



To: Honorable Public Utilities Board

Submitted by: _____/s/
Robert Orbeta
AGM - Administration

From: Sophie Saad
Financial Services Supervisor

Approved by: _____/s/
Elizabeth D. Warmerdam
Interim General Manager

Subject: By Motion; Accept the Independent Audit of Alameda Municipal Power's Financial Position for the Fiscal Years Ended June 30, 2016 and 2015, and its Associated Reports

RECOMMENDATION

By motion; accept the independent audit of Alameda Municipal Power's financial position for the fiscal years ended June 30, 2016 and 2015, and its associated reports.

BACKGROUND

The City of Alameda's Charter (Article XII Sec 12-4[B]) and state statutes require an annual audit of Alameda Municipal Power (AMP) by independent certified public accountants. At its September 15, 2014 meeting the Public Utilities Board (Board) authorized the general manager to extend the Vavrinek, Trine, Day & Co. contract agreement for Audit Services through Fiscal Years (FY) 2015, 2016 and FY 2017. FY 2016 is the seventh year of independent audit by VTD.

DISCUSSION

Each year, the audit process produces a variety of written documentation on AMP's financial position as of June 30. The documentation for FY 2016 provides detailed financial information by which the Board, City Council, the public, market analysts, investors, and other interested parties, may assess the current status of AMP's business affairs through June 30, 2016, and it also provides a performance comparison to previous years.

Included in this year's documentation is:

1. A letter from the independent auditor describing observations related to compliance with the Charter of the City of Alameda (Exhibit A);
2. A letter from the independent auditor describing observations related to compliance with AMP's investment policy (Exhibit B);

3. A letter from the independent auditor describing Significant Audit Findings encountered during the review and a summary of additional reviews done in support of the audit (Exhibit C); and
4. AMP's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2016 and 2015 (Exhibit D).

AMP's management is responsible for both the accuracy of the data contained in the CAFR and the completeness & fairness of the presentation including all disclosures. To the best of our knowledge and belief, the data presented is accurate in all material respects, and is reported in a manner that fairly sets forth the financial position and operational results of AMP. It should be noted that the independent auditor has expressed in their Independent Auditors' Report, which is included in the financial section of the CAFR, that "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of AMP as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

The letters from the independent auditor describing observations related to compliance with the City of Alameda's Charter (Exhibit A) and AMP's Investment Policy (Exhibit B) affirm that the Auditor conducted their audit in accordance with generally accepted auditing standards, performed certain tests to obtain reasonable assurance that the financial statements are free of material misstatements, and that nothing came to the attention of the auditor that caused them to believe that AMP failed to comply with applicable guidelines related to the Charter or the Investment Policy.

The letter from the independent auditor describing Significant Audit Findings (Exhibit C) affirm that the Auditor conducted their audit in accordance with generally accepted auditing standards and that AMP management was responsible for the selection and use of appropriate accounting policies. The auditor noted:

1. There were no transactions entered into by AMP during the year for which there was a lack of authoritative guidance.
2. All significant transactions have been recognized in the financial statements in the proper period.
3. Management's estimate of the green-house gas related sales accrued but uncollected, fair value of investments, estimated liability for claims incurred but not reported, the estimated useful lives of capital assets and related depreciation, and the estimates related to the net pension liability, deferred inflows of resources and deferred outflows of resources and related disclosures were reasonable.
4. There were no difficulties or disagreements encountered.

The CAFR for FY 2016 (Exhibit D), with its comparative information to the previous years, was prepared to meet the needs of a broad spectrum of financial statement readers.

The CAFR is divided into the following sections:

- *Introductory Section*: This section introduces the reader to AMP and includes a transmittal letter from the Interim General Manager highlighting AMP's history, its recent accomplishments, and some of the economic conditions within which AMP operates. This section also contains information regarding the 19th award to AMP from the Governmental Finance Officers Association (GFOA) of the United States and Canada, for achieving the highest standards in government accounting and financial reporting.
- *Financial Section*: This section introduces the reader to specific financial data and includes the independent auditors' report, management's discussion and analysis letter, financial statements, and notes to the financial data.
- *Statistical Section*: This section introduces the reader to the history of AMP through a number of tables and graphs revealing long-term results of AMP's operations, the City's demographics and miscellaneous data that complements the financial data. Although this section contains substantial financial data, the tables and graphs differ from financial statements in that they present some non-accounting data, cover more than the current year, and are designed to reflect social and economic data, financial trends, and the fiscal capabilities of AMP.
- *Bond Disclosure Section*: This section introduces the reader to consolidated information which was previously transmitted separately as part of required bond disclosures. The information presented is for AMP's five (5) most recent fiscal years and includes those years ended June 30, 2016, 2015, 2014, 2013, and 2012.

After acceptance by the Board, the CAFR for FY 2016 will be on file with the City Clerk, and can also be reviewed at the Alameda Free Library and its branches. Additionally, the CAFR will be added to AMP's website and, in accordance with policy and lending institution covenant, will be distributed to several parties outside of AMP.

FINANCIAL IMPACT

AMP received an unmodified opinion from the accounting firm of Vavrinek, Trine, Day & Co. LLP for the independent audit for FY 2016.

LINKS TO BOARD POLICY AND OBEJECTIVES

Strategy 2: Ensure utility financial health is preserved through short and long-term risk management and planning.

EXHIBITS

- A. Letter from the independent auditor describing observations related to compliance with the City of Alameda's Charter
- B. Letter from the independent auditor describing observations related to compliance with AMP's investment policy
- C. Letter from the independent auditor describing Significant Audit Findings
- D. AMP's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2016 and 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH CHARTER OF CITY OF ALAMEDA**

Public Utilities Board
Alameda Municipal Power
Alameda, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California, which comprise the statement of net position as of June 30, 2016, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2016. Our report included an emphasis of matter regarding the implementation of GASB 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our report included an emphasis of matter that the financial statements do not purport to, and do not, present fairly the financial position of the City of Alameda, California as of June 30, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that AMP failed to comply with Section 12-6 of the Charter of the City of Alameda, California; adopted April 27, 1937; approved May 5, 1937; amended November 2, 1982 and March 5, 1991 insofar as they relate to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding AMP's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Charter, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Public Utilities Board, Alameda Municipal Power, City of Alameda, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Pleasanton, California
November 9, 2016

AGENDA ITEM NO: 5.A.
MEETING DATE: 12/12/2016
EXHIBIT A



**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH INVESTMENT POLICY**

Public Utilities Board
Alameda Municipal Power
Alameda, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California, which comprise the statement of net position as of June 30, 2016, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2016. Our report included an emphasis of matter regarding the implementation of GASB 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our report included an emphasis of matter that the financial statements do not purport to, and do not, present fairly the financial position of the City of Alameda, California as of June 30, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that AMP failed to comply with the provisions of AMP's Investment Policy for the year ended June 30, 2016 approved by the Public Utilities Board on June 23, 2015, insofar as they relate to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding AMP's noncompliance with the above referenced terms, covenants, provisions, or conditions of the Investment Policy, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Public Utilities Board, Alameda Municipal Power, City of Alameda, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Pleasanton, California
November 9, 2016

AGENDA ITEM NO: 5.A.
MEETING DATE:
12/12/2016
EXHIBIT B



Public Utilities Board
Alameda Municipal Power
Alameda, California

We have audited the financial statements of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California, for the years ended June 30, 2016 and 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by AMP are described in Note 1 to the financial statements. As described in Note 1 to the financial statements AMP implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2014. We noted no transactions entered into by AMP during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting AMP's financial statements were:

Management's estimate of the green-house gas credit sales accrual but uncollected at June 30, 2016, fair value of investments, the estimated liability for claims incurred but not reported, the estimated useful lives of capital assets and related depreciation expense and the estimates related to the net pension liability, deferred inflows of resources and deferred outflows of resources and related disclosures are based on actuarial valuations and a proportionate share of the City of Alameda's Miscellaneous Plan net pension liability. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

AGENDA ITEM NO: 5.A.
MEETING DATE: 12/12/2016
EXHIBIT C

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to AMP’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as AMP’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis, Schedule of the AMP’s Proportionate Share of the City’s Miscellaneous Plan Net Pension Liability, and Schedule of Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory, Statistical and Bond Disclosure Sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Public Utilities Board, City of Alameda, and management of Alameda Municipal Power and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinik, Trine, Day & Co. LLP

Pleasanton, California
November 9, 2016

CAFR

COMPREHENSIVE

ANNUAL

FINANCIAL

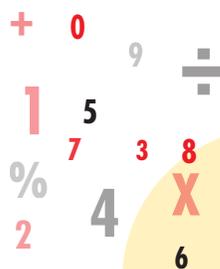
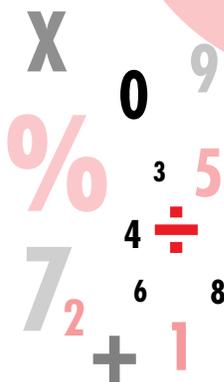
REPORT

For the

Fiscal Years

Ended

2015 and 2016



**ALAMEDA
MUNICIPAL POWER**

An Enterprise Fund and Department of the City of Alameda

PUBLIC UTILITIES BOARD

(as of June 30, 2016)

President

Mary Sutter

Vice President

Madeline Deaton

Commissioner

Ann McCormick

Commissioner

Laura Giuntini

Commissioner and City Manager

Jill Keimach

ALAMEDA MUNICIPAL POWER

General Manager

Glenn Steiger

Assistant General Manager, Engineering & Operations

Cynthia Whitchurch

Assistant General Manager, Customer Resources

Rebecca Irwin

Assistant General Manager, Administration

Robert Orbeta

Assistant General Manager, Energy Resource Planning

Barry Leska



**ALAMEDA
MUNICIPAL POWER**

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ALAMEDA MUNICIPAL POWER
AN ENTERPRISE FUND AND DEPARTMENT
OF THE CITY OF ALAMEDA, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015

PREPARED BY THE
ADMINISTRATIVE SERVICES DIVISION

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Introductory Section

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**ALAMEDA MUNICIPAL POWER
AN ENTERPRISE FUND AND DEPARTMENT
OF THE CITY OF ALAMEDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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OF THE CITY OF ALAMEDA
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AN ENTERPRISE FUND AND DEPARTMENT
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November 9, 2016

To the Public Utilities Board and Our Customers:

We are pleased to transmit the Comprehensive Annual Financial Report of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California for the fiscal years ended June 30, 2016 and 2015. AMP encourages readers to review all sections of this report and especially request that they refer to Management’s Discussion and Analysis located in the Financial Section of this report.

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

Profile

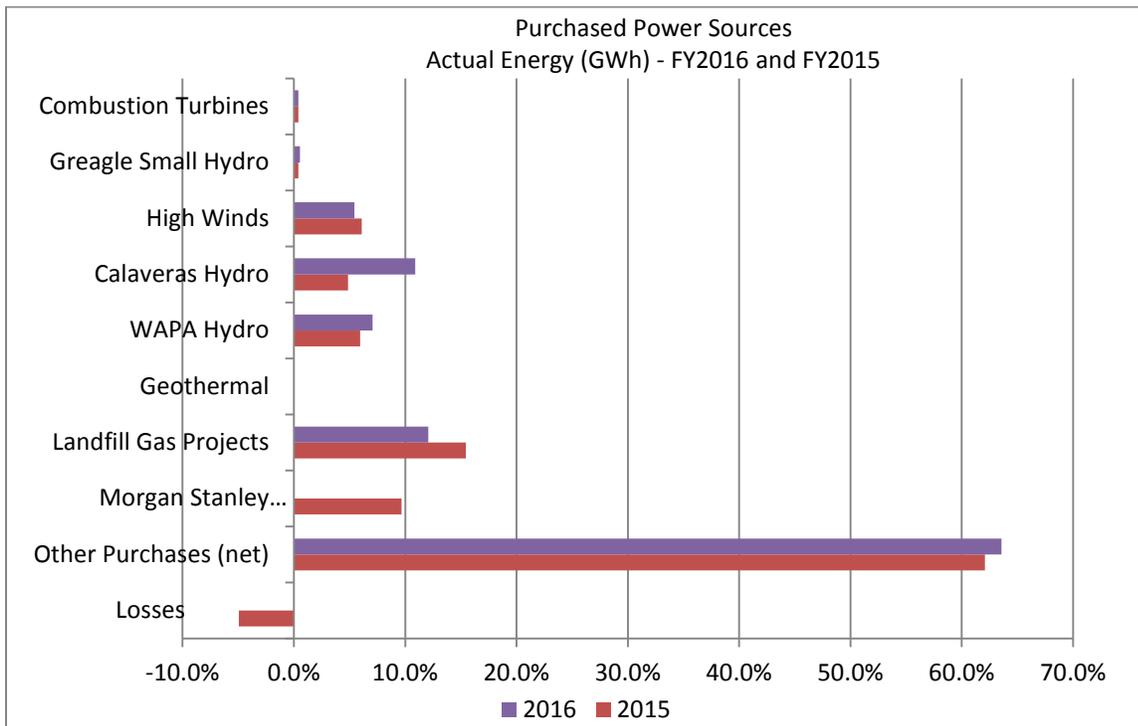
The City of Alameda - Department of Public Utilities - Bureau of Electricity, now doing business as Alameda Municipal Power, is the oldest municipal electric utility in California and is amongst the oldest in the nation, either public or private. The municipal utility has safely provided reliable, cost-effective,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

AMP is governed by a Public Utilities Board (Board). Pursuant to the Alameda City Charter, the Board has the power to control and manage the electric system, including the power to fix rates for the services provided by AMP. The Board establishes goals and policies, approves major purchases, and creates the framework for local control of AMP, one of Alameda’s largest businesses. The Board is comprised of four commissioners (appointed by the Mayor with concurrence from the City Council) and the City Manager (as an ex-officio member). During fiscal year (FY) 2016, the members of the Board included President Mary Sutter, Vice-President Madeline Deaton, Commissioner Laura Giuntini, Commissioner Ann McCormick, Commissioner and City Manager Jill Keimach. For FY 2017, the Board members are President Mary Sutter, Commissioner Madeline Deaton, Commissioner Ann McCormick, Commissioner Laura Giuntini, and Commissioner and City Manager Jill Keimach. The appointments became effective July 1, 2016.

The City of Alameda is an island community of 22.8 square miles located across the bay from San Francisco and to the southwest of the City of Oakland. AMP provides electric-energy services for the entire service area of the City. The electric system has 86.1 pole miles of overhead distribution lines, 177.2 circuit miles of underground distribution lines, 6.8 pole miles of overhead transmission lines, 1.9 circuit miles of underground transmission lines and 5,470 streetlights. During FY 2016, AMP served an average of 34,494 customer accounts, comprised of approximately 30,377 residential accounts, 3,743 commercial accounts, and 374 other accounts, with a peak demand of approximately 64.3 MW.

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

The actual energy purchased is illustrated below:



AMP participates in most of NCPA’s generation projects, but it does not participate in the Lodi Energy Center. Approximately 18.9% of AMP’s resources in FY2016 were sourced through NCPA including 10.9% from the Calaveras hydroelectric facilities, 7.1% from the Western Area

Power Alliance's (WAPA) hydroelectric facilities, 0.5% from the Graeagle hydroelectric facilities, and 0.4% from the Combustion Turbine (CT) projects. NCPA market purchases for AMP accounted for another 63.6% of purchased power.

AMP procures approximately 17.5% of its power supply resources independent of NCPA and has obtained independent contracts for several landfill gas facilities and for a portion of the high winds project. NCPA provides electric scheduling, dispatch and transmission for these electric-energy services.

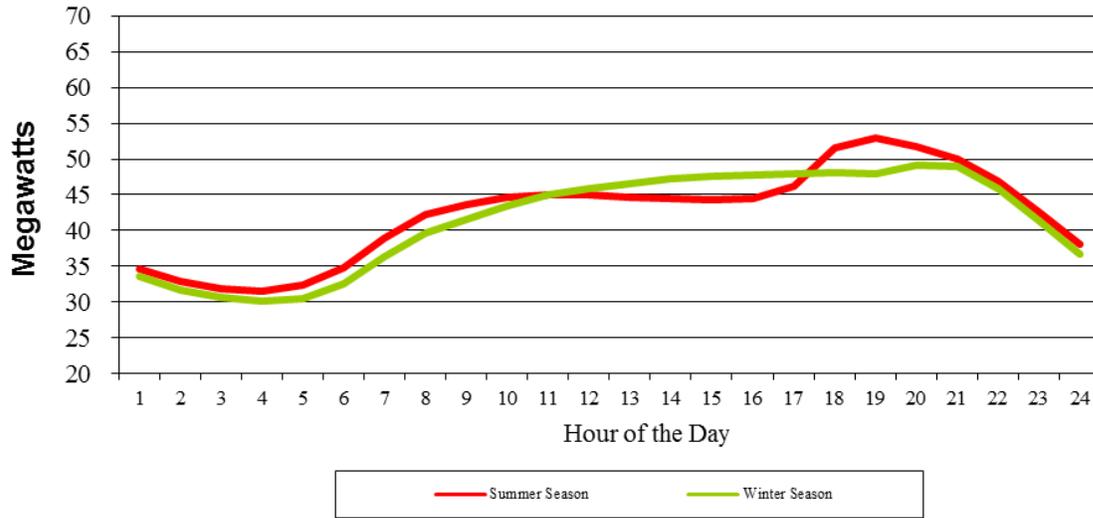
The actual energy purchased for FY 2016 resulted in 1.5% higher "Other Purchases", 1.1% higher WAPA hydroelectric facilities, 6.1% higher Calaveras hydroelectric facilities, and 0.1% higher Graeagle hydroelectric facilities. Energy purchase losses were decreased by 4.9% in FY 2016 compared to FY 2015. Other energy purchase decreases were comprised of 9.7% Morgan Stanley contract that matured in December 31, 2014, 3.4% lower Landfill Gas Projects, and .7% lower High Winds.

At its January 2012 meeting, the Board approved a Renewable Portfolio Power Sales Policy that directed AMP to sell all eligible renewable power through 2019 not required to comply with the revised Renewable Portfolio Standard. In October 2012, AMP sold its share of the renewable energy generated by NCPA's Geothermal Project and Ameresco's Ox Mountain LFGE facility through December 2016 to the California Department of Water Resources. This short-term sale is reflected above in the actual energy purchased chart. NCPA makes market purchases to replace the short-term sales and meet AMP's load requirements. AMP continues to evaluate short-term sales for the 2017 through 2019 period.

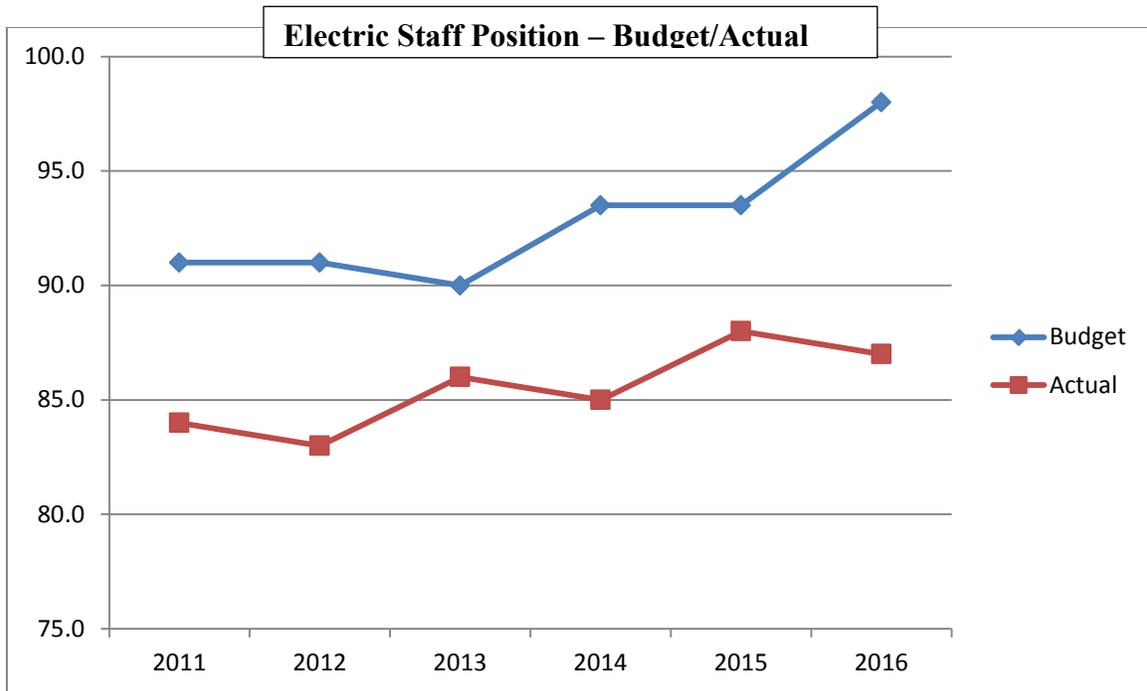
The Board directed that the resulting revenues from the short-term sales of the renewable power be retained and used to support AMP directed initiatives to reduce Green House Gas (GHG) emissions associated with electricity usage and service. Additionally, the California Cap-and-Trade (C&T) program continues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

