility Accountant

#### Investment Group:

Joan Ilagan, Investment Manager  
Margarita Estrella, Lead Utility Accountant