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

AVERAGE DAILY LOADS FY 2016



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



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

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

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

1) Customer Programs & Experience

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

2) Workforce

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

3) System Resiliency

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

4) Technology

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

5) Energy Resources

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

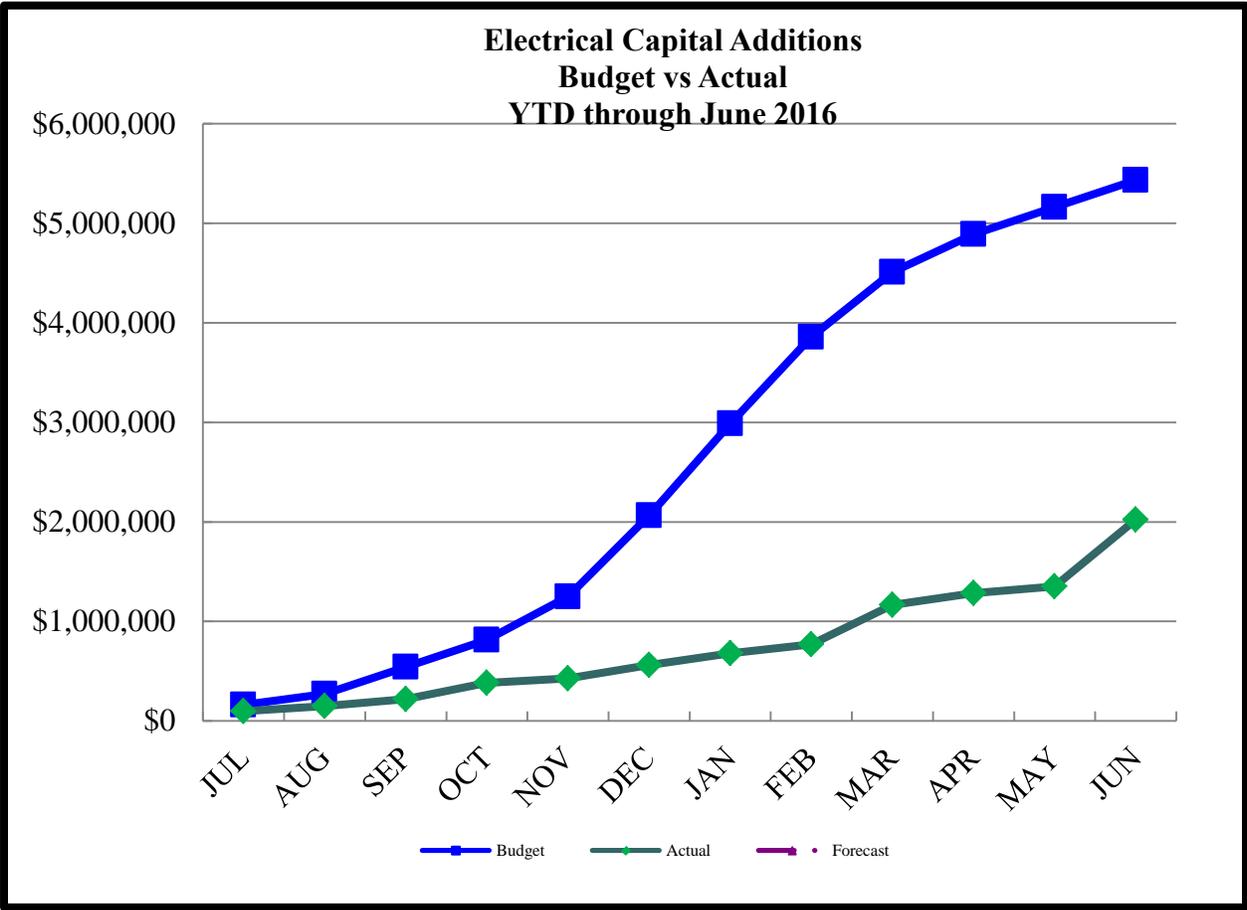
6) Financial and Organizational Stability

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

AMP's rates and fees are intended to recover the actual cost of providing service to each customer, remain competitive with those providing similar services in surrounding communities, and provide a return to the City. At its January 2015 meeting, the Board approved a five-year ratemaking policy for FY 2016 through 2020. The Board approved average rate increases of five percent or less per year. Additionally, the Board adopted financial guidelines that included a debt service coverage ratio of 1.75 times AMP's total debt service and an operating cash reserve requirement that is at least 145 days for operations during unforeseen events. At its regular meeting conducted April 2016, the Board approved an average rate increase of 5.0 percent for FY 2017. The 5.0% amount was determined based on the results of the 10-year pro forma model, a tool that enables staff to incorporate key assumptions and determine the rate adjustment needed to comply with financial guidelines.

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

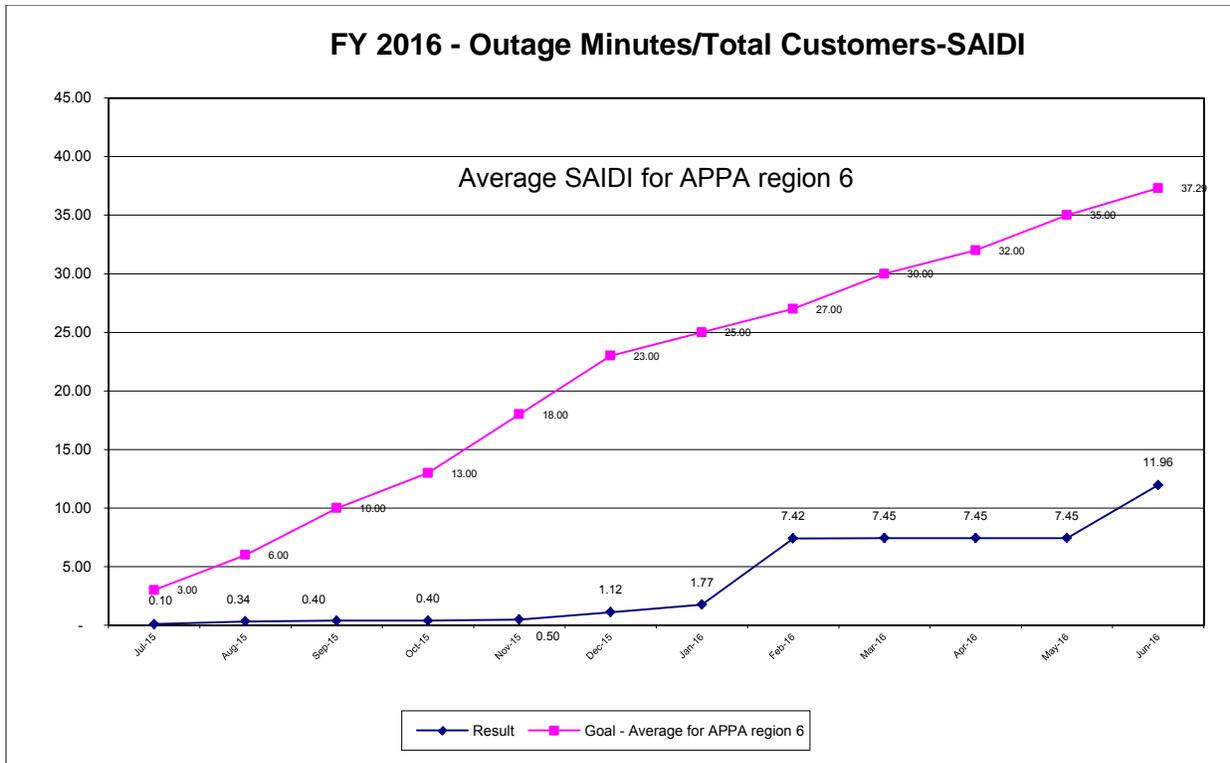
In its continuing commitment to provide the most reliable power for Alameda and in support of community development goals, AMP continues to improve its electric distribution network through capital improvements to the supervisory control and data acquisition (SCADA) system and electrical equipment; providing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



Several modifications to the CIP strategic plan occurred during FY 2016 that impacted planned construction budgets and schedules. Projects that were lower than budget because of material, labor, or contractor availability were 1) Distribution Pole, relays, and SF6 breaker replacements, 2) Coast Guard Island Tie-in, GIS, vehicle purchases, and upgrade to system operations, 3) Underground utility district, 4) residential customer connections, and 5) LED decorative lights. Projects that exceeded budgets were 1) wood pole inspections and testing, 2) Smart map utility IT project, 3) Advanced Metering Infrastructure (AMI), 4) LED streetlights that were initiated in FY2015 and completed in FY2016, and 5) Customer Information System (CIS) upgrade.

AMP has a goal to be “as reliable as the top quartile of electric utility providers in the Western United States”. AMP surpassed that goal during FY 2016, even though several unplanned events caused system outages.

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



In addition to the reliable services provided to its customers, AMP has transferred \$2.8 million to the City’s General Fund in accordance with the City Charter and applicable Board resolutions, paid \$1.4 million in Payments-In-Lieu-Of-Taxes (PILOT) of which \$1 million was prepaid in FY 2015 for FY 2016, and has effectively reduced the tax burden of residents thus improving the quality of life in Alameda while maintaining substantially lower rates than nearby investment-owned utilities.

Economic Conditions and Outlook

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

The California Department of Finance shows a population of 79,277 people residing in Alameda in FY 2016 versus 75,961 people in FY 2015, an increase of 4%. The approximate number of housing units is 31,600. Alameda’s unemployment rate dropped from 5.1% in FY 2015 to 4.1% in FY 2016. It is anticipated that the population of Alameda will continue to increase as new housing units are constructed and occupied at the former Naval Station (aka as Alameda Point) and elsewhere in the City.

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

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

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

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

Major Initiatives

Community Involvement

Through participation in local events and programs, and in partnership with local agencies, AMP maintains a strong presence in the community. AMP sponsored the Frank Bette Plein Air Paint-out and the Chamber of Commerce's "City Manager's Annual Report & Luncheon," and participated in the City's annual Fourth of July activities. The utility joined other City departments to sponsor a celebration of Earth Day. Through the "Power Up for Learning" program, AMP customers and the Alameda Education Foundation supported robotics programs for Alameda public school students. To recognize Public Power Week, October 2-8, 2016, AMP hosted a Shop Clean & Local week and honored the local businesses that participate in Alameda Green, its voluntary green energy program. As part of San Francisco Fleet Week, AMP educated the public on its potential roles in emergencies in an exercise led by the U.S. Maritime Administration (MARAD). AMP also hosted a customer tour of its geothermal plant. In its customer newsletter, "The Flash," AMP continues to promote its safety-education initiatives. In addition to its community involvement, AMP continues to provide financial assistance programs for low-income customers.

Economic Development

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

A portion of the west end of Alameda known as Alameda Landing is seeing significant growth at this time. New business developments, such as Target, Safeway and others, have been developed in this area. During FY 2016, AMP continued to build-out infrastructure and provide electric services to these businesses. Additionally, FY 2017 projects that are being undertaken to

improve system reliability, and flexibility for new development, include the installation and replacement of poles, fiber installations, replacement of substation breakers, Advanced Metering Infrastructure (AMI), upgrading LED streetlights, utility underground districts (UUD), upgrade core switches, continued system enhancements, and various design development activities.

Customer Service

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

- *Automatic Payment Service (Easy Pay)*
Electric bills may be paid directly through a draft on a checking or savings accounts.
- *Electronic Bill Presentment/Payment (EBPP)*
AMP customers can view and pay their electric bill at any of over 300 web sites including www.AlamedaMP.com.

A feature with the EBPP service includes an automated email notifying customers when their electric bill is ready for viewing and payment.

- *On-line Credit/Debit Card Payment*
Customers receive their electric bill via the U.S. Postal Service and elect to pay it over the Internet using any major credit card or bank debit card.
- *Credit Card Payments by Phone*
Bills may be paid by telephone using a MasterCard or Visa credit card.
- *U.S. Mail*
Customers receive and pay their bills by U. S. mail.
- *In-Person Payments*
Payments by check may be made left in a drop box at AMP's Service Center. Special payments may be made in person at the front desk of the Service Center with a Visa card, MasterCard, money order, cash, ATM card, or personal check.
- *Pay Station*
For customer convenience, there is an additional pay station in Alameda that will accept electric payments.

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

Solar Rebates and Alternative Fuel Vehicles

AMP continues to support community efforts for reducing greenhouse gases through its solar programs and by its use of alternative-fuel vehicles, including both all-electric and hybrid electric/gasoline vehicles. While the alternative-fuel vehicles serve business purposes, they also remind the community of AMP's commitment to a cleaner environment. AMP installed two level-three charging stations at its service center which charge a vehicle within approximately seven minutes. AMP will continue to monitor electric vehicle charging stations to assess electric-vehicle charging patterns as more all-electric vehicles begin to be utilized by the community.

Alameda Point Telephone System

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

Management's Statement of Responsibility

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

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

Independent Audit

California State statutes and the City of Alameda's charter require an annual audit of AMP's financial records and transactions. Vavrinek, Trine, Day & Co., LLP (VTD), a certified public accounting firm, is contracted to independently audit the financial information of AMP. VTD was provided access to all information and documentation necessary for the audit. The financial

section of the Comprehensive Annual Financial Report contains the Independent Auditors' Report as well as management's discussion and analysis of the financial data, the financial statements, and the notes to the financial statements. In the normal course of work, the independent auditor may recommend changes in control procedures and AMP's management will take appropriate action on such recommendations.

Award

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to AMP for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. A GFOA Certificate of Achievement is valid for a period of 1 year. This was the nineteenth consecutive year that AMP has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Elizabeth Warmerdam', written in a cursive style.

Elizabeth Warmerdam
Interim General Manager

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Principal Officers

(As of June 30, 2016)

PUBLIC UTILITIES BOARD

Mary Sutter, President

Madeline Deaton, Vice President

Ann McCormick, Commissioner

Laura Giuntini, Commissioner

Commissioner and City Manager, Jill Keimach

GENERAL MANAGER

Glenn Steiger

MANAGERS

Robert J. Orbeta, Assistant General Manager – Administration

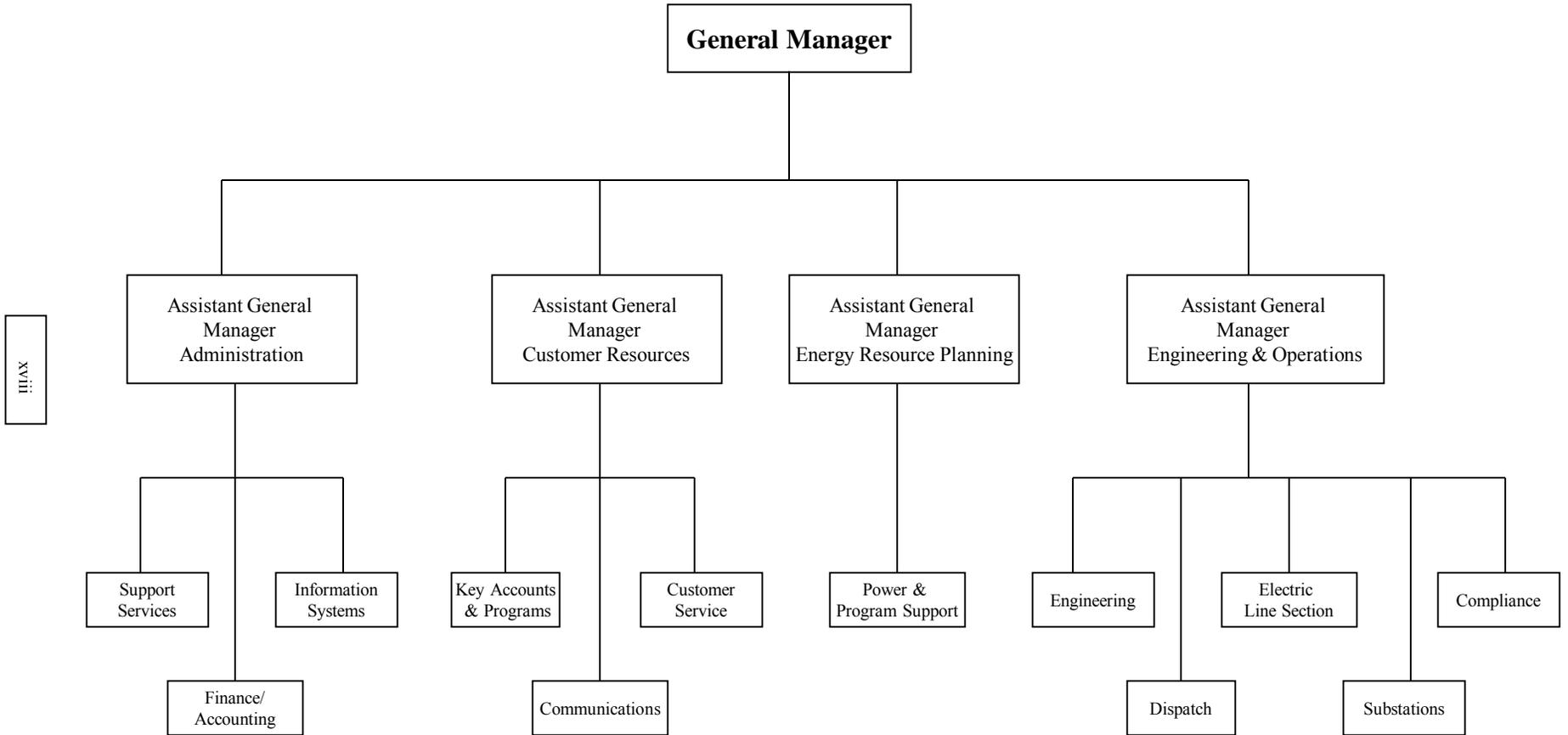
Rebecca Irwin, Assistant General Manager – Customer Resources

Barry Leska, Assistant General Manager – Energy Resource Planning

Cynthia Whitchurch, Assistant General Manager – Engineering & Operations

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City of Alameda
Alameda Municipal Power
Organizational Chart



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Alameda Municipal Power
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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Alameda, California, United States



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Financial Section

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INDEPENDENT AUDITORS' REPORT

Public Utilities Board
Alameda Municipal Power
Alameda, California

We have audited the accompanying financial statements of each major fund of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise AMP's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of AMP as of June 30, 2016 and 2015, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Individual Fund Financial Statements

As discussed in Note 1, the financial statements present only AMP's enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Alameda, California, as of June 30, 2016 and 2015, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Implementation of New Accounting Standards

As discussed in Note 13 to the financial statements, AMP adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of proportionate share of the net pension liability and schedule of contributions as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Varrinick, Trine, Day & Co. LLP

Pleasanton, California
November 9, 2016

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

As management of Alameda Municipal Power (AMP), we offer readers of AMP's financial statements this narrative overview and analysis of the financial activities of AMP for the years ended June 30, 2016 and 2015. Readers are encouraged to consider the information presented here in conjunction with information contained in the preceding transmittal letter, the accompanying financial statements and notes, the statistical section of the comprehensive annual financial report and the bond disclosure information.

FINANCIAL STATEMENTS OVERVIEW

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

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

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

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

FINANCIAL HIGHLIGHTS

- AMP's overall total net position increased by \$6.6 million for the year ended June 30, 2016 while last year an increase of \$8.3 million was reported.
- The electric fund total net position increased by \$4.4 million for the year ended June 30, 2016 while last year an increase of \$7.8 million was reported.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 and 2015

- The increase of \$4.4 million to the electric fund total net position comes from a combination of factors including:
 - Current Assets decreased by \$2.4 million for the year ended June 30, 2016 while last year's current assets increased by \$11.9 million that related to the excess withdrawal of the General Operating Reserves (GOR) from Northern California Power Agency (NCPA). This year's changes were due to a decrease of \$1.2 million in cash and equivalents that were used for the final loan payment from the City of Alameda for the construction of the fiber optic backbone to liquidate the telecom business, an increase of \$134k in investments, a decrease of \$144k in accounts receivable, a decrease of \$985k in prepaid costs related to the \$1.0 million prepayment of the pilot in FY2015 for FY2016, and a decrease of \$172k in Green House Gas (GHG) net receivables;
 - Capital Assets net of depreciation increased \$18k for the year ended June 30, 2016 while last year an increase of \$1.94 million was reported (see note 3 for additional information regarding capital assets and depreciation amounts);
 - Other Non-current Assets increased by \$7.3 million for the year ended June 30, 2016 while last year an increase of \$8.02 million was reported. This change was primarily due to an increase of \$2.1 million for certain Northern California Power Agency (NCPA) projects and investments (see note 8 for additional information regarding NCPA), and an increase of \$5.2 million for investments designated for special purposes (see note 2 for additional information regarding restricted and designated investments), an increase of \$19k for restricted investments;
 - Deferred Outflow of Resources increased by \$235k due to pensions. Last year the outflow of resources increased by \$955k primarily due to the implementation of GASB 68 as of July 1, 2014 by recognizing \$1.01 million in deferred outflows relating to pensions.
 - Current Liabilities for the electric fund increased by \$929k for the year ended June 30, 2016, while last year a decrease of \$305k was reported. The change was primarily due to a \$361k increase in accrued liabilities and accounts payable and accrued payroll, an increase of \$542k in deposits, a net decrease of \$25k for interest payable, current portion of compensated absences (see note 1C for additional information), and current portion of claims liability (see note 10B for additional information);
 - Non-current Liabilities increased \$1.3 million for the year ended June 30, 2016 while last year an increase of \$12.8 million was reported. The change was primarily due to net pension liability relating to GASB 68 that AMP implemented as of July 1, 2014. The 2016 net pension liability increased \$2.4 million but was offset with a decrease of \$1.1 million in long term debt (net of current portion);
 - Deferred Inflow of Resources decreased by \$1.5 million for the year ended June 30, 2016, while last year an increase of \$3.4 million was reported. The change is primarily due to \$1.1 million increase in the balancing account due to capital projects that were delayed because of material, labor, or contractor availability and \$2.5 million decrease in pension liability. Prior year increase was related to the implementation of GASB 68 as of July 1, 2014 for pensions.
- The telecom fund total net position increased by \$2.2 million for the year ended June 30, 2016 while last year an increase of \$439k was reported. The telecom fund's net position change related to the final liquidation of the telecom fund.
- Electric fund operating revenue increased \$3.3 million for the year ended June 30, 2016 as electricity sales revenue increased \$3.4 million as a result of increased rates and colder weather, miscellaneous services increased \$206k relating to an increase in field visits and other operating revenues, plant leased to others decreased \$35k, jobbing sales increased \$112k as more customers requested specialized work,

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 and 2015

Cap & Trade (CT) Program net revenue decreased \$83k and Greenhouse Gas (GHG) related sales decreased \$377k from last year's amount.

- Excluding purchased power, depreciation and the balancing account, electric fund operating expenses for the year ended June 30, 2016 increased \$2.0 million compared to the results from last year primarily as a result of increased customer service and operations, energy efficiency programs, increased administration costs. The main increases were legal costs, labor related to renegotiated union contracts, and reduced capital project allocations.
- Purchased power expenses increased \$2.3 million for the year ended June 30, 2016, while last year a \$679k decrease was reported. Increases were related to higher transmission costs and increased market purchases.
- Depreciation and amortization expense increased \$217k for the year ended June 30, 2016, while last year a \$189k increase was reported.
- The balancing account, which is used to stabilize rates, was increased by \$1.0 million, while last year it was reduced by \$660k (see note 1C for additional information on the deferred inflows of resources related to balancing account).
- Electric fund non-operating revenues/expenses had a net decrease of \$1.26 million in spending for the year ended June 30, 2016 while last year a net increase in spending of \$1.35 million was reported.
 - Interest income was higher by \$143k and interest expense was higher by \$44k for the year ended June 30, 2016 while last year interest income was higher by \$87k and interest expenses were lower by \$64k.
 - Fair value of NCPA Projects and Reserves increased by \$1.1 million during the year ended June 30, 2016, while last year an increase by \$807k million was reported.
 - Miscellaneous non-operating revenue/expense had a net increase of \$22k for the year ended June 30, 2016 while last year a net increase of \$298k was reported.
- AMP continues to maintain the telephone system at Alameda Point and strives to provide service to customers "at cost". AMP recognized \$51k in revenues for the year ended June 30, 2016 while last year recognized \$27k.
- AMP continued its support of the City's general fund with a Board approved contribution of \$2.8 million in FY 2016 and FY 2015.
- To allow for final payment of expenses resulting from the sale of the telecommunications system, the electric fund transferred \$2.2 million to the telecom fund without any expectation of being repaid.
 - The amount transferred increased \$1.6 million from last year's transfer of \$575k.
- The electric fund had a decrease of \$1.3 million in cash and equivalents for the year ended June 30, 2016 while last year an increase of \$3.3 million was reported. The results come from a combination of factors including:
 - Net cash provided by operating activities increased \$1.7 million while last year it was reported that net cash provided by operating activities decreased \$867k from the previous year.
 - Net cash used for non-capital financing activities increased \$1.6 million while last year it was reported that net cash used for non-capital financing activities decreased \$20k from the previous year.
 - Net cash used for capital and related financing activities decreased \$1.8 million while last year it was reported that net cash used in capital and related financing activities increased \$362k from the previous year.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

- Net cash used by investing activities increased \$6.4 million while last year it was reported that net cash provided for investing activities increased \$9.9 million.
- The electric fund prepaid \$1.0 million of PILOT for FY2016 during FY2015. No prepayments were made in FY2016.
- The telecom fund had \$0 change in its cash and equivalents for the year ended June 30, 2016 which is consistent with last year's reported change of \$0.
- Net cash provided for operating activities was \$10k while last year it was reported that net cash used for operating activities was \$575k, a net change of \$565k.
- Net cash provided by non-capital financing activities were \$2.2 million while last year it was reported that net cash used by non-capital financing activities were \$575k.
- Net cash used by financing activities was \$2.2 million for the year ended while it was \$0 for prior year.

COMBINED NET POSITION

AMP's Combined Net Position as of June 30:

(Dollars in thousands)

| | 2016 | 2015 | 2014 |
|--------------------------------------|------------------|------------------|------------------|
| Assets: | | | |
| Current Assets | \$ 46,403 | \$ 48,802 | \$ 36,864 |
| Capital Assets, net of depreciation | 40,206 | 40,188 | 38,251 |
| Other Non-current Assets | 39,586 | 32,282 | 40,302 |
| Total Assets | 126,195 | 121,272 | 115,417 |
| Deferred Outflow of Resources | 2,060 | 1,825 | 870 |
| Liabilities: | | | |
| Current Liabilities | 6,176 | 7,448 | 8,191 |
| Long-term Liabilities Outstanding | 42,617 | 41,309 | 28,487 |
| Total Liabilities | 48,793 | 48,757 | 36,678 |
| Deferred Inflow of Resources | 18,779 | 20,248 | 16,873 |
| Net Position: | | | |
| Net Investment in Capital Assets | 32,252 | 32,296 | 30,358 |
| Restricted | 4,581 | 4,562 | 4,544 |
| Unrestricted | 23,848 | 17,235 | 27,834 |
| Total Net Position | \$ 60,681 | \$ 54,093 | \$ 62,736 |

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

ANALYSIS OF NET POSITION

AMP's combined total net position was \$60.7 million as of June 30, 2016. Comparing this year results to the previous fiscal year, the combined total net position increased by \$6.6 million, or almost 12% of last year.

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

The largest portion of combined total liabilities is used to finance AMP's operations, construction, NCPA activities and adjustment of the balancing account accumulation. Total combined assets increased \$4.9 million, or a 4% increase to last year's total. Total combined Deferred Outflow of Resources increased by \$235k, or 12.9% increase to last year's total relating to pensions. Total combined liabilities increased by \$37k, or a 0.08% compared to last year's total. Total combined Deferred Inflow of Resources (balancing account) decreased by \$1.5 million, or a 7.3% decrease to last year's total.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

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

(Dollars in thousands)

| | 2016 | 2015 | 2014 |
|---|------------------------|------------------------|-------------------------|
| Operating Revenues | | | |
| Electric Sales | \$ 54,221 | \$ 50,791 | \$ 51,138 |
| Other Services Revenue | 7,792 | 7,968 | 8,556 |
| Total Operating Revenues | <u>62,013</u> | <u>58,759</u> | <u>59,694</u> |
| Operating Expenses | | | |
| Purchased Power | 29,781 | 27,518 | 28,197 |
| Energy efficiency, solar, other | 1,685 | 1,605 | 1,087 |
| Operations and Maintenance | 4,574 | 4,328 | 4,097 |
| Customer Accounts, Information Systems | 2,226 | 2,113 | 2,075 |
| Administrative and General | 7,733 | 6,116 | 6,548 |
| Depreciation and Amortization | 3,366 | 3,149 | 2,960 |
| Sales Expense | 540 | 532 | 499 |
| Jobbing Sales Expense | 315 | 203 | 719 |
| Balancing Account | 1,010 | (660) | (1,897) |
| Total Operating Expenses | <u>51,230</u> | <u>44,904</u> | <u>44,285</u> |
| Operating Income (Loss) | | | |
| Electric | 10,783 | 13,855 | 15,925 |
| Telecommunications | | (137) | (515) |
| Total Operating Income (Loss) | <u>10,783</u> | <u>13,718</u> | <u>15,410</u> |
| Non-operating Revenue (Expense) | | | |
| Interest Income on Investments | 316 | 174 | 86 |
| Interest Expense | (1,510) | (1,554) | (1,618) |
| Gain (Loss) from Disposition | - | 7 | (135) |
| Increase (Decrease) in Value of NCPA Projects | 1,073 | 18 | (790) |
| Alameda Point Phone Maintenance-Net | 51 | 26 | 65 |
| Misc Non-operating Income (Expense) | 58 | 39 | (277) |
| Telecommunications | 10 | - | - |
| Payment in-lieu of taxes | (1,391) | (1,363) | (1,337) |
| Transfer to City of Alameda | (2,800) | (2,800) | (2,800) |
| Total Non-Operating Revenue (Expense) | <u>(4,193)</u> | <u>(5,453)</u> | <u>(6,806)</u> |
| Income (loss) before Transfers and Special Item | <u>6,590</u> | <u>8,402</u> | <u>8,603</u> |
| Transfers in (to Telecom) | 2,190 | 575 | 581 |
| Transfers out (from Electric) | (2,190) | (575) | (581) |
| Total Transfers | <u>-</u> | <u>-</u> | <u>-</u> |
| Special Item: | | | |
| Legal Settlement (to Telecom) | - | - | 1,548 |
| Change In Net Position | | | |
| Electric | 4,390 | 7,827 | 8,538 |
| Telecommunications | 2,200 | 438 | 1,615 |
| Total Change In Net Position | <u>\$ 6,590</u> | <u>\$ 8,265</u> | <u>\$ 10,153</u> |

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

ANALYSIS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in Electric Net Position

Electric net position increased \$4.4 million for the year ended June 30, 2016 while last year an increase of \$7.8 million was reported. Electric operating revenue increased \$3.4 million while last year a decrease of \$0.9 million was reported. Electric operating expenses increased \$6.3 million from last year primarily due to \$2.3 million higher power expenses relating to increased transmission costs, \$4.0 million higher legal fees, higher labor expenses relating to renegotiated union contracts, lower cost allocations to capital projects, lower energy efficiency and solar programs, higher lower jobbing expenses, and higher balancing account adjustment.

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

(Dollars in thousands)

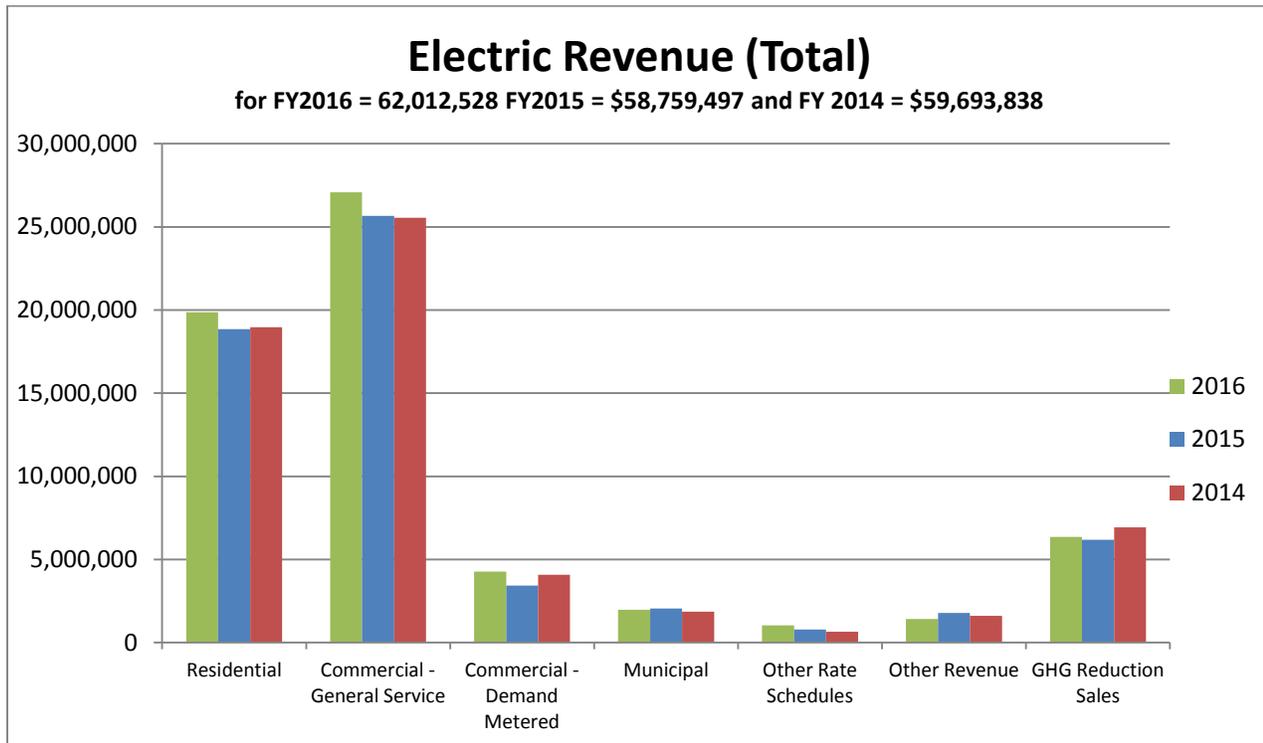
| | 2016 | 2015 | 2014 |
|-----------------------------|-----------------|-----------------|-----------------|
| Operating Revenues | \$ 62,013 | \$ 58,759 | \$ 59,694 |
| Operating Expenses | 51,230 | 44,904 | 43,769 |
| Operating Income | <u>10,783</u> | <u>13,855</u> | <u>15,925</u> |
| Non-operating Revenues | 1,498 | 242 | 167 |
| Non-operating (Expenses) | (5,701) | (5,696) | (6,973) |
| Non-operating Income (Loss) | <u>(4,203)</u> | <u>(5,454)</u> | <u>(6,806)</u> |
| Transfers Out | <u>(2,190)</u> | <u>(575)</u> | <u>(581)</u> |
| Change In Net Position | <u>\$ 4,390</u> | <u>\$ 7,826</u> | <u>\$ 8,538</u> |

Electric Operating Revenues

Electric operating revenue increased by \$3.3 million or 6% during FY 2016 and decreased by \$0.9 million last fiscal year. Contributing to the FY 2016 results are revenues from electricity sales relating to rate increases, increased field service and account sign up costs, increased jobbing sales, and other operating revenues. Electricity sales revenue was \$54.2 million or 87% of all electric revenues. Miscellaneous services, plant leased to others and jobbing sales contributed \$1.4 million, or 3% of revenue. Cap & Trade net revenue and GHG related sales contributed \$6.4 million, or 10% of revenue.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015



Sources of Electric Revenue

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

ALAMEDA MUNICIPAL POWER

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

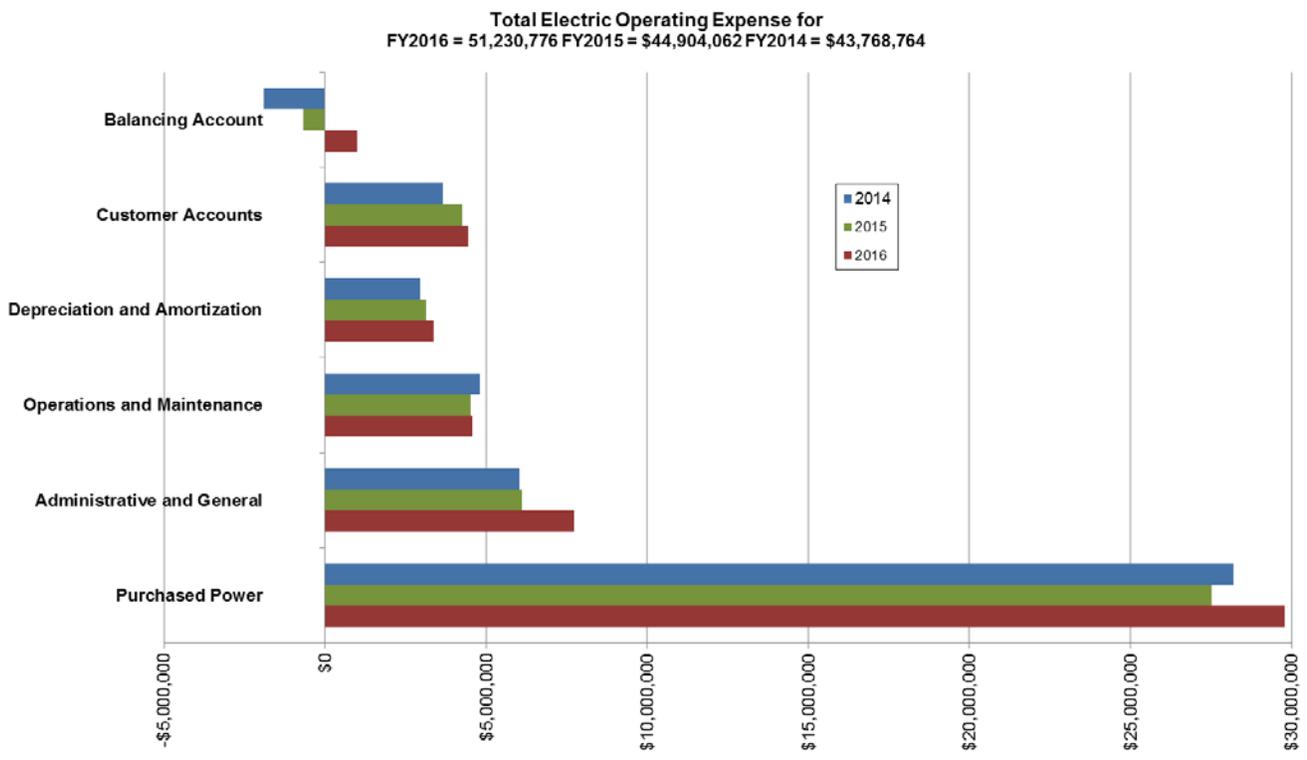
Electric Operating Expenses

Electric operating expenses, excluding the adjustment for balancing account accumulation, were higher than last year’s results by \$4.5 million. This increase is primarily driven by the increased power purchases and labor costs. In FY 2015, a \$100k increase from FY 2014 was reported. The results for the previous years were consistent. During the FY2016 fiscal year, labor contracts were renegotiated and implemented by AMP for three major bargaining units. AMP allocates labor costs to capital projects that are constructed and engineered throughout the year, in FY2016 these were lower than historical and resulted in an increase of \$1 million to operating expenses. Legal fees were also higher by \$400k and overall labor costs increased by \$1.1 million, purchased power increased \$2.3 million as a result of increased transmission costs and higher market purchases. Jobbing expenses increased \$112k, and depreciation expense increased by \$217k.

The Balancing Account is used by AMP to stabilize rates by accumulating differences between the actual costs of providing service with the related revenues designated for recovery of such costs. Actual costs were lower than revenue collections by \$1.0 million during FY 2016 and \$660k lower collections were reported in FY 2015.

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

The chart below offers a comparison of electric operating expense for FY 2016, FY 2015, and FY 2014.



ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

Electric Non-Operating Revenues (Expenses)

Non-operating expenses in FY 2016 exceeded non-operating revenue by \$4.2 million compared to the recorded \$5.5 million last year. This year's resulting \$1.3 million net change comes from a combination of factors including an \$1.1 million increase in the value of certain NCPA-held assets, \$43k decrease in interest expense, a \$143k increase in interest income, and a net of \$62k other miscellaneous non-operating revenue/expenses.

Sources of Telecommunications Revenue

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

Telecommunications Change in Net Position

Telecom net position increased \$2.2 million in FY 2016 compared to last year's reported \$0.4 million increase primarily due to the \$1.5 million litigation settlement in FY 2014. The change to telecom net position reflects a \$2.2 million increase in transfers associated with the final payment to terminate the telecom business line.

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

(Dollars in thousands)

| | 2016 | 2015 | 2014 |
|---------------------------------|----------|--------|----------|
| Operating Revenues | | \$ - | \$ - |
| Operating Expenses | - | (137) | (515) |
| Operating Income (Loss) | - | (137) | (515) |
| Non-operating Revenues/Expenses | 10 | 1 | 1 |
| Transfers in | 2,190 | 575 | 581 |
| Special Item: Legal Settlement | - | - | 1,548 |
| Change In Net Position | \$ 2,200 | \$ 439 | \$ 1,615 |

Telecommunications Operating Expenses

Telecom fund operating expenses were zero for the year ended June 30, 2016 while last year a decrease of \$378k was reported. The telecommunications operating expenses used for litigation associated with terminating the telecom business line totaled \$137k during FY 2015 and \$515k during FY 2014.

Telecommunications Non-Operating Revenues (Expenses)

During FY 2016, there was \$10k in telecom fund non-operating revenues and there were no non-operating expenses. During FY 2015, there was less than \$1k in telecom fund non-operating revenues and there were no non-operating expenses.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

ANALYSIS OF COMBINED CASH FLOWS

Net Change in Cash and Equivalents

Combined net change in cash and equivalents decreased by \$1.2 million for the year ended June 30, 2016 while last year an increase of \$3.3 million was reported. AMP generates cash from its electric operations, or utilizes its reserves, to meet its operating needs including payments in lieu of taxes (PILOT), return on investment (ROI), transfer to the City's General Fund, and payment of telecom fund expenses. The cash flow performance results are primarily due to AMP's placement of Cap & Trade net revenues and Greenhouse gas sales revenues into investments for the Board designated special reserves for these funds, changes in the cash flows from improved customer receipts as a result of rate adjustments, lower supplier expenses, and increases to employee expenses, a reduction of telecom expenses, the changes in AMP's electric debt structure, and the change to investment in NCPA projects and reserves.

Combined Condensed Statement of Cash Flows as of June 30:

(Dollars in thousands)

| | 2016 | 2015 | 2014 |
|--|-------------------|-----------------|-------------------|
| Operating Activities | \$ 17,224 | \$ 14,980 | \$ 15,842 |
| Non-capital Financing Activities | (4,191) | (4,163) | (4,137) |
| Capital and Related Financing Activities | (8,183) | (7,747) | (7,385) |
| Investing Activities | (6,077) | 273 | (9,620) |
| Change in Cash and Equivalents | <u>\$ (1,227)</u> | <u>\$ 3,343</u> | <u>\$ (5,300)</u> |

Cash Flows from Operating Activities

In FY 2016, cash provided by combined operating activities was \$17.2 million versus \$15.0 million in FY 2015, or an increase of \$2.2 million. The change in cash flows from operating activities compared to FY 2015 is primarily the result of \$5.1 million increase from electric customers, \$365k decrease in REC Sales, \$3.4 million increased payment to suppliers, \$0.9 million decreased payments to employees, and \$53k higher non-operating income.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

Cash Flows from Non-Capital Financing Activities

In FY 2016, cash used for combined non-capital financing activities was \$4.1 million versus \$4.1 million in FY 2015. Although the change from last year was not significant, it should be noted by the reader that the General Fund Transfers and the Payment in lieu of taxes are the largest contributors to this category. Additionally, it should be noted that the interfund cash flows between the electric fund and the telecom fund are consolidated and cancel each other.

Cash Flows from Capital and Related Financing Activities

In FY 2016, cash used for capital and related financing activities was \$8.2 million versus \$7.7 million in FY 2015, or an increase of \$436k. The change in cash flows from capital and related financing activities compared to FY 2015 is primarily the result of debt repayments.

During FY 2016, AMP's net capital asset additions for the electric system were \$1.7 million and included projects to expand, replace, and enhance facilities, to improve their efficiency and reliability, to extend their useful life, to comply with laws and regulations, and/or to meet the increasing demands on the electric system. Specific capital work that occurred during FY 2016 includes information system upgrades, maintenance trucks and vehicles, new developments within community (Tri-Pointe, Alameda Landing, etc.), Advanced Metering Infrastructure (AMI), LED streetlights, continued enhancements to the System Control and Data Acquisition (SCADA) systems, new residential and commercial installations, computer room enhancements, service center paving, and general distribution and substation system upgrades.

Cash Flows from Investing Activities

In FY 2016, combined net cash used by investing activities was \$6.1 million versus \$0.3 million that was provided in FY 2015, or a change of (\$6.4) million. The change in cash flows from investing activities compared to FY 2015 is primarily the result of increased investments in NCPA projects and reserves and purchases of investments reserved for special purposes. The reader is encouraged to read Note 2I for additional information on Designated Investments by the Board for special purposes.

ANALYSIS OF LONG-TERM DEBT

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

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

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

Long-Term Debt as of June 30:

(Dollars in thousands)

| | 2016 | 2015 | 2014 |
|-------------------------------------|------------------|------------------|------------------|
| 2008 Truck Capital Lease | \$ - | \$ - | \$ 25 |
| 2009 Truck Capital Lease | - | - | 39 |
| Revenue Bonds, Series 2010A | 8,700 | 8,700 | 8,700 |
| Taxable Revenue Bonds, Series 2010B | 17,760 | 18,890 | 19,985 |
| Loan from City of Alameda | - | 2,200 | 2,200 |
| Long-Term Debt | <u>\$ 26,460</u> | <u>\$ 29,790</u> | <u>\$ 30,949</u> |

ANALYSIS OF CAPITAL ASSETS

AMP's investment in capital assets for its electric operations amounts to \$40.2 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, construction-in-progress, electric utility plant, machinery and equipment, transportation and computer equipment. The total increase in AMP's investment in capital assets including depreciation and retirements for the current year was \$18k, or 0.04%. Readers desiring more detailed information on capital asset activity should see Note 3 and information in the Statistical Section of this report.

Electric Capital Assets as of June 30:

(Dollars in thousands)

| | 2016 | 2015 | 2014 |
|-------------------------------|------------------|------------------|------------------|
| Land and Rights | \$ 154 | \$ 154 | \$ 154 |
| Construction In Progress | 1,736 | 4,519 | 46 |
| Utility Plant | 84,548 | 79,287 | 79,143 |
| Service Center Building | 7,851 | 7,843 | 7,844 |
| Machinery & Equipment | 9,439 | 9,197 | 9,154 |
| Transportation Equipment | 3,048 | 3,050 | 2,867 |
| Computer Equipment | 3,832 | 3,655 | 3,456 |
| Furniture & Fixtures | 836 | 833 | 829 |
| Easements | 186 | 186 | 186 |
| Less Accumulated Depreciation | (71,425) | (68,536) | (65,426) |
| Capital Assets, Net | <u>\$ 40,205</u> | <u>\$ 40,188</u> | <u>\$ 38,251</u> |

ANALYSIS OF ECONOMIC FACTORS

Economic Factors and Next Year's Budget

The adopted budget for FY 2017 reflects the local economy and the sluggish demand for new electric services from the commercial sector. During FY 2016, AMP continued its strategic planning activities to enhance focus on the customer, provide a forum for long-range financial planning, facilitate prioritization of limited resources, balance conflicting priorities, and provide for effective communication of goals and policies.

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 and 2015

AMP continues assessments of future financial needs; documents those needs in a 10-year pro-forma; manages Board established financial guidelines for rates, revenues and reserves; develops rate designs to meet financial guideline objectives; and continues to review opportunities to monetize its power supply resources. The adopted budget for FY 2017 includes electric operating revenues that are expected to be \$61.3 million or 1.64% lower than the \$62.3 million budgeted for FY 2016. The decrease is due to the expiration of the Department of Water Resources (DWR) contract for REC sales on December 31, 2016. The reduction in REC sales is projected to be offset with higher electricity sales relating to a 5.0% rate increase, and higher C&T sales.

The adopted budget for FY 2017 includes operating expenses budgeted at \$52.1 million or 1.0% higher than the budgeted FY 2015 expenses. The primary reason for the operating budget increases are due to \$163k higher power purchase costs, \$240k higher operating and maintenance expenses, \$40k in general and administrative and customer services expenses.

The non-operating budget for FY 2017 includes funds for outside billing projects, debt related charges of \$1.5 million, PILOT/ROI charges of \$1.4 million and a transfer to the City of \$2.8 million. The budget assumes that no additional long-term debt will be needed during the fiscal year. Capital project work for system additions, system enhancements, new load additions, conversion of overhead facilities to underground facilities, information system upgrades and enhancements, and capitalized work from routine activities account for \$7.5 million of the FY 2017 budget which includes \$1.6 million for UUD and \$2.5 million for AMI project implementation.

The budget anticipates that operating revenues will be sufficient to meet all expenses to be incurred during FY 2017. The budget anticipates that \$53k may be required from existing reserves to provide for projected expenditures. As part of the financial planning process, the Board directed that a series of smaller rate adjustments implemented each year is preferred to a few large rate increases. The special reserves will provide funds for certain capital expenditures. Working capital will provide funds for any shortfall between revenue and expenditures.

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

Market Risk

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

ALAMEDA MUNICIPAL POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 and 2015

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

REQUESTS FOR INFORMATION

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

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ALAMEDA MUNICIPAL POWER

STATEMENTS OF NET POSITION JUNE 30, 2016 AND 2015

| | 2016 | | | 2015 | | |
|--|----------------------|------------------|----------------------|----------------------|-----------------------|----------------------|
| | Electric Services | Telecom Services | Combined | Electric Services | Telecom Services | Combined |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents (Note 2) | \$ 25,833,263 | \$ - | \$ 25,833,263 | \$ 27,060,472 | \$ - | \$ 27,060,472 |
| Investments | 9,054,880 | - | 9,054,880 | 8,921,112 | - | 8,921,112 |
| Interest receivable | 59,571 | - | 59,571 | 29,570 | - | 29,570 |
| Accounts receivable, net | 5,756,944 | - | 5,756,944 | 5,900,512 | - | 5,900,512 |
| Greenhouse gas related sales receivable | 2,316,369 | - | 2,316,369 | 2,488,481 | - | 2,488,481 |
| Materials and supplies | 2,997,761 | - | 2,997,761 | 3,032,270 | - | 3,032,270 |
| Prepaid power costs and other | 384,284 | - | 384,284 | 1,369,299 | - | 1,369,299 |
| Total Current Assets | 46,403,072 | - | 46,403,072 | 48,801,716 | - | 48,801,716 |
| Non-current Assets: | | | | | | |
| Capital assets (Note 3): | | | | | | |
| Nondepreciable | 1,890,102 | - | 1,890,102 | 4,672,386 | - | 4,672,386 |
| Depreciable | 109,740,603 | - | 109,740,603 | 104,051,805 | - | 104,051,805 |
| Accumulated depreciation (Note 3) | (71,425,024) | - | (71,425,024) | (68,536,089) | - | (68,536,089) |
| Capital assets, net (Note 3) | 40,205,681 | - | 40,205,681 | 40,188,102 | - | 40,188,102 |
| Restricted assets (Note 2) | 4,581,311 | - | 4,581,311 | 4,561,650 | - | 4,561,650 |
| Investments designated for special purposes (Note 2) | 27,483,857 | - | 27,483,857 | 22,267,441 | - | 22,267,441 |
| Investment on Joint Venture - Share of certain NCPA projects and reserve (Note 8) | 7,520,595 | - | 7,520,595 | 5,453,446 | - | 5,453,446 |
| Total Noncurrent Assets | 79,791,444 | - | 79,791,444 | 72,470,639 | - | 72,470,639 |
| Total Assets | 126,194,516 | - | 126,194,516 | 121,272,355 | - | 121,272,355 |
| Deferred Outflows of Resources: | | | | | | |
| Deferred amount on refunding | 746,747 | - | 746,747 | 808,397 | - | 808,397 |
| Deferred outflows related to pension (Note 6) | 1,312,978 | - | 1,312,978 | 1,016,782 | - | 1,016,782 |
| Total Deferred Outflows of Resources: | 2,059,725 | - | 2,059,725 | 1,825,179 | - | 1,825,179 |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued payroll | 1,735,396 | - | 1,735,396 | 1,373,859 | - | 1,373,859 |
| Interest payable | 724,337 | - | 724,337 | 745,248 | - | 745,248 |
| Current portion of long term debt (Note 4) | 1,170,000 | - | 1,170,000 | 1,130,000 | 2,200,000 | 3,330,000 |
| Deposits | 1,548,422 | - | 1,548,422 | 1,006,387 | - | 1,006,387 |
| Other accrued liabilities | 285,790 | - | 285,790 | 270,798 | - | 270,798 |
| Current portion of compensated absences (Note 1C) | 547,328 | - | 547,328 | 621,354 | - | 621,354 |
| Current portion of claims liability (Note 10B) | 165,000 | - | 165,000 | 100,000 | - | 100,000 |
| Total Current Liabilities | 6,176,273 | - | 6,176,273 | 5,247,646 | 2,200,000 | 7,447,646 |
| Non-current Liabilities: | | | | | | |
| Long term debt, net of current portion (Note 4) | 25,290,000 | - | 25,290,000 | 26,460,000 | - | 26,460,000 |
| Compensated absences (Note 1C) | - | - | - | 28,414 | - | 28,414 |
| Claims liability (Note 10B) | 1,286,525 | - | 1,286,525 | 1,162,530 | - | 1,162,530 |
| Net pension liability (Note 6) | 16,040,814 | - | 16,040,814 | 13,657,795 | - | 13,657,795 |
| Total Non-Current Liabilities | 42,617,339 | - | 42,617,339 | 41,308,739 | - | 41,308,739 |
| Total Liabilities | 48,793,612 | - | 48,793,612 | 46,556,385 | 2,200,000 | 48,756,385 |
| Deferred Inflows of Resources: | | | | | | |
| Balancing account | 17,222,897 | - | 17,222,897 | 16,212,813 | - | 16,212,813 |
| Deferred inflows related to pension (Note 6) | 1,555,773 | - | 1,555,773 | 4,034,937 | - | 4,034,937 |
| Total Deferred Inflows of Resources | 18,778,670 | - | 18,778,670 | 20,247,750 | - | 20,247,750 |
| Net Position: | | | | | | |
| Net investment in capital assets | 32,252,428 | - | 32,252,428 | 32,296,499 | - | 32,296,499 |
| Restricted for: | | | | | | |
| Debt service reserves (Note 2H) | 4,581,311 | - | 4,581,311 | 4,561,650 | - | 4,561,650 |
| Unrestricted | 23,848,220 | - | 23,848,220 | 19,435,250 | (2,200,000) | 17,235,250 |
| Total Net Position (deficit) | \$ 60,681,959 | \$ - | \$ 60,681,959 | \$ 56,293,399 | \$ (2,200,000) | \$ 54,093,399 |

See accompanying notes to the financial statements.

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ALAMEDA MUNICIPAL POWER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015

| | 2016 | | | 2015 | | |
|--|----------------------|------------------|----------------------|----------------------|-----------------------|----------------------|
| | Electric Services | Telecom Services | Combined | Electric Services | Telecom Services | Combined |
| Operating Revenues: | | | | | | |
| Sales | \$ 54,221,022 | \$ - | \$ 54,221,022 | \$ 50,790,790 | \$ - | \$ 50,790,790 |
| Miscellaneous services | 947,765 | - | 947,765 | 742,071 | - | 742,071 |
| Plant leased to others | 164,244 | - | 164,244 | 198,896 | - | 198,896 |
| Jobbing sales | 315,547 | - | 315,547 | 203,671 | - | 203,671 |
| Cap and trade revenue | 556,659 | - | 556,659 | 639,549 | - | 639,549 |
| Greenhouse gas related sales | 5,807,291 | - | 5,807,291 | 6,184,520 | - | 6,184,520 |
| Total Operating Revenues | 62,012,528 | - | 62,012,528 | 58,759,497 | - | 58,759,497 |
| Operating Expenses: | | | | | | |
| Purchased power | 29,781,270 | - | 29,781,270 | 27,517,599 | - | 27,517,599 |
| Energy efficiency, solar and other | 1,684,963 | - | 1,684,963 | 1,605,608 | - | 1,605,608 |
| Operations and maintenance | 4,573,500 | - | 4,573,500 | 4,328,813 | - | 4,328,813 |
| Customer service, information systems | 2,226,363 | - | 2,226,363 | 2,113,922 | - | 2,113,922 |
| Administrative and general | 7,732,884 | - | 7,732,884 | 6,115,467 | 137,271 | 6,252,738 |
| Depreciation and amortization | 3,366,026 | - | 3,366,026 | 3,148,548 | - | 3,148,548 |
| Customer relations | 540,214 | - | 540,214 | 531,550 | - | 531,550 |
| Jobbing sales expense | 315,472 | - | 315,472 | 202,796 | - | 202,796 |
| Balancing account adjustment | 1,010,084 | - | 1,010,084 | (660,241) | - | (660,241) |
| Total Operating Expenses | 51,230,776 | - | 51,230,776 | 44,904,062 | 137,271 | 45,041,333 |
| Operating Income (Loss) | 10,781,752 | - | 10,781,752 | 13,855,435 | (137,271) | 13,718,164 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Interest income | 316,332 | - | 316,332 | 173,593 | - | 173,593 |
| Interest income on restricted investments | 571 | - | 571 | 568 | - | 568 |
| Interest expense | (1,510,325) | - | (1,510,325) | (1,554,056) | - | (1,554,056) |
| Gain (Loss) from disposition of capital assets | - | - | - | 7,420 | - | 7,420 |
| Other revenue | 39,800 | - | 39,800 | 33,440 | - | 33,440 |
| Increase (decrease) in value of certain NCPA projects and reserves | 1,072,776 | - | 1,072,776 | 17,522 | - | 17,522 |
| Alameda Point Phone Maintenance-Net | 50,679 | - | 50,679 | 26,499 | - | 26,499 |
| Miscellaneous non-operating revenue (expenses) | 17,498 | 9,977 | 27,475 | 4,376 | 1,020 | 5,396 |
| Payment in-lieu of taxes | (1,390,500) | - | (1,390,500) | (1,363,250) | - | (1,363,250) |
| Transfers to City of Alameda (Note 5) | (2,800,000) | - | (2,800,000) | (2,800,000) | - | (2,800,000) |
| Total Nonoperating Revenue (Expense) | (4,203,169) | 9,977 | (4,193,192) | (5,453,888) | 1,020 | (5,452,868) |
| Income (loss) before Transfers | 6,578,583 | 9,977 | 6,588,560 | 8,401,547 | (136,251) | 8,265,296 |
| Transfers in | - | 2,190,023 | 2,190,023 | - | 574,818 | 574,818 |
| Transfers (out) | (2,190,023) | - | (2,190,023) | (574,818) | - | (574,818) |
| Total transfers | (2,190,023) | 2,190,023 | - | (574,818) | 574,818 | - |
| Change in Net Position | 4,388,560 | 2,200,000 | 6,588,560 | 7,826,729 | 438,567 | 8,265,296 |
| Net position (deficit), beginning of year | 56,293,399 | (2,200,000) | 54,093,399 | 48,466,670 | (2,638,567) | 45,828,103 |
| Net position (deficit), end of year | \$ 60,681,959 | \$ - | \$ 60,681,959 | \$ 56,293,399 | \$ (2,200,000) | \$ 54,093,399 |

See accompanying notes to the financial statements.

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ALAMEDA MUNICIPAL POWER

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | | | 2015 | | |
|--|-------------------|------------------|---------------|-------------------|------------------|---------------|
| | Electric Services | Telecom Services | Combined | Electric Services | Telecom Services | Combined |
| Cash Flows from Operating Activities | | | | | | |
| Receipts from customers | \$ 56,334,181 | \$ - | \$ 56,334,181 | \$ 51,272,774 | \$ - | \$ 51,272,774 |
| Receipts from Special Sales (C&T and REC) | 6,536,062 | - | 6,536,062 | 6,901,299 | - | 6,901,299 |
| Payments to suppliers | (37,576,018) | - | (37,576,018) | (33,609,832) | (575,838) | (34,185,670) |
| Payments to employees | (8,188,381) | - | (8,188,381) | (9,072,854) | - | (9,072,854) |
| Miscellaneous non-operating income | 107,977 | 9,977 | 117,954 | 64,315 | 1,020 | 65,335 |
| Net cash provided by (used for) Operating Activities | 17,213,821 | 9,977 | 17,223,798 | 15,555,702 | (574,818) | 14,980,884 |
| Cash Flows from Noncapital Financing Activities | | | | | | |
| Transfers to General Fund of City of Alameda | (2,800,000) | - | (2,800,000) | (2,800,000) | - | (2,800,000) |
| Payments in-lieu of taxes | (1,390,500) | - | (1,390,500) | (1,363,250) | - | (1,363,250) |
| Interfund cash inflow | - | 2,190,023 | 2,190,023 | - | 574,818 | 574,818 |
| Interfund cash outflow | (2,190,023) | - | (2,190,023) | (574,818) | - | (574,818) |
| Net cash provided by (used for) Noncapital Financing Activities | (6,380,523) | 2,190,023 | (4,190,500) | (4,738,068) | 574,818 | (4,163,250) |
| Cash Flows from Capital and Related Financing Activities | | | | | | |
| Capital asset additions, net | (3,383,605) | - | (3,383,605) | (5,085,511) | - | (5,085,511) |
| Proceeds from disposition of capital asset | - | - | - | 7,420 | - | 7,420 |
| Long-term debt repayments | (1,130,000) | (2,200,000) | (3,330,000) | (1,158,581) | - | (1,158,581) |
| Debt related charges | (1,469,586) | - | (1,469,586) | (1,510,751) | - | (1,510,751) |
| Net cash used for Capital and Related Financing Activities | (5,983,191) | (2,200,000) | (8,183,191) | (7,747,423) | - | (7,747,423) |
| Cash Flows from Investing Activities | | | | | | |
| Interest receipts | 286,902 | - | 286,902 | 159,314 | - | 159,314 |
| Investments reserved for special purposes | (5,216,416) | - | (5,216,416) | (6,495,224) | - | (6,495,224) |
| Investment in certain NCPA projects and reserves | (994,373) | - | (994,373) | 14,549,392 | - | 14,549,392 |
| Investment purchases | (133,768) | - | (133,768) | (7,922,479) | - | (7,922,479) |
| Restricted assets | (19,661) | - | (19,661) | (17,221) | - | (17,221) |
| Net cash provided by (used for) Investing Activities | (6,077,316) | - | (6,077,316) | 273,782 | - | 273,782 |
| Net increase (decrease) in cash and cash equivalents | (1,227,209) | - | (1,227,209) | 3,343,993 | - | 3,343,993 |
| Cash and equivalents at beginning of year | 27,060,472 | - | 27,060,472 | 23,716,479 | - | 23,716,479 |
| Cash and equivalents at end of year | \$ 25,833,263 | \$ - | \$ 25,833,263 | \$ 27,060,472 | \$ - | \$ 27,060,472 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | \$ 10,781,752 | \$ - | \$ 10,781,752 | \$ 13,855,435 | \$ (137,271) | \$ 13,718,164 |
| Adjustments to reconcile operating income to cash flows from operating activities: | | | | | | |
| Depreciation and amortization | 3,366,026 | - | 3,366,026 | 3,148,548 | - | 3,148,548 |
| Pension expense | (392,341) | - | (392,341) | (231,498) | - | (231,498) |
| Decrease (increase) in accounts receivable | 315,680 | - | 315,680 | (441,045) | - | (441,045) |
| Decrease (increase) in materials and supplies | 34,509 | - | 34,509 | (46,039) | - | (46,039) |
| Decrease (increase) in prepaids | 985,015 | - | 985,015 | (169,311) | - | (169,311) |
| Increase (decrease) in accounts payable and accrued payroll | 361,537 | - | 361,537 | (4,751) | (438,567) | (443,318) |
| Increase (decrease) in balancing account | 1,010,084 | - | 1,010,084 | (660,241) | - | (660,241) |
| Increase (decrease) in other accrued liabilities | 14,992 | - | 14,992 | (11,001) | - | (11,001) |
| Increase (decrease) in refundable deposits | 542,035 | - | 542,035 | (144,379) | - | (144,379) |
| Increase (decrease) in unearned revenue | - | - | - | - | - | - |
| Increase (decrease) in compensated absences | (102,440) | - | (102,440) | (17,916) | - | (17,916) |
| Increase (decrease) in claims liability | 188,995 | - | 188,995 | 213,585 | - | 213,585 |
| Miscellaneous non-operating income | 107,977 | 9,977 | 117,954 | 64,315 | 1,020 | 65,335 |
| Net cash provided by (used in) operating activities | \$ 17,213,821 | \$ 9,977 | \$ 17,223,798 | \$ 15,555,702 | \$ (574,818) | \$ 14,980,884 |

See accompanying notes to the financial statements

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ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *General*

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

B. *Basis of Presentation*

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

C. *Basis of Accounting*

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *Basis of Accounting (Continued)*

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

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

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

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

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

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

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *Basis of Accounting (Continued)*

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

Changes in compensated absences payable consist of the following:

| | 2016 | 2015 |
|-------------------------------------|-------------------|-------------------|
| Balance at beginning of fiscal year | \$ 649,768 | \$ 667,684 |
| Compensated absences earned | 556,472 | 590,905 |
| Compensated absences taken | (658,912) | (608,821) |
| Balance at end of fiscal year | <u>\$ 547,328</u> | <u>\$ 649,768</u> |
| Current Portion | <u>\$ 547,328</u> | <u>\$ 621,354</u> |

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

D. *Budgets and Budgetary Accounting*

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Net Position

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

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

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

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

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

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

F. Classification of Revenues

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

G. Accumulated Deficit and Interfund Transfers

The Telecommunications Fund had an accumulated deficit of \$0 and \$2,200,000 at June 30, 2016 and June 30, 2015, respectively. The Electric Fund transfers resources to the Telecommunications Fund to support on-going litigation expenses without any expectation of being repaid. Interfund transfers are presented in the Statements of Revenues, Expenses, and Changes in Net Position.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. *Reclassifications*

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

J. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the net position of AMP's share of the City of Alameda's agent multiple-employer defined benefit retirement plan (the Plan) administered by California Public Employees' Retirement System (CalPERS) and additions to deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. *New Governmental Accounting and Reporting Standards*

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Changes in Accounting Principles

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. AMP implemented the Statement effective July 1, 2014.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement is effective for periods beginning after June 15, 2015. AMP implemented the Statement effective July 1, 2014. The implementation of the Statement did not have a material effect on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015. AMP implemented the Statement effective July 1, 2014. The implementation of the Statement did not have a material effect on the financial statements.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. AMP implemented the Statement effective July 1, 2014.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 2 - CASH AND INVESTMENTS AND RESTRICTED ASSETS

A. *Classification*

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

Cash and investments as of June 30 are as follows:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 25,833,263 | \$ 27,060,472 |
| Investments | 9,054,880 | 8,921,112 |
| Restricted assets | 4,581,311 | 4,561,650 |
| Investments designated for special purposes | 27,483,857 | 22,267,441 |
| Total cash and investments | <u>\$ 66,953,311</u> | <u>\$ 62,810,675</u> |

Cash and investment balance in the Telecom Services enterprise fund was \$0 and \$0 at June 30, 2016 and 2015.

B. *Policies*

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

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

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

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

| Authorized Investment Type | Maximum Maturity (a) | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|----------------------|------------------------|-------------------------------------|----------------------------------|
| Local Agency Municipal Bonds | 5 years | N/A | No Limit | No Limit |
| U.S. Treasury Obligations | 5 years | N/A | 20% | No Limit |
| State of California Obligations | 5 years | N/A | No Limit | No Limit |
| Other State Obligations (b) | 5 years | N/A | No Limit | No Limit |
| CA Local Agency Obligations | 5 years | N/A | No Limit | No Limit |
| U.S. Agency & U.S. Government Sponsored | | | | |
| Enterprise Securities | 5 years | N/A | No Limit | No Limit |
| Bankers Acceptances | 180 days | N/A | 40% | 30% |
| Commercial Paper | 270 days | A1 | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | N/A | 30% | No Limit |
| Time Certificates of Deposit | 5 years | N/A | 30% | No Limit |
| Repurchase Agreements | 1 year | N/A | No Limit | No Limit |
| Reverse Repurchase Agreements (requires Board approval) | 92 days | N/A | 20% of market value of portfolio | No Limit |
| Medium Term Corporate Notes | 5 years | A | 30% | No Limit |
| Mutual Funds | 5 years | Top rating category | 20% | 10% |
| Money Market Mutual Funds | 5 years | Top rating category | 20% | 10% |
| Collateralized Bank Deposits | 5 years | N/A | 30% | No Limit |
| Mortgage Pass-Through Securities | 5 Years | Top rating category | 20% | No Limit |
| County Pooled Investment Funds | Upon Demand | N/A | 15% | No Limit |
| California Local Agency Investment Fund (LAIF) | Upon Demand | N/A | 90% | \$50,000,000 per account |
| California Asset Management Program (CAMP) | Upon Demand | N/A | No Limit | No Limit |

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

D. *Investments Authorized by Debt Agreements*

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

The table also identifies certain provisions of these debt agreements:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage Allowed | Maximum Investment in One Issuer |
|---|------------------|------------------------|----------------------------|----------------------------------|
| U.S. Treasury Obligations | N/A | N/A | No Limit | No Limit |
| State Obligations | N/A | AA+ | No Limit | No Limit |
| U.S. Agency Securities (a) | N/A | N/A | No Limit | No Limit |
| Commercial Paper | N/A | P1 | No Limit | No Limit |
| Certificates of Deposit | N/A | P1 | No Limit | No Limit |
| Bankers' Acceptances | 1 Year | P1 | No Limit | No Limit |
| Money Market Mutual Funds | N/A | AAAm | No Limit | No Limit |
| California Local Agency Investment Fund | N/A | N/A | \$50,000,000 per account | \$50,000,000 per account |
| Investment Agreements (b) | N/A | AA | No Limit | No Limit |

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

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

E. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that AMP manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

E. *Interest Rate Risk (Continued)*

Information about the sensitivity of the fair values of AMP's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of AMP's investments by maturity, as of June 30, 2016 and 2015:

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

| | 2015 | | |
|--------------------------------|-------------------|---------------------|---------------|
| | 12 Months or less | More than 12 months | Total |
| <i>Investments:</i> | | | |
| Local Agency Investment Fund | \$ 41,831,755 | \$ - | \$ 41,831,755 |
| Certificates of Deposit | 245,000 | 8,530,000 | 8,775,000 |
| Held by bond fiscal agent: | | | |
| Bond Mutual Funds | 4,561,650 | - | 4,561,650 |
| Total Investments | 46,638,405 | 8,530,000 | 55,168,405 |
| Cash with Banks and Petty Cash | 7,642,270 | - | 7,642,270 |
| Total Cash and Investments | \$ 54,280,675 | \$ 8,530,000.00 | \$ 62,810,675 |

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

F. Fair Value Measurement

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

As of June 30, 2016 and 2015, AMP's investments in Certificates of Deposits were considered Level 2 in the amount of \$8,938,590 and 8,775,000, respectively, and valued using a matrix pricing model. AMP's Bond Mutual Funds and investments in LAIF are not required to be categorized.

G. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2016 and 2015:

| | 2016 | 2015 |
|--------------------------------|----------------------|----------------------|
| AAA-mf: | | |
| Held by bond fiscal agent: | | |
| Bond Mutual Funds | \$ 4,581,311 | \$ 4,561,650 |
| Not rated: | | |
| Certificates of Deposit | 8,938,590 | 8,775,000 |
| Local Agency Investment Fund | 43,984,318 | 41,831,755 |
| Exempt: | | |
| Cash with Banks and Petty Cash | 9,449,092 | 7,642,270 |
| Total Cash and Investments | <u>\$ 66,953,311</u> | <u>\$ 62,810,675</u> |

AMP's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, AMP is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2016 and 2015, there were no investments in any one issuer that represent five percent or more of total AMP investments.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

G. *Credit Risk (Continued)*

Deposits

This is the risk that in the event of a bank failure, AMP's deposits may not be returned to it. AMP's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, AMP's bank balance of \$9,556,788 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

As of June 30, 2016, none of AMP's investments were held with counterparty. All of AMP's investments were held with an independent third party custodian bank. AMP uses Morgan Stanley and U.S. Bank as a third party custody and safekeeping institutions for its investment securities. All AMP investments held in custody and safekeeping by Morgan Stanley and U.S. Bank are held in the name of AMP and segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

H. *Restricted Assets*

Restricted investments comprise the following:

| | June 30 | |
|--|---------------------|---------------------|
| | 2016 | 2015 |
| Restricted by Revenue Bond Series 2010A&B Indenture - Bond Fund | \$ 1,922,066 | \$ 1,902,833 |
| Restricted by Revenue Bond Series 2010A&B Indenture - Reserve Fund | 2,659,245 | 2,658,817 |
| Total Restricted Assets | <u>\$ 4,581,311</u> | <u>\$ 4,561,650</u> |

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

I. *Designated Investments*

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

| | June 30 | |
|---|----------------------|----------------------|
| | 2016 | 2015 |
| Insurance Reserve | \$ 1,200,000 | \$ 1,200,000 |
| Underground Special Fund | 7,805,943 | 6,766,460 |
| Solar PV Rebate Reserve | 211,712 | 289,260 |
| Renewable Energy Credits Energy Reserve | 16,833,777 | 12,918,996 |
| Cap and Trade net Revenue Reserve | 1,432,425 | 1,092,725 |
| Total Investments Designated for Special Purposes | <u>\$ 27,483,857</u> | <u>\$ 22,267,441</u> |

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

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

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 and 2015 is as follows:

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 3 - CAPITAL ASSETS (CONTINUED)

| | Balance June 30, 2014 | Additions & Adjustments | Retirements & Adjustments | Transfers | Balance June 30, 2015 |
|---|--------------------------|----------------------------|------------------------------|------------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land and Rights | \$ 153,643 | \$ - | \$ - | \$ - | \$ 153,643 |
| Construction Work in Progress | 45,897 | 5,685,479 | (599,968) | (612,665) | 4,518,743 |
| Total capital assets not being depreciated | <u>199,540</u> | <u>5,685,479</u> | <u>(599,968)</u> | <u>(612,665)</u> | <u>4,672,386</u> |
| Capital assets being depreciated: | | | | | |
| Utility Plant | 79,142,909 | - | - | 143,775 | 79,286,684 |
| Service Center Building | 7,843,636 | - | - | - | 7,843,636 |
| Machinery and Equipment | 9,153,503 | - | - | 43,683 | 9,197,186 |
| Transportation Equipment | 2,867,266 | - | (38,620) | 221,959 | 3,050,605 |
| Computer Equipment | 3,455,613 | - | - | 199,374 | 3,654,987 |
| Furniture and Fixtures | 829,333 | - | - | 3,874 | 833,207 |
| Easements | 185,500 | - | - | - | 185,500 |
| Total capital assets being depreciated | <u>103,477,760</u> | <u>-</u> | <u>(38,620)</u> | <u>612,665</u> | <u>104,051,805</u> |
| Less accumulated depreciation and amortization for: | | | | | |
| Utility Plant | 47,486,499 | 2,591,842 | - | - | 50,078,341 |
| Service Center Building | 3,553,650 | 165,870 | - | - | 3,719,520 |
| Machinery and Equipment | 8,483,516 | 80,132 | - | - | 8,563,648 |
| Transportation Equipment | 2,138,973 | 179,262 | (38,620) | - | 2,279,615 |
| Computer Equipment | 3,192,786 | 101,080 | - | - | 3,293,866 |
| Furniture and Fixtures | 462,237 | 26,862 | - | - | 489,099 |
| Easements | 108,500 | 3,500 | - | - | 112,000 |
| Total accumulated depreciation | <u>65,426,161</u> | <u>3,148,548</u> | <u>(38,620)</u> | <u>-</u> | <u>68,536,089</u> |
| Total depreciable assets | <u>38,051,599</u> | <u>(3,148,548)</u> | <u>-</u> | <u>612,665</u> | <u>35,515,716</u> |
| Capital assets, net | <u>\$ 38,251,139</u> | <u>\$ 2,536,931</u> | <u>\$ (599,968)</u> | <u>\$ -</u> | <u>\$ 40,188,102</u> |

Depreciation and amortization on capital assets and intangibles included in the statement of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 was \$3,366,026 and \$3,148,548, respectively.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 4 - LONG-TERM DEBT

A. *Composition and Changes*

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

Long-term debt activity for the year ended June 30, 2016 and 2015 is as follows:

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

| | Original Issue Amount | Balance June 30, 2014 | Additions | Retirements & Adjustments | Balance June 30, 2015 | Current Portion |
|---|--------------------------|--------------------------|-------------|------------------------------|--------------------------|---------------------|
| Revenue Bonds, Series 2010A | \$ 8,700,000 | \$ 8,700,000 | \$ - | \$ - | \$ 8,700,000 | \$ - |
| Taxable Revenue Bonds, Series 2010B | 22,985,000 | 19,985,000 | - | (1,095,000) | 18,890,000 | 1,130,000 |
| 2008 Truck (Altel Model AM-55) - Capital Lease | 176,295 | 24,694 | - | (24,694) | - | - |
| 2009 Truck (Altel Model D3060) - Capital Lease | 229,168 | 38,887 | - | (38,887) | - | - |
| Loan from City of Alameda | 2,200,000 | 2,200,000 | - | - | 2,200,000 | 2,200,000 |
| Total long-term debt | | <u>\$ 30,948,581</u> | <u>\$ -</u> | <u>\$ (1,158,581)</u> | <u>\$ 29,790,000</u> | <u>\$ 3,330,000</u> |

B. *Description of Long-Term Debt Issues*

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 4 - LONG-TERM DEBT (CONTINUED)

B. Description of Long-Term Debt Issues (Continued)

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

Loan from City of Alameda - On December 16, 2003, at the request of the Public Utilities Board, the Alameda City Council authorized a loan of \$2,200,000 to AMP for the purpose of construction of the hybrid fiber-optic/coaxial telecom system. The loan is interest free and was due on June 1, 2009. The loan has been fully paid by AMP as of June 30, 2016.

C. Debt Service Requirements

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

| For the Year Ending June 30 | Principal | Interest | Total |
|-----------------------------|---------------|---------------|---------------|
| 2017 | \$ 1,170,000 | \$ 1,424,034 | \$ 2,594,034 |
| 2018 | 1,220,000 | 1,372,054 | 2,592,054 |
| 2019 | 1,275,000 | 1,312,883 | 2,587,883 |
| 2020 | 1,340,000 | 1,246,594 | 2,586,594 |
| 2021 | 1,410,000 | 1,174,820 | 2,584,820 |
| 2022-2026 | 8,540,000 | 4,440,579 | 12,980,579 |
| 2027-2031 | 11,505,000 | 1,479,115 | 12,984,115 |
| Total | \$ 26,460,000 | \$ 12,450,079 | \$ 38,910,079 |

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 5 - TRANSACTIONS WITH THE CITY OF ALAMEDA

The City Charter provides that AMP transfer to the City's General Fund certain excess earnings as defined in the Charter. In accordance with these provisions, AMP was not required to transfer any excess earnings to the City's General Fund. However, AMP Board approved a contribution of \$2,800,000 and \$2,800,000 to the City's General Fund during the years ended June 30, 2016 and 2015, respectively. This amount was contributed from the Electric Services Fund.

Alameda Municipal Code provides that AMP pays the City an annual amount equal to one percent of the net book value of AMP's utility plant in service at the previous fiscal year end. AMP paid \$1,390,500 and \$1,363,250 in lieu of taxes to the City during the fiscal years ended June 30, 2016 and 2015, respectively.

Disbursements by AMP to the City for services provided by the City for the years ended June 30, 2016 and 2015 were \$4,379,140 and \$3,784,054, respectively. Utility taxes collected by AMP and remitted to the City's General Fund for the years ended June 30, 2016 and 2015 were \$3,329,670 and \$3,140,621, respectively.

Billings of electricity to the City for the years ended June 30, 2016 and 2015 were \$1,861,749 and \$1,841,798, respectively. Alameda Municipal Power took over the costs of providing electricity to the City of Alameda streetlights effective July 1, 2013 at a benefit to the City of \$455,633 for the year ended June 30, 2016.

NOTE 6 - DEFINED BENEFIT PLAN

A. *CalPERS Miscellaneous Employees Plan*

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

A. *CalPERS Miscellaneous Employees Plan (Continued)*

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016 and 2015, are summarized as follows:

| | Classic | PEPRA |
|---|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire Date | | |
| Formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-55 | 52-67 |
| Monthly benefits, as a % of annual salary | 1.4% to 2.7% | 1.0% to 2.5% |
| Required employee contribution rates | 6.80% | 6.75% |
| Required employer contribution rates | 19.777% | 19.777% |

Contributions – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. AMP is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

Employee contribution rates for the fiscal year ended June 30, 2016 and 2015, ranged from 6.8 percent for the Classic Plan Members to 6.75 percent for the PEPRA Plan members. AMP’s proportionate share of the City’s contributions to the miscellaneous plan was \$1,312,978 and \$1,016,782 for the year ended June 30, 2016 and 2015, respectively.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

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

As of June 30, 2016 and 2015, AMP reported a net pension liability of \$16,040,814 and \$13,657,795, respectively for its proportionate share of the City's net pension liability.

The net pension liability of the Plan was measured as of June 30, 2015 and 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013. AMP's proportion of the City's net pension liability was based on AMP's FY 2015 contributions to the City's pension plan relative to the total contributions of the City as a whole. AMP's proportionate share of the City's net pension liability for the Plan as of the June 30, 2014 and 2015 measurement date was 29 percent and 32 percent, respectively.

For the year ended June 30, 2016 and 2015, AMP recognized pension expense of \$968,247 and \$785,284, respectively. At June 30, 2016 and 2015, AMP reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

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

| | 2015 | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Employer contributions paid by AMP subsequent to measurement date | \$ 1,016,782 | \$ - |
| Net differences between projected and actual earnings on pension plan investments | - | 4,034,933 |
| Total | \$ 1,016,782 | \$ 4,034,933 |

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

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

The amount of \$1,312,978 reported as deferred outflows of resources related pensions, resulting from AMP's contributions to the City's plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|---------------------|
| 2017 | \$ 228,702 |
| 2018 | 228,702 |
| 2019 | 228,703 |
| 2020 | <u>869,666</u> |
| Total | <u>\$ 1,555,773</u> |

Actuarial Assumptions – AMP's proportion of the City's total miscellaneous plan pension liability in the June 30, 2014 and 2013, actuarial valuation was determined using the following actuarial assumptions:

| Valuation Date | June 30, 2014 | June 30, 2013 |
|---------------------------|-------------------------------|-------------------------------|
| Actuarial Cost Method | Entry-Age Normal Cost Method | |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.65% | 7.50% (2) |
| Inflation | 2.75% | 2.75% |
| Payroll Growth | 3.0% | 3.0% |
| Projected Salary Increase | 3.3% - 14.2% (1) | 3.3% - 14.2% (1) |
| Mortality | 2010 CalPERS Experience Study | 2010 CalPERS Experience Study |

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

(2) Net of administrative expense

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (Geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

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

The table below reflects long-term expected real rate of return by asset calls. The rate of return is calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Plan effective on July 1, 2014.

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

| 2015 | | | |
|-------------------------------|--------------------------|---------------------------------|------------------------------|
| Asset Class | Target Allocation | Real Return Years 1 - 10 | Real Return Years 11+ |
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 12.0% | 6.83% | 6.95% |
| Real Estate | 11.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | -0.55% | -1.05% |
| Total | <u>100.0%</u> | | |

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent and 7.50 percent for the Plan as of the measurement date of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that AMP’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 6 - DEFINED BENEFIT PLAN (CONTINUED)

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

Sensitivity of AMP's proportionate share of the City's Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate – The following presents AMP's proportionate share of the City's Miscellaneous Plan net pension liability, calculated using the discount rate of 7.65 percent and 7.50 percent for the Plan, as well as what AMP's proportionate share of the City's Miscellaneous Plan net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 2016 | 2015 |
|-----------------------|---------------|---------------|
| 1% Decrease | 6.65% | 6.50% |
| Net Pension Liability | \$ 27,763,838 | \$ 22,408,163 |
| Current Discount Rate | 7.65% | 7.50% |
| Net Pension Liability | \$ 16,040,814 | \$ 13,657,795 |
| 1% Increase | 8.65% | 8.50% |
| Net Pension Liability | \$ 9,328,634 | \$ 6,347,189 |

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

NOTE 7 - POSTEMPLOYMENT HEALTH CARE BENEFITS

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 7 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2016, are summarized as follows:

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

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

Annual OPEB Cost - AMP contributed \$57,708, \$57,708, \$56,028 towards the City's annual OPEB cost for the years ended June 30, 2016, 2015 and 2014 respectively, which represented 100 percent of the annual required contribution.

Funding Policy and Actuarial Assumptions - The annual required contribution (ARC) was determined as part of a January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. In fiscal year 2013-14, funding of the plan was based on a "pay-as-you-go" basis. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.00 percent investment rate of return; (b) 3.25 percent projected annual salary increase, (c) 3 percent of general inflation increase; and (d) a healthcare trend of declining annual increases ranging from 8.0 percent to 8.3 percent in 2014 for non-medicare and medicare respectively, to 5 percent for years starting 2021 for both non-medicare and medicare. The actuarial methods and assumptions used include techniques that "smooth" the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period.

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 8 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. *General*

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

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

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

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

Amounts paid by AMP, net of refunds, to NCPA during the fiscal years ending June 30, 2016 and 2015 for purchased power were \$29,781,270 and \$27,517,599, respectively. Additionally, purchased power was reduced by a refund of \$865,983 and \$717,163 for power exchange distribution and budget settlement monies returned to the NCPA General Operating Reserve (GOR), for the fiscal year ended June 30, 2016 and 2015, respectively.

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

On June 23, 2014, AMP's Board approved the withdrawal of \$15,500,000 of Operating Reserve funds from the Northern California Power Agency's (NCPA) General Operating Reserve. AMP received the funds on July 15, 2014 and deposited them into AMP's working capital fund. At July 15, 2014, this transaction effectively reduced AMP's investment in joint venture by \$15,500,000.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

A. *General (Continued)*

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

| | Year ended June 30, | |
|--|---------------------|---------------------|
| | 2016 | 2015 |
| Beginning balance | \$ 5,453,446 | \$ 19,985,316 |
| Increase (decrease) in equity in NCPA projects | 2,067,149 | (14,531,870) |
| Ending balance | <u>\$ 7,520,595</u> | <u>\$ 5,453,446</u> |

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

| | June 30, | |
|--|---------------------|---------------------|
| | 2016 | 2015 |
| General Operating Reserve | \$ 2,439,950 | \$ 1,550,484 |
| Purchased Power & Transmission | 100,809 | 22,785 |
| Share of Scheduling Coordination Balancing Account | 1,721,823 | 1,593,433 |
| Share of Congestion Revenue Rights (CRR) | 150,859 | 150,859 |
| Associated Member Services | 108,749 | 103,681 |
| Market Purchase Program (MPP) Security Deposit | 699,040 | 699,040 |
| | <u>5,221,230</u> | <u>4,120,282</u> |
| Net book value of amounts contributed to fund | | |
| Alameda Municipal Power's share of NCPA Power: | | |
| Geothermal Projects/Power Line | 1,376,489 | 947,459 |
| Calaveras Hydroelectric Project | 923,600 | 733,180 |
| Combustion Turbine Project No. 1 | (39,908) | (378,279) |
| Combustion Turbine Project No. 2 | 39,184 | 30,804 |
| | <u>\$ 7,520,595</u> | <u>\$ 5,453,446</u> |

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

B. *Projects in which AMP is a Participant*

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

In 2009, NCPA issued the Refunding Series A for \$35,610,000 to improve the Unit 4 steam path, provide for the Middletown booster pump solar project, provide for the Southeast Treatment plant solar project, make a contribution to the Debt Service Reserve Account, and to pay the cost of issuance of the 2009 Series A bonds. In September 2012, the NCPA issued \$12,910,000 of fixed-rate tax-exempt Geothermal Project No. 3 bonds for the purpose of providing funds to finance the costs of acquisition and construction of certain improvements to the Geothermal project as well as make a contribution to the Debt Service Reserve Account and to pay the costs of issuance of the 2012 Series A Bonds.

AMP is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2016, the book value of this Project's plant, equipment and other assets was \$87,015,972 while its long-term debt totaled \$34,594,237 and other liabilities totaled \$44,272,327. AMP's share of the Project's long-term debt and other liabilities amounted to \$13,314,648 on that date.

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

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

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

Under its power purchase agreement with NCPA, AMP is obligated to pay 10.9774 percent of this Project's debt service and operating costs. The project entitlement share on the Hydroelectric Projects funded with the 2008 Refunding Series C and 2008 Taxable Refunding Series D obligations is 10 percent. At June 30, 2016, the book value of this Project's plant, equipment and other assets was \$435,313,323, while its long-term debt totaled \$375,870,310 and other liabilities totaled \$50,207,012. AMP's share of the Project's long-term debt and other liabilities amounted to \$42,607,732 on that date.

Combustion Turbine Project No. 1 - In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities including Alameda, began full commercial operation in June 1986 and provides reserve and peaking power. During August 2010, phase 2 of the first amendment to the NCPA power purchase agreement finalized the transfer of ownership of two NCPA electricity generating units to the City of Roseville due to a misalignment of ISO control areas. The transfer reduced the generation output of the project to 74 MW, and increased the entitlement share to 21.82 percent. Although AMP's project percentage share increases, its resulting generating capacity entitlement remains constant at 16.05 MW. At June 30, 2016, the book value of this Project's plant, equipment and other assets was \$2,351,710 while its long-term debt totaled \$0, and other liabilities totaled \$2,534,608. AMP's share of the Project's long-term debt and other liabilities amounted to \$553,051 on that date.

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

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

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

At June 30, 2016, the book value of this Project's plant, equipment and other assets was \$44,658,157 while its long-term debt totaled \$42,026,831 and other liabilities totaled \$2,425,094. AMP's share of the Project's long-term debt and other liabilities amounted to \$8,445,866 on that date.

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

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

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

Highwinds Project Power Purchase

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

Landfill Gas Projects Power Purchase

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

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

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

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

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

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

NOTE 9 - TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (TANC)

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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

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

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

In May 2009, TANC issued \$67.0 million of tax-exempt 2009 Series A bonds and \$61.8 million of taxable 2009 Series B bonds. The proceeds of the Series A bonds were used to retire a bank loan that refinanced \$30.3 million of TANC's tax-exempt commercial paper and also to refund \$34.7 million of TANC's 2003 Series C Auction Rate Securities. The proceeds of the Series B bonds were used to retire a bank loan that refinanced \$56.3 million of TANC's taxable commercial paper. The 2009 refunding increased future aggregate debt service payments by \$19.3 million, but resulted in a total economic gain of \$6.5 million, the difference between present value of the old and new debt service payments. TANC has issued Revenue Bonds for \$435,790,000 and eliminated its obligations for the Tax Exempt Commercial Paper notes. As of June 30, 2016 and 2015, AMP's share of this debt is \$0 and \$0, respectively.

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

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 10 - RISK MANAGEMENT

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

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

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

A. *Risk Coverage*

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limits. The City has a deductible or uninsured liability of up to \$350,000 per claim. During the fiscal year ended June 30, 2016 and 2015, AMP contributed \$58,428 and \$87,452 for the coverage, respectively.

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

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 10 - RISK MANAGEMENT (CONTINUED)

A. *Risk Coverage (Continued)*

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

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

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

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

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

| | Worker's Compensation | General Liability | Total |
|--|--------------------------|-------------------|---------------------|
| Beginning Balance as of July 1, 2013 | \$ 676,122 | \$ 428,549 | \$ 1,104,671 |
| Change in liability for current and prior fiscal year claims | 47,346 | 47,378 | 94,724 |
| Payments made on claims | (150,450) | - | (150,450) |
| Liability as of June 30, 2014 | <u>\$ 573,018</u> | <u>\$ 475,927</u> | <u>\$ 1,048,945</u> |
| Change in liability for current and prior fiscal year claims | 326,410 | (16,831) | 309,579 |
| Payments made on claims | (95,994) | - | (95,994) |
| Liability as of June 30, 2015 | <u>\$ 803,434</u> | <u>\$ 459,096</u> | <u>\$ 1,262,530</u> |
| Change in liability for current and prior fiscal year claims | 172,851 | 54,880 | 227,731 |
| Payments made on claims | (31,896) | (6,840) | (38,736) |
| Ending blaance as of June 30, 2016 | <u>944,389</u> | <u>507,136</u> | <u>1,451,525</u> |
| Less current prtion | <u>(82,500)</u> | <u>(82,500)</u> | <u>(165,000)</u> |
| Long-term portion | <u>\$ 861,889</u> | <u>\$ 424,636</u> | <u>\$ 1,286,525</u> |

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 11 - COMMITMENTS

A. *Take-or-Pay Agreements*

Under the terms of its NCPA and TANC joint venture agreements, AMP is liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Notes 8 and 9. AMP's estimated share of such debt outstanding at June 30, 2016 was \$68,930,476. Under certain circumstances, AMP may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, AMP may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants. These "step up" provisions are generally capped at a 25 percent increase.

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

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

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

A summary of AMP's "Take or Pay" contracts and related projects and its contingent liability for the debt service including principal and interest payments at June 30, 2016 is as follows:

| Fiscal Year | NGP | NCHP | NCFP | Total |
|--------------|---------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 862,516 | \$ 3,944,050 | \$ 1,079,108 | \$ 5,885,674 |
| 2018 | 862,652 | 3,862,951 | 1,068,858 | 5,794,461 |
| 2019 | 863,360 | 3,863,509 | 1,081,655 | 5,808,524 |
| 2020 | 863,740 | 3,799,570 | 1,086,174 | 5,749,484 |
| 2021 | 3,833,771 | 3,803,815 | 1,101,320 | 8,738,906 |
| 2022-2026 | - | 16,993,806 | 4,617,188 | 21,610,994 |
| 2027-2031 | - | 10,674,346 | 16,832 | 10,691,178 |
| 2032-2036 | - | 4,651,255 | - | 4,651,255 |
| Total | \$ 7,286,039 | \$ 51,593,302 | \$ 10,051,135 | \$ 68,930,476 |

B. *Lease Agreement with Successor Agency of Alameda Reuse and Redevelopment Authority*

In June 2009, AMP entered into two property lease agreements with the Alameda Reuse and Redevelopment Authority (assigned to Successor Agency of the Alameda Reuse and Redevelopment Authority). The lease terms for each agreement started on June 1, 2009 and expired on May 31, 2014. After May 31, 2014 AMP currently leases the property on a month-to-month with minimum monthly payments of \$1,083 and \$11,103, respectively.

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 11 - COMMITMENTS (CONTINUED)

C. *Lease Agreement with 1835 Alameda Property, LLC*

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

| Fiscal Year | |
|-------------|---------------------|
| 2017 | \$ 271,700 |
| 2018 | 296,400 |
| 2019 | 297,882 |
| 2020 | 306,818 |
| 2021 | 316,023 |
| 2022-2026 | 1,728,143 |
| 2027-2031 | 1,930,846 |
| Total | <u>\$ 5,147,813</u> |

NOTE 12 - CONTINGENT LIABILITIES

Lawsuits and Litigation

AMP has one litigated case pending for the fiscal year ending June 30, 2016: Ginsburg v. City of Alameda. The Complaint is a class action for injunctive and declaratory relief and refund of an alleged unconstitutional tax. Plaintiff claims that AMP makes certain transfers to the City's General Fund each year and because these transfers are included in the AMP budget on which rate increases are based, the rates constitute a "tax" under the California Constitution (as amended by Proposition 26, passed in 2010). Under Proposition 26, all government charges or fees imposed after November 2010 are deemed a tax requiring voter approval unless they fall within an exception. The City is aggressively defending the lawsuit and believes AMP has minimal exposure.

On November 8, 2016, the voters of the City of Alameda passed a ballot measure to amend the City Charter to continue the annual transfer of \$3,700,000 from Alameda Municipal Power to the City and to update the Utility Users Tax so that it matches with current technologies.

NOTE 13 – SUBSEQUENT EVENTS

Securities and Exchange Commission's MCDC Initiative

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

ALAMEDA MUNICIPAL POWER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

Securities and Exchange Commission’s MCDC Initiative (Continued)

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

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

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

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

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REQUIRED SUPPLEMENTAL INFORMATION

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

| | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|
| AMP's proportion of the City's net pension liability | 32.00% | 29.00% |
| AMP's proportionate share of the City's net pension liability | \$ 16,040,814 | \$ 13,657,795 |
| Covered - employee payroll | \$ 7,814,414 | \$ 7,564,097 |
| AMP's proportionate share of the City's net pension liability as a percentage of covered-employee payroll | 205.27% | 180.56% |
| Miscellaneous Plan fiduciary net position as a percentage of the total pension liability | 77.96% | 81.01% |
| Measurement date: | June 30, 2015 | June 30, 2014 |

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

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

| | 2016 | 2015 |
|--|--------------|--------------|
| Actuarially determined contributions | \$ 1,312,978 | \$ 1,016,782 |
| Contributions in relation to the actuarially determined contribution | 1,312,978 | 1,016,782 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered-employee payroll | \$ 7,947,691 | \$ 7,814,414 |
| Contributions as a percentage of covered-employee payroll | 16.52% | 13.01% |

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

Statistical Section

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STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

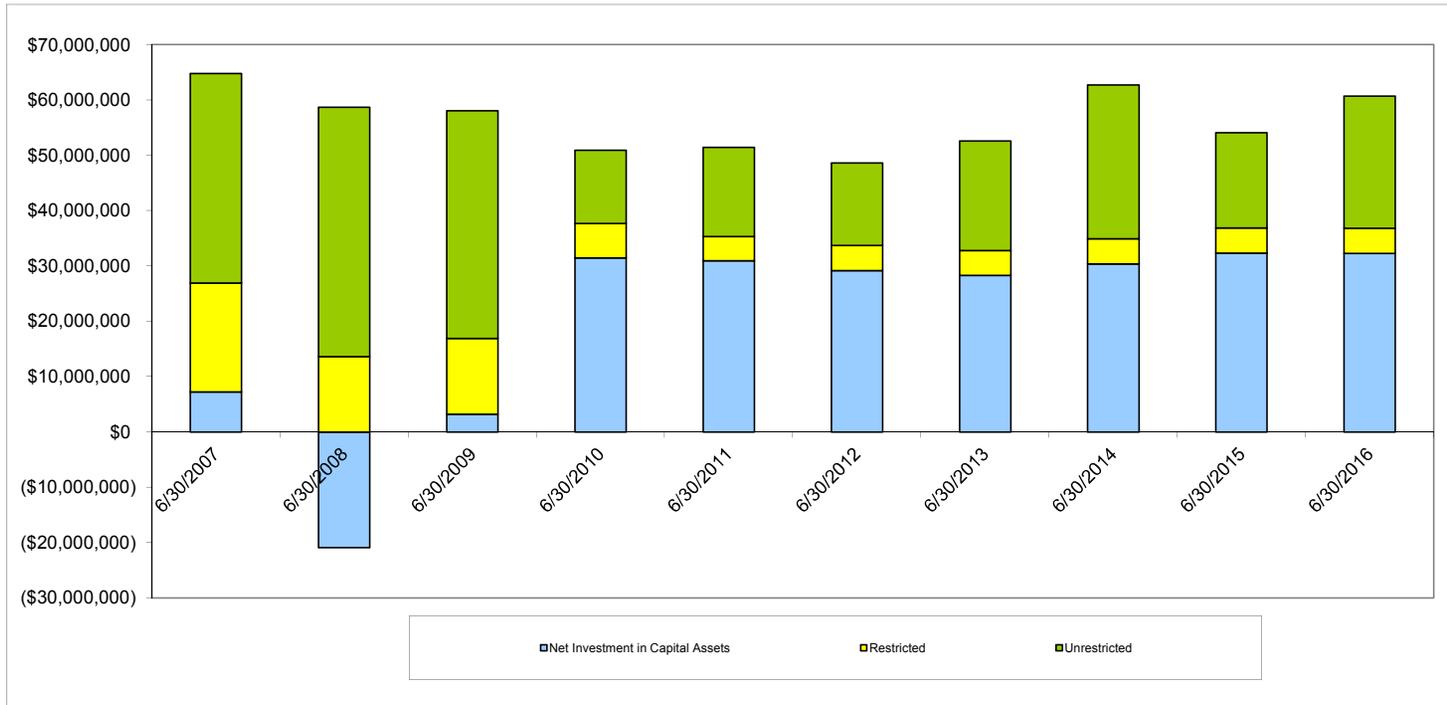
1. Operating Expenses by Function – Electric Operations
2. Operating Expenses by Function – Telecommunications Operations
3. Capital Asset Statistics by Function/Program
4. Operation Indicators
5. Operation Indicators - Continued

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. Alameda Municipal Power implemented GASB Statement 34 in 2006; schedules presenting government-wide information include information beginning in that year.

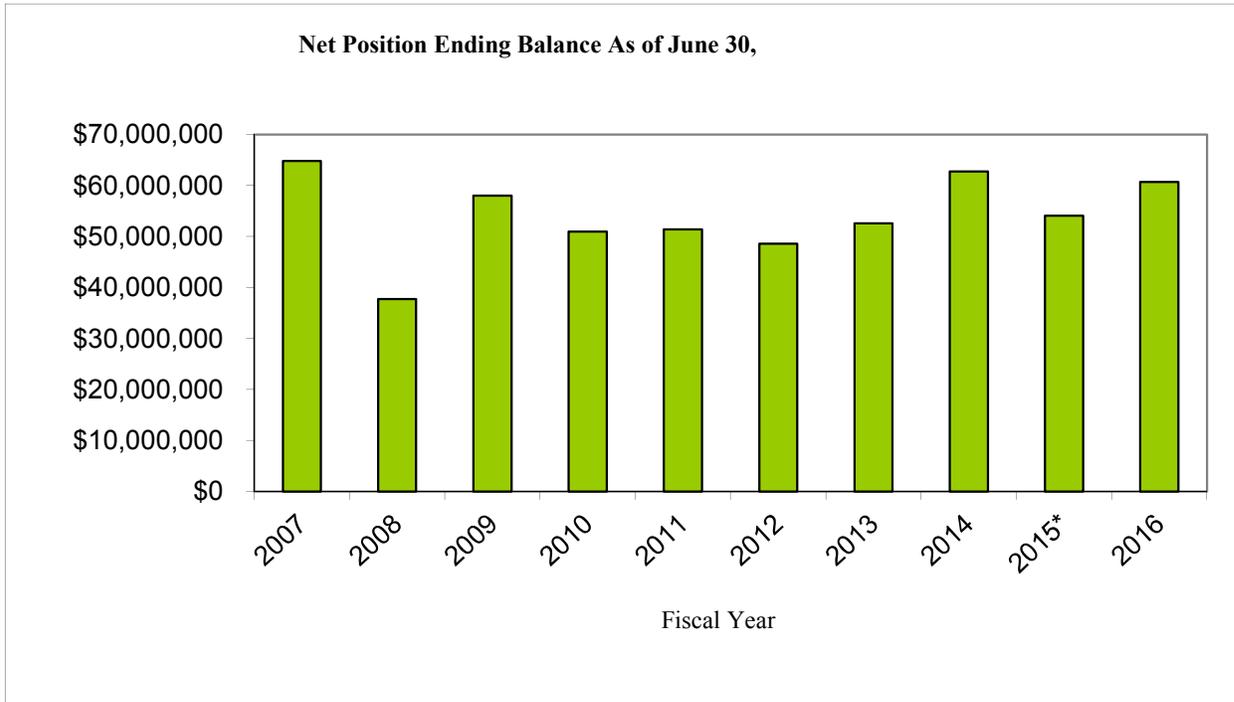
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**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**



| | Fiscal Year Ended, | | | | | | | | | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 6/30/2007 | 6/30/2008 | 6/30/2009 | 6/30/2010 | 6/30/2011 | 6/30/2012 | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 |
| Net Position: | | | | | | | | | | |
| Net Investment in Capital Assets | \$7,245,463 | (\$20,919,290) | \$3,179,206 | \$31,473,395 | \$30,928,840 | \$29,166,859 | \$28,278,573 | \$30,357,606 | \$32,296,499 | \$32,252,428 |
| Restricted | 19,671,304 | 13,631,215 | 13,736,657 | 6,226,879 | 4,378,747 | 4,515,565 | 4,529,302 | 4,544,429 | 4,561,650 | 4,581,311 |
| Unrestricted | 37,878,629 | 45,019,091 | 41,103,862 | 13,222,943 | 16,111,594 | 14,916,203 | 19,774,368 | 27,833,516 | 17,235,250 | 23,848,220 |
| Total Net Position | \$64,795,396 | \$37,731,016 | \$58,019,725 | \$50,923,217 | \$51,419,181 | \$48,598,627 | \$52,582,243 | \$62,735,551 | \$54,093,399 | \$60,681,959 |

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



| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income | Non-Operating Revenue, Expenses & Transfers | Change in Net Position | Net Position | |
|-------------|--------------------|--------------------|------------------|---|------------------------|-------------------|----------------|
| | | | | | | Beginning Balance | Ending Balance |
| 2007 | \$ 57,388,987 | \$ 56,043,315 | \$ 1,345,672 | \$ (1,751,564) | \$ (405,892) | \$ 65,201,288 | \$ 64,795,396 |
| 2008 | \$ 57,818,781 | \$ 54,595,883 | \$ 3,222,898 | \$ (32,035,753) | \$ (28,812,855) | \$ 66,543,871 | \$ 37,731,016 |
| 2009 | \$ 53,507,364 | \$ 53,619,296 | \$ (111,932) | \$ 20,400,641 | \$ 20,288,709 | \$ 37,731,016 | \$ 58,019,725 |
| 2010 | \$ 48,953,054 | \$ 48,524,064 | \$ 428,990 | \$ (7,525,498) | \$ (7,096,508) | \$ 58,019,725 | \$ 50,923,217 |
| 2011 | \$ 50,771,700 | \$ 43,325,162 | \$ 7,446,538 | \$ (6,950,574) | \$ 495,964 | \$ 50,923,217 | \$ 51,419,181 |
| 2012 | \$ 51,434,869 | \$ 47,624,263 | \$ 3,810,606 | \$ (6,631,160) | \$ (2,820,554) | \$ 51,419,181 | \$ 48,598,627 |
| 2013 | \$ 56,044,239 | \$ 48,133,618 | \$ 7,910,621 | \$ (3,927,005) | \$ 3,983,616 | \$ 48,598,627 | \$ 52,582,243 |
| 2014 | \$ 59,693,838 | \$ 44,283,891 | \$ 15,409,947 | \$ (5,256,639) | \$ 10,153,308 | \$ 52,582,243 | \$ 62,735,551 |
| 2015* | \$ 58,759,497 | \$ 45,041,333 | \$ 13,718,164 | \$ (5,452,868) | \$ 8,265,296 | \$ 45,828,103 | \$ 54,093,399 |
| 2016 | \$ 62,012,528 | \$ 51,230,776 | \$ 10,781,752 | \$ (4,193,192) | \$ 6,588,560 | \$ 54,093,399 | \$ 60,681,959 |

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

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

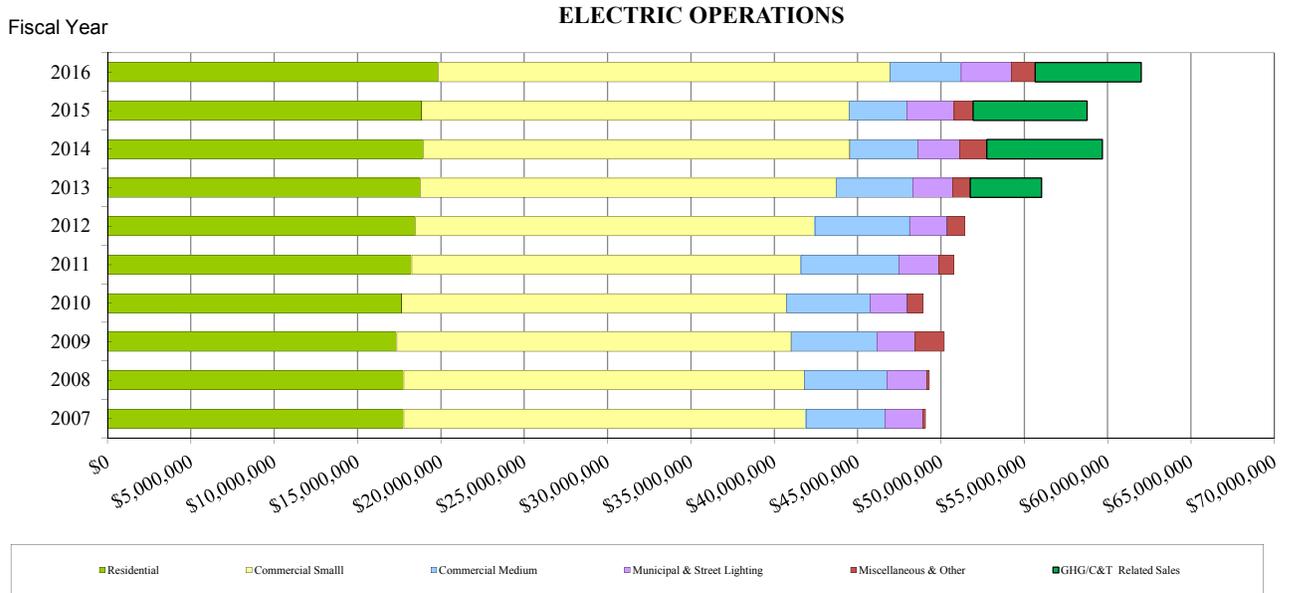
| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income | Non-Operating Revenue, Expenses & Transfers | Change in Net Position | Net Position | |
|----------------|-----------------------|-----------------------|---------------------|--|---------------------------|----------------------|-------------------|
| | | | | | | Beginning Balance | Ending Balance |
| 2007 | \$ 49,069,346 | \$ 44,756,587 | \$ 4,312,759 | \$ (545,960) | \$ 3,766,799 | \$ 93,839,308 | \$ 97,606,107 |
| 2008 | \$ 49,309,667 | \$ 43,339,806 | \$ 5,969,861 | \$ (42,662,307) | \$(36,692,446) | \$ 99,354,582 | \$ 62,662,136 |
| 2009 | \$ 50,210,280 | \$ 48,510,671 | \$ 1,699,609 | \$ (3,987,119) | \$ (2,287,510) | \$ 62,662,136 | \$ 60,374,626 |
| 2010 | \$ 48,948,051 | \$ 43,093,760 | \$ 5,854,291 | \$ (10,259,777) | \$ (4,405,486) | \$ 60,374,626 | \$ 55,969,140 |
| 2011 | \$ 50,769,687 | \$ 41,052,225 | \$ 9,717,462 | \$ (9,879,984) | \$ (162,522) | \$ 55,969,140 | \$ 55,806,618 |
| 2012 | \$ 51,434,869 | \$ 46,809,706 | \$ 4,625,163 | \$ (7,619,442) | \$ (2,994,279) | \$ 55,806,618 | \$ 52,812,339 |
| 2013 | \$ 56,044,239 | \$ 47,886,282 | \$ 8,157,957 | \$ (4,134,326) | \$ 4,023,631 | \$ 52,812,339 | \$ 56,835,970 |
| 2014 | \$ 59,693,838 | \$ 43,768,764 | \$ 15,925,074 | \$ (7,386,926) | \$ 8,538,148 | \$ 56,835,970 | \$ 65,374,118 |
| 2015* | \$ 58,759,497 | \$ 44,904,062 | \$ 13,855,435 | \$ (6,028,706) | \$ 7,826,729 | \$ 48,466,670 | \$ 56,293,399 |
| 2016 | \$ 62,012,528 | \$ 51,230,776 | \$ 10,781,752 | \$ (6,393,192) | \$ 4,388,560 | \$ 56,293,399 | \$ 60,681,959 |

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

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

| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income | Non-Operating Revenue, Expenses, Transfers and Special Items | Change in Net Position | Net Position | |
|----------------|-----------------------|-----------------------|---------------------|---|---------------------------|----------------------|-------------------|
| | | | | | | Beginning Balance | Ending Balance |
| 2007 | \$ 8,319,641 | \$ 11,286,728 | \$ (2,967,087) | \$ (1,205,604) | \$ (4,172,691) | \$ (28,638,020) | \$ (32,810,711) |
| 2008 | \$ 8,509,114 | \$ 11,256,077 | \$ (2,746,963) | \$ 10,626,554 | \$ 7,879,591 | \$ (32,810,711) | \$ (24,931,120) |
| 2009 | \$ 3,297,084 | \$ 5,108,625 | \$ (1,811,541) | \$ 24,387,760 | \$ 22,576,219 | \$ (24,931,120) | \$ (2,354,901) |
| 2010 | \$ 5,003 | \$ 5,430,304 | \$ (5,425,301) | \$ 2,734,279 | \$ (2,691,022) | \$ (2,354,901) | \$ (5,045,923) |
| 2011 | \$ 2,013 | \$ 2,272,937 | \$ (2,270,924) | \$ 2,929,410 | \$ 658,486 | \$ (5,045,923) | \$ (4,387,437) |
| 2012 | \$ - | \$ 814,557 | \$ (814,557) | \$ 988,282 | \$ 173,725 | \$ (4,387,437) | \$ (4,213,712) |
| 2013 | \$ - | \$ 247,336 | \$ (247,336) | \$ 207,321 | \$ (40,015) | \$ (4,213,712) | \$ (4,253,727) |
| 2014 | \$ - | \$ 515,127 | \$ (515,127) | \$ 2,130,287 | \$ 1,615,160 | \$ (4,253,727) | \$ (2,638,567) |
| 2015 | \$ - | \$ 137,271 | \$ (137,271) | \$ 575,838 | \$ 438,567 | \$ (2,638,567) | \$ (2,200,000) |
| 2016 | \$ - | \$ - | \$ - | \$ 2,200,000 | \$ 2,200,000 | \$ (2,200,000) | \$ - |

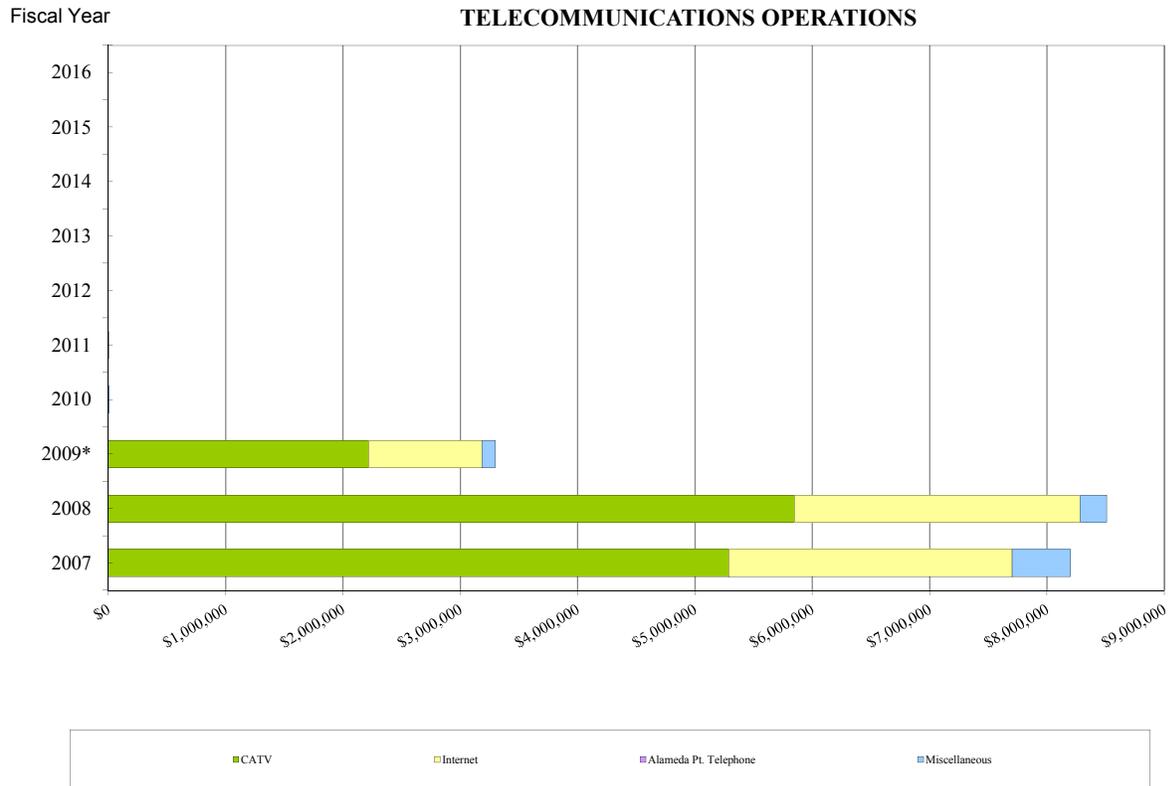
**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
ELECTRIC OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



| Fiscal Year | Sales of Electricity | | | | | | | | Total |
|-------------|----------------------|------------------|-------------------|-------------|------------------------|------------------------|-----------------------------|-----------------------|--------------|
| | Residential | Commercial Small | Commercial Medium | Municipal | Street Lighting/ Other | Miscellaneous Services | Plant Lease & Jobbing Sales | GHG/C&T Related Sales | |
| 2007 | \$17,786,579 | \$24,129,480 | \$4,720,055 | \$1,847,716 | \$444,985 | \$140,531 | | | \$49,069,346 |
| 2008 | \$17,783,232 | \$24,021,704 | \$4,982,103 | \$1,897,547 | \$456,320 | \$168,761 | | | \$49,309,667 |
| 2009 | \$17,365,563 | \$23,644,464 | \$5,175,117 | \$1,820,996 | \$451,524 | \$603,419 | \$1,149,197 | | \$50,210,280 |
| 2010 | \$17,647,604 | \$23,090,891 | \$5,026,286 | \$1,749,835 | \$461,947 | \$643,929 | \$327,559 | | \$48,948,051 |
| 2011 | \$18,257,650 | \$23,352,114 | \$5,861,554 | \$1,753,399 | \$641,967 | \$613,426 | \$289,577 | | \$50,769,687 |
| 2012 | \$18,488,086 | \$23,964,056 | \$5,666,350 | \$1,793,977 | \$464,788 | \$687,220 | \$370,392 | | \$51,434,869 |
| 2013 | \$18,781,411 | \$24,967,214 | \$4,552,958 | \$1,779,313 | \$623,308 | \$666,112 | \$390,500 | \$4,283,423 | \$56,044,239 |
| 2014 | \$18,974,096 | \$25,554,219 | \$4,088,510 | \$1,859,914 | \$660,902 | \$773,677 | \$843,737 | \$6,938,783 | \$59,693,838 |
| 2015 | \$18,849,656 | \$25,660,869 | \$3,435,518 | \$2,047,549 | \$797,198 | \$742,071 | \$402,567 | \$6,824,069 | \$58,759,497 |
| 2016 | \$19,869,104 | \$27,071,358 | \$4,278,240 | \$1,973,689 | \$1,028,631 | \$947,765 | \$479,791 | \$6,363,950 | \$62,012,528 |

| Fiscal Year | Kilowatt- Hour Sales | | | | | | Peak Demand (KW) |
|-------------|----------------------|------------------|-------------------|------------|------------------------|-------------|------------------|
| | Residential | Commercial Small | Commercial Medium | Municipal | Street Lighting/ Other | Total KWH | |
| 2007 | 142,352,676 | 187,611,044 | 41,255,006 | 14,916,186 | 3,151,663 | 389,286,575 | 70,891 |
| 2008 | 142,718,493 | 187,720,577 | 43,966,176 | 15,202,494 | 3,212,483 | 392,820,223 | 71,937 |
| 2009 | 140,048,081 | 184,300,489 | 45,611,047 | 14,675,829 | 3,041,330 | 387,676,776 | 76,250 |
| 2010 | 142,109,998 | 179,960,145 | 44,243,371 | 13,598,342 | 3,207,924 | 383,119,780 | 73,712 |
| 2011 | 142,305,884 | 174,717,111 | 49,235,786 | 13,138,014 | 3,240,179 | 382,636,974 | 70,800 |
| 2012 | 139,665,283 | 172,445,087 | 45,512,960 | 12,880,649 | 3,283,309 | 373,787,288 | 67,188 |
| 2013 | 135,924,914 | 176,259,228 | 35,487,830 | 12,585,314 | 3,186,846 | 363,444,132 | 68,100 |
| 2014 | 131,209,422 | 175,075,476 | 31,951,900 | 12,537,513 | 3,138,994 | 353,913,305 | 69,308 |
| 2015 | 125,431,220 | 174,257,771 | 26,587,830 | 12,809,590 | 3,116,374 | 342,202,785 | 63,372 |
| 2016 | 125,831,929 | 176,575,883 | 31,490,040 | 12,375,517 | 2,546,494 | 348,819,863 | 64,283 |

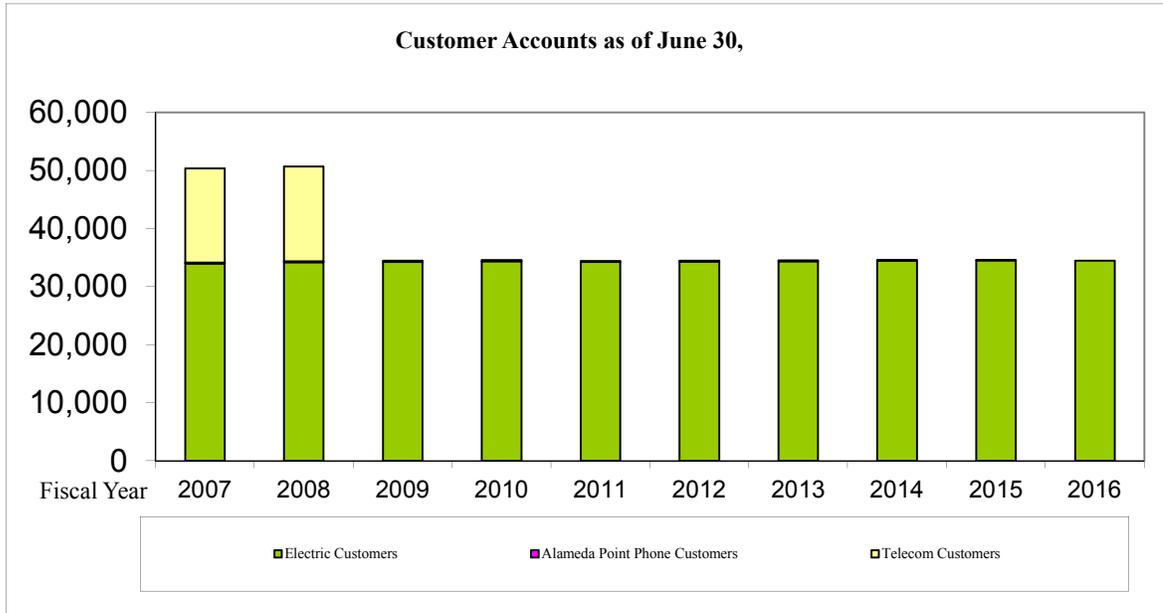
**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
TELECOMMUNICATIONS OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



| <u>Fiscal Year</u> | <u>Cable Television</u> | <u>Internet</u> | <u>Alameda Point Telephone</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--------------------|-------------------------|-----------------|--------------------------------|----------------------|--------------|
| 2007 | \$5,286,534 | \$2,415,924 | \$121,462 | \$495,721 | \$8,319,641 |
| 2008 | \$5,850,854 | \$2,433,976 | No longer grouped with Telecom | \$224,284 | \$8,509,114 |
| 2009* | \$2,219,610 | \$964,513 | Not Applicable | \$112,961 | \$3,297,084 |
| 2010 | \$0 | \$0 | Not Applicable | \$5,003 | \$5,003 |
| 2011 | \$0 | \$0 | Not Applicable | \$2,013 | \$2,013 |
| 2012 | \$0 | \$0 | Not Applicable | \$0 | \$0 |
| 2013 | \$0 | \$0 | Not Applicable | \$0 | \$0 |
| 2014 | \$0 | \$0 | Not Applicable | \$0 | \$0 |
| 2015 | \$0 | \$0 | Not Applicable | \$0 | \$0 |
| 2016 | \$0 | \$0 | Not Applicable | \$0 | \$0 |

*Telecommunication operation was sold in November 2008

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



Number of Electric Customer Accounts:

| Fiscal Year | Residential | Commercial Small | Commercial Medium | Municipal | Street Lighting & Other | Total Customer Accounts |
|-------------|-------------|------------------|-------------------|-----------|-------------------------|-------------------------|
| 2007 | 29,997 | 3,634 | 9 | 330 | 19 | 33,989 |
| 2008 | 30,084 | 3,750 | 12 | 333 | 38 | 34,217 |
| 2009 | 30,119 | 3,782 | 11 | 333 | 27 | 34,272 |
| 2010 | 30,191 | 3,818 | 18 | 342 | 30 | 34,399 |
| 2011 | 30,171 | 3,744 | 13 | 330 | 23 | 34,281 |
| 2012 | 30,194 | 3,776 | 12 | 327 | 29 | 34,338 |
| 2013 | 30,260 | 3,781 | 9 | 331 | 24 | 34,405 |
| 2014 | 30,293 | 3,786 | 12 | 363 | 28 | 34,482 |
| 2015 | 30,307 | 3,834 | 8 | 361 | 15 | 34,525 |
| 2016 | 30,377 | 3,735 | 8 | 363 | 11 | 34,494 |

Number of Telecommunications and Alameda Point Telephone Customer Accounts:

| Fiscal Year | Cable TV | Internet Data | Telecommunications* Customer Accounts | Alameda Point Telephone** Customer Accounts |
|-------------|----------|---------------|---------------------------------------|---|
| 2007 | 9,577 | 6,624 | 16,201 | 173 |
| 2008 | 9,285 | 7,031 | 16,316 | 185 |
| 2009 | - | - | - | 205 |
| 2010 | - | - | - | 223 |
| 2011 | - | - | - | 138 |
| 2012 | - | - | - | 135 |
| 2013 | - | - | - | 130 |
| 2014 | - | - | - | 102 |
| 2015 | - | - | - | 100 |
| 2016 | - | - | - | 88 |

*Telecommunication operation was sold in November 2008

**Alameda Point Telephone were counted by accounts from 2001 to 2005 and was counted by customers from 2006.

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

Electric Rate Changes

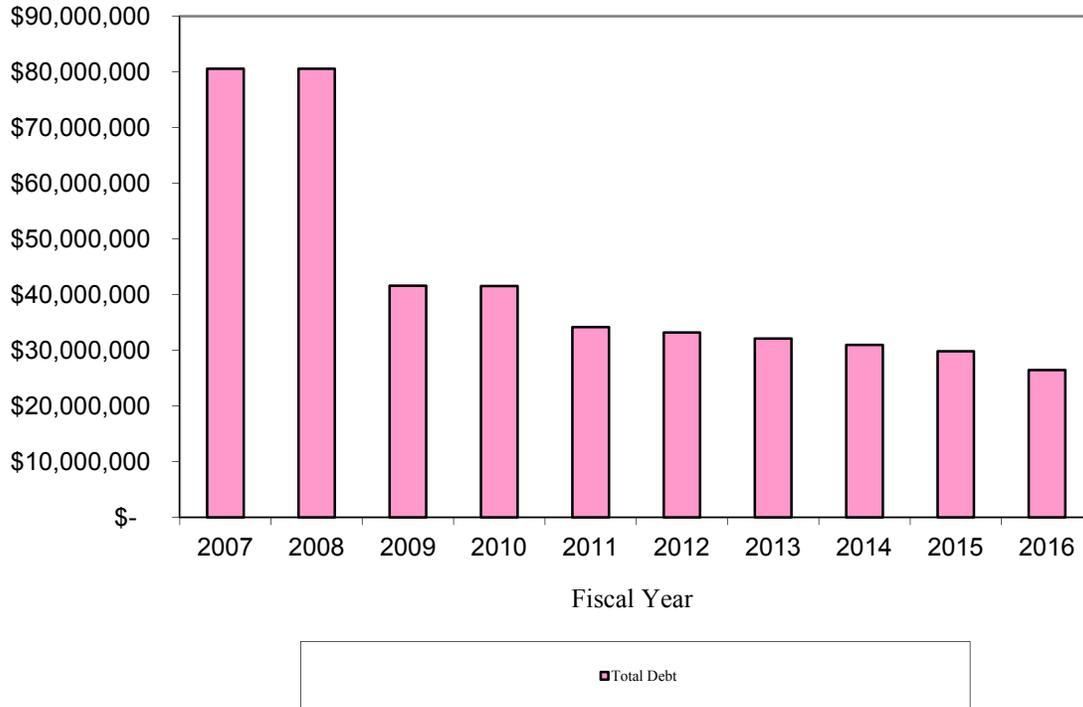
| <u>Date</u> | <u>Percent Change</u> | |
|--------------|---------------------------|--------------------------------|
| July 1, 2006 | 0.56% | |
| July 1, 2008 | 0.70% | (State Mandated Solar Program) |
| July 1, 2009 | 0.09% | (2.5% MU-1 rate increase) |
| July 1, 2010 | 3.75% | |
| July 1, 2011 |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

Telecommunications Rate Changes

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

Telecommunication operation was sold in November 2008

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

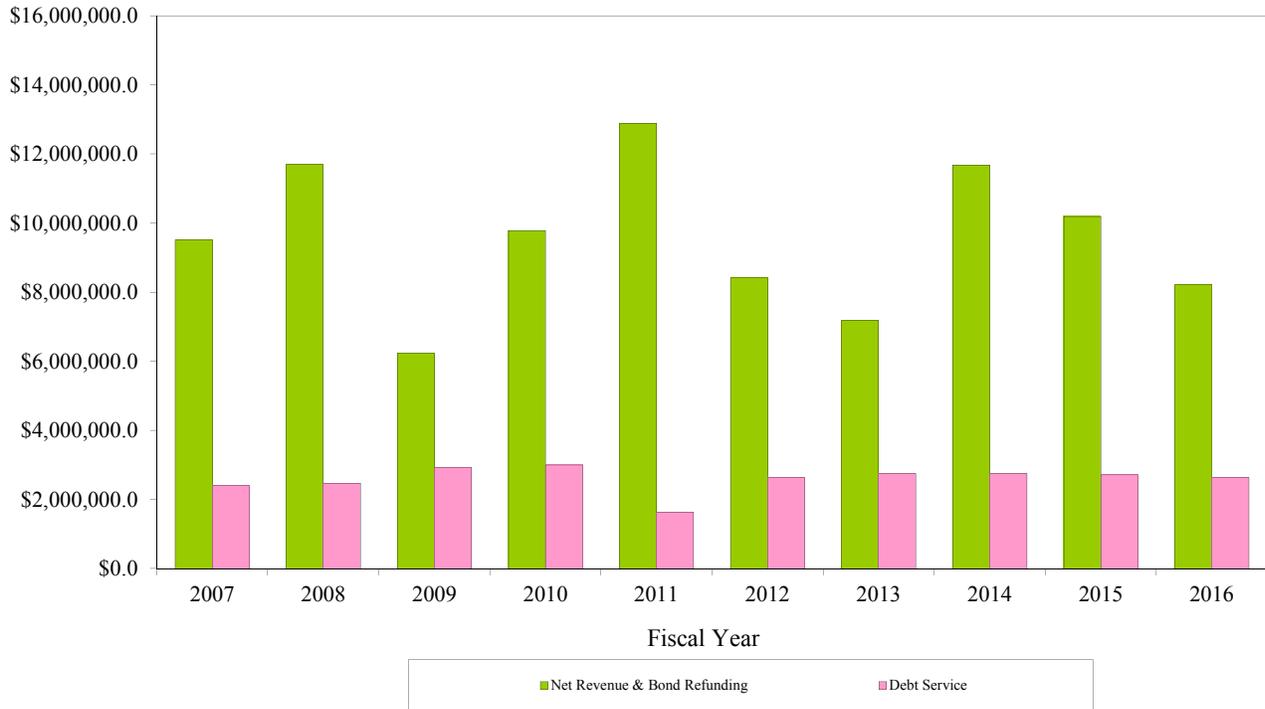


| Fiscal Year | Certificates of Participation | Revenue Bonds/ Anticipation Notes | Loans and | | Total | Per Customer Accounts | Per Capita (a) |
|-------------|-------------------------------|--------------------------------------|--------------------|--|---------------|--------------------------|-------------------|
| | | | Lease Purchases | | | | |
| 2007 | \$ 45,345,000 | \$ 33,000,000 | \$ 2,200,000 | | \$ 80,545,000 | \$1,593.91 | \$ 1,106.27 |
| 2008 | \$ 45,190,000 | \$ 33,000,000 | \$ 2,372,836 | | \$ 80,562,836 | \$2,350.69 | \$ 1,098.20 |
| 2009 | \$ 39,045,000 | \$ - | \$ 2,553,401 | | \$ 41,598,401 | \$1,201.50 | \$ 561.90 |
| 2010 | \$ 39,045,000 | \$ - | \$ 2,501,906 | | \$ 41,546,906 | \$1,211.95 | \$ 555.92 |
| 2011 | \$ - | \$ 31,685,000 | \$ 2,447,380 | | \$ 34,132,380 | \$994.01 | \$ 460.74 |
| 2012 | \$ - | \$ 30,790,000 | \$ 2,389,610 | | \$ 33,179,610 | \$964.38 | \$ 444.53 |
| 2013 | \$ - | \$ 29,750,000 | \$ 2,328,405 | | \$ 32,078,405 | \$930.29 | \$ 426.99 |
| 2014 | \$ - | \$ 28,685,000 | \$ 2,263,581 | | \$ 30,948,581 | \$896.41 | \$ 405.02 |
| 2015 | \$ - | \$ 27,590,000 | \$ 2,200,000 | | \$ 29,790,000 | \$862.85 | \$ 392.17 |
| 2016 | \$ - | \$ 26,460,000 | \$ - | | \$ 26,460,000 | \$767.09 | \$ 333.77 |

Source: (a) City of Alameda (population)

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

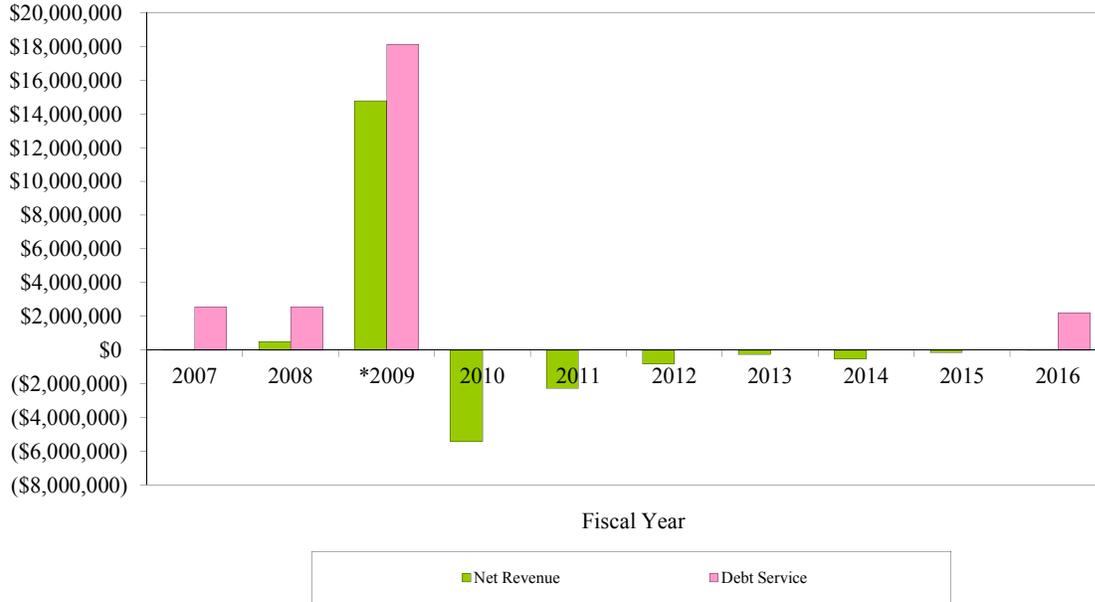
ELECTRIC OPERATIONS



| Fiscal Year | Electric Gross Revenue Including Non-Operating Revenue | GHG/C&T Related Sales Net Revenue Not Available for Debt Service | Electric Direct Operating Expenses (Excluding Depreciation) | Net Revenue Available for Debt Service, Renewals, Replacements and Additions | Debt Service | | | Coverage |
|-------------|--|--|---|--|--------------|-----------------------------|--------------|----------|
| | | | | | Principal | Interest and Fiscal Charges | Total | |
| 2007 | \$ 51,197,750 | | \$ 41,682,078 | \$ 9,515,672 | \$ - | \$ 2,401,292 | \$ 2,401,292 | 3.96 |
| 2008 | \$ 52,012,671 | | \$ 40,319,750 | \$ 11,692,921 | \$ - | \$ 2,476,808 | \$ 2,476,808 | 4.72 |
| 2009 | \$ 51,552,840 | | \$ 45,315,677 | \$ 6,237,163 | \$ 48,603 | \$ 2,877,163 | \$ 2,925,766 | 2.13 |
| 2010 | \$ 49,540,502 | | \$ 39,750,159 | \$ 9,790,343 | \$ 51,495 | \$ 2,945,095 | \$ 2,996,590 | 3.27 |
| 2011 | \$ 50,482,874 | | \$ 37,590,949 | \$ 12,891,925 | \$ 54,526 | \$ 1,582,668 | \$ 1,637,194 | 7.87 |
| 2012 | \$ 51,698,976 | | \$ 43,284,441 | \$ 8,414,535 | \$ 952,770 | \$ 1,677,854 | \$ 2,630,624 | 3.20 |
| 2013 | \$ 56,431,462 | 4,283,423 | \$ 44,964,882 | \$ 7,183,157 | \$ 1,101,205 | \$ 1,651,892 | \$ 2,753,097 | 2.61 |
| 2014 | \$ 59,435,371 | 6,938,783 | \$ 40,809,073 | \$ 11,687,515 | \$ 1,129,824 | \$ 1,617,655 | \$ 2,747,479 | 4.25 |
| 2015 | \$ 59,005,393 | 6,824,069 | \$ 41,987,012 | \$ 10,194,312 | \$ 1,158,581 | \$ 1,554,056 | \$ 2,712,637 | 3.76 |
| 2016 | \$ 62,437,408 | 6,362,947 | \$ 47,864,751 | \$ 8,209,710 | \$ 1,130,000 | \$ 1,510,325 | \$ 2,640,325 | 3.11 |

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

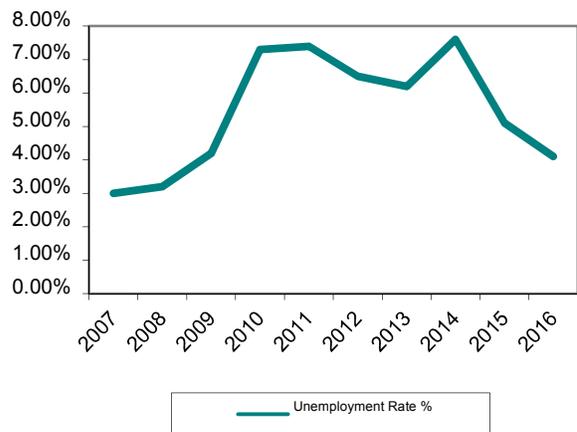
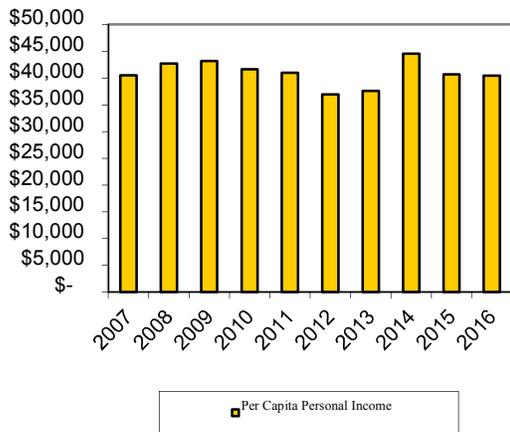
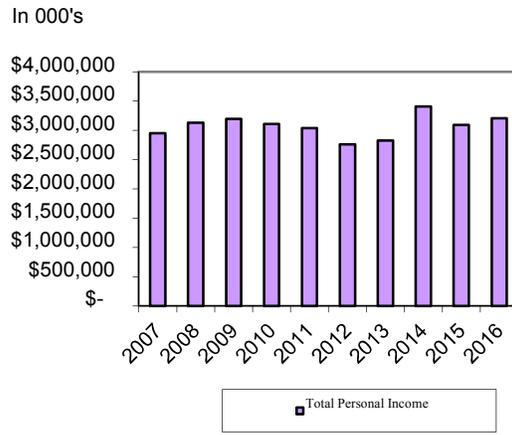
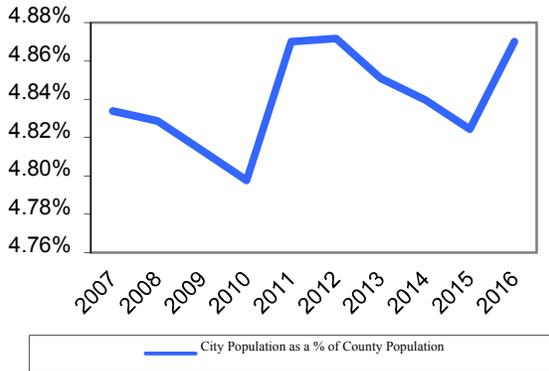
TELECOMMUNICATIONS OPERATIONS



| Fiscal Year | Gross Revenue Including Non-Operating Revenue | Direct Operating Expenses (Excluding Depreciation) | Net Revenue Available for Debt Service, Renewals, and Additions | Debt Service | | | Coverage |
|-------------|---|--|---|---------------|-----------------------------|---------------|----------------|
| | | | | Principal | Interest and Fiscal Charges | Total | |
| 2007 | \$ 8,444,581 | \$ 8,402,386 | \$ 42,195 | \$ - | \$ 2,562,764 | \$ 2,562,764 | 0.02 |
| 2008 | \$ 8,753,141 | \$ 8,250,746 | \$ 502,395 | \$ - | \$ 2,562,764 | \$ 2,562,764 | 0.20 |
| *2009 | \$ 18,875,451 | \$ 4,084,420 | \$ 14,791,031 | \$ 15,826,839 | \$ 2,310,000 | \$ 18,136,839 | 0.82 |
| 2010 | \$ 5,003 | \$ 5,430,304 | \$ (5,425,301) | \$ - | \$ - | \$ - | Not Applicable |
| 2011 | \$ 2,013 | \$ 2,272,937 | \$ (2,270,924) | \$ - | \$ - | \$ - | Not Applicable |
| 2012 | \$ 1,060 | \$ 814,557 | \$ (813,497) | \$ - | \$ - | \$ - | Not Applicable |
| 2013 | \$ 892 | \$ 247,336 | \$ (246,444) | \$ - | \$ - | \$ - | Not Applicable |
| 2014 | \$ 815 | \$ 515,127 | \$ (514,312) | \$ - | \$ - | \$ - | Not Applicable |
| 2015 | \$ 1,020 | \$ 137,271 | \$ (136,251) | \$ - | \$ - | \$ - | Not Applicable |
| 2016 | \$ 9,977 | \$ - | \$ 9,977 | \$ 2,200,000 | \$ - | \$ 2,200,000 | 0.00 |

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

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



| Fiscal Year | City Population | Total Personal Income (In Thousands) | Per Capita Personal Income | Unemployment Rate % | Alameda County Population | City Population % of County |
|-------------|-----------------|--------------------------------------|----------------------------|---------------------|---------------------------|-----------------------------|
| 2007 | 72,808 | \$ 2,950,462 | \$ 40,524 | 3.0% | 1,506,214 | 4.83% |
| 2008 | 73,359 | \$ 3,131,575 | \$ 42,688 | 3.2% | 1,519,250 | 4.83% |
| 2009 | 74,032 | \$ 3,197,344 | \$ 43,189 | 4.2% | 1,538,054 | 4.81% |
| 2010 | 74,736 | \$ 3,110,554 | \$ 41,621 | 7.3% | 1,557,749 | 4.80% |
| 2011 | 74,081 | \$ 3,035,929 | \$ 40,981 | 7.4% | 1,521,157 | 4.87% |
| 2012 | 74,640 | \$ 2,763,776 | \$ 36,962 | 6.5% | 1,532,137 | 4.87% |
| 2013 | 75,126 | \$ 2,824,097 | \$ 37,591 | 6.2% | 1,548,681 | 4.85% |
| 2014 | 76,413 | \$ 3,406,033 | \$ 44,574 | 7.6% | 1,578,891 | 4.84% |
| 2015 | 75,961 | \$ 3,092,904 | \$ 40,717 | 5.1% | 1,574,497 | 4.82% |
| 2016 | 79,277 | \$ 3,207,096 | \$ 40,454 | 4.1% | 1,627,865 | 4.87% |

Source: City of Alameda

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
Top 10 Customers
For the Fiscal Year Ended June 30, 2016**

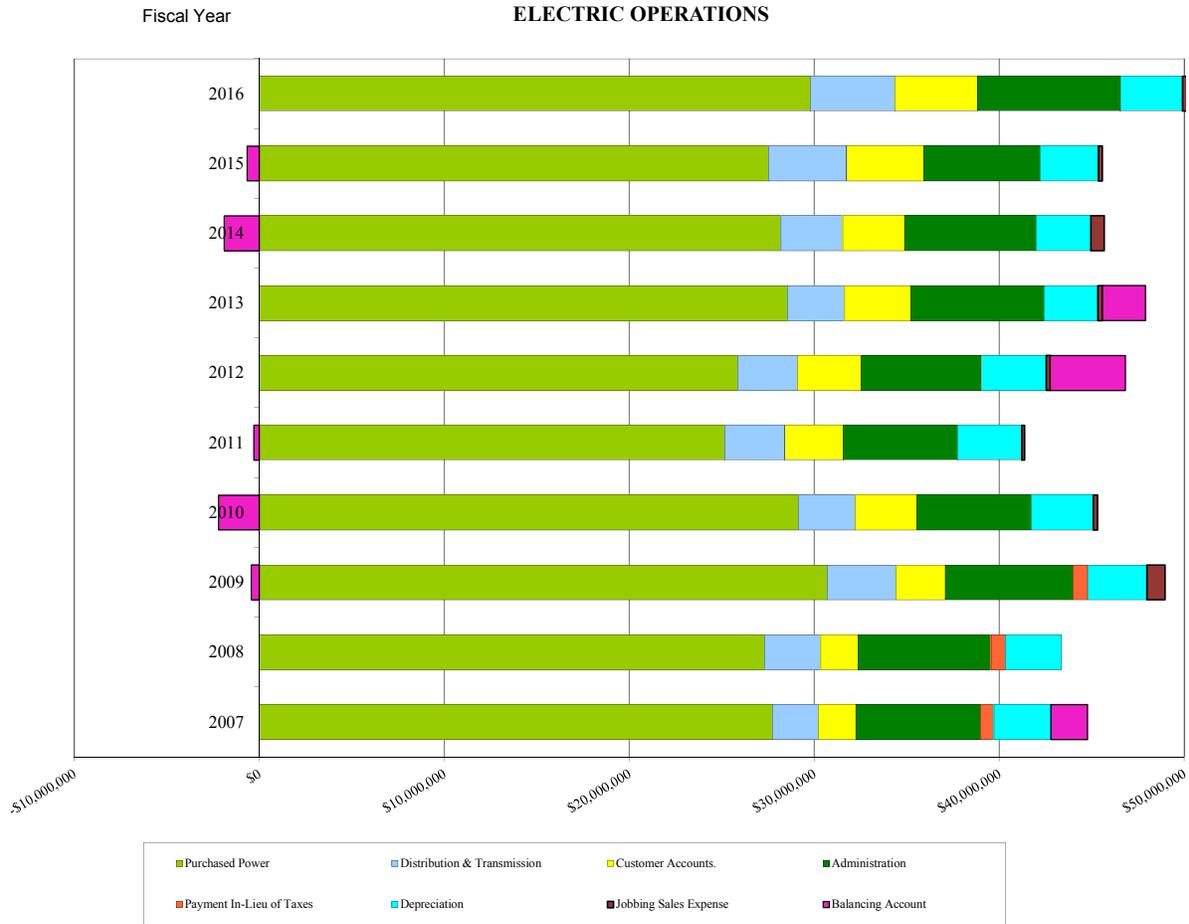
| <u>No.</u> | <u>Customer</u> | <u>Type of Business</u> | <u>KWHS</u> | <u>Percent of System Total</u> |
|---------------------------|---|--|-------------|--------------------------------|
| 1 | US Coast Guard Integrated Support | Regulation, Admin. of Transportation | 15,549,811 | 4.46% |
| 2 | Maritime Administration | Regulation, Admin. of Transportation | 15,278,607 | 4.38% |
| 3 | Amstar - 105, LLC | Lessor of Nonresidential Building | 7,286,120 | 2.09% |
| 4 | City of Alameda/AMP | Local Government | 6,785,212 | 1.95% |
| 5 | Alameda Unified School District | Public School District | 6,313,990 | 1.81% |
| 6 | Safeway Stores Inc. | Grocery Retailer | 6,167,176 | 1.77% |
| 7 | BSREP Marina Village Owner, LLC (formally Legacy Partners) Alameda Commercial Property | Lessor of Nonresidential Building | 5,981,324 | 1.71% |
| 8 | (Formally Alameda Gateway) | Lessor of Nonresidential Building | 5,125,500 | 1.47% |
| 9 | Wind River | Computer Programming Services | 4,976,841 | 1.43% |
| 10 | Alameda Hospital | Hospital, Medical and Emergency Services | 4,499,205 | 1.29% |
| Top 10 Customers KWHS | | | 77,963,786 | 22.35% |
| Total Kilowatt Hour Sales | | | 348,819,863 | 100% |

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

| No. | Business Name | FY2015-16 | | | 2006-07 | | |
|-----|---------------------------------|---------------------|------|---------------------------------------|---------------------|------|---------------------------------------|
| | | Number of Employees | Rank | Percentage % of Total City Population | Number of Employees | Rank | Percentage % of Total City Population |
| 1 | Alameda Unified School District | 876 | 1 | 1.10% | 1000 | 1 | 1.33% |
| 2 | Penumbra | 858 | 2 | 1.08% | | | |
| 3 | VF Outdoor | 751 | 3 | 0.95% | | | |
| 7 | Alameda Hospital | 694 | 4 | 0.88% | 600 | 4 | 0.80% |
| 4 | Oakland Raiders | 604 | 5 | 0.76% | | | |
| 6 | City of Alameda | 518 | 6 | 0.65% | 626 | 3 | 0.83% |
| 5 | Abbott Diabetes Care | 512 | 7 | 0.65% | 671 | 2 | 0.89% |
| 8 | Safeway Stores | 480 | 8 | 0.61% | 345 | 6 | 0.46% |
| 9 | Wind River | 447 | 9 | 0.56% | 339 | 7 | 0.45% |
| | Kaiser Foundation Health Plan | 425 | 10 | 0.54% | 252 | 8 | 0.33% |
| | College of Alameda | | | | 472 | 5 | 0.63% |
| | UT Starcom Inc | | | | 223 | 9 | 0.30% |
| | Celera Diagnostics LLC | | | | 215 | 10 | 0.29% |
| | Subtotal | 6165 | | 7.78% | 4743 | | 6.30% |
| | Total City Population | 79,277 | | | 75,254 | | |

Source: City of Alameda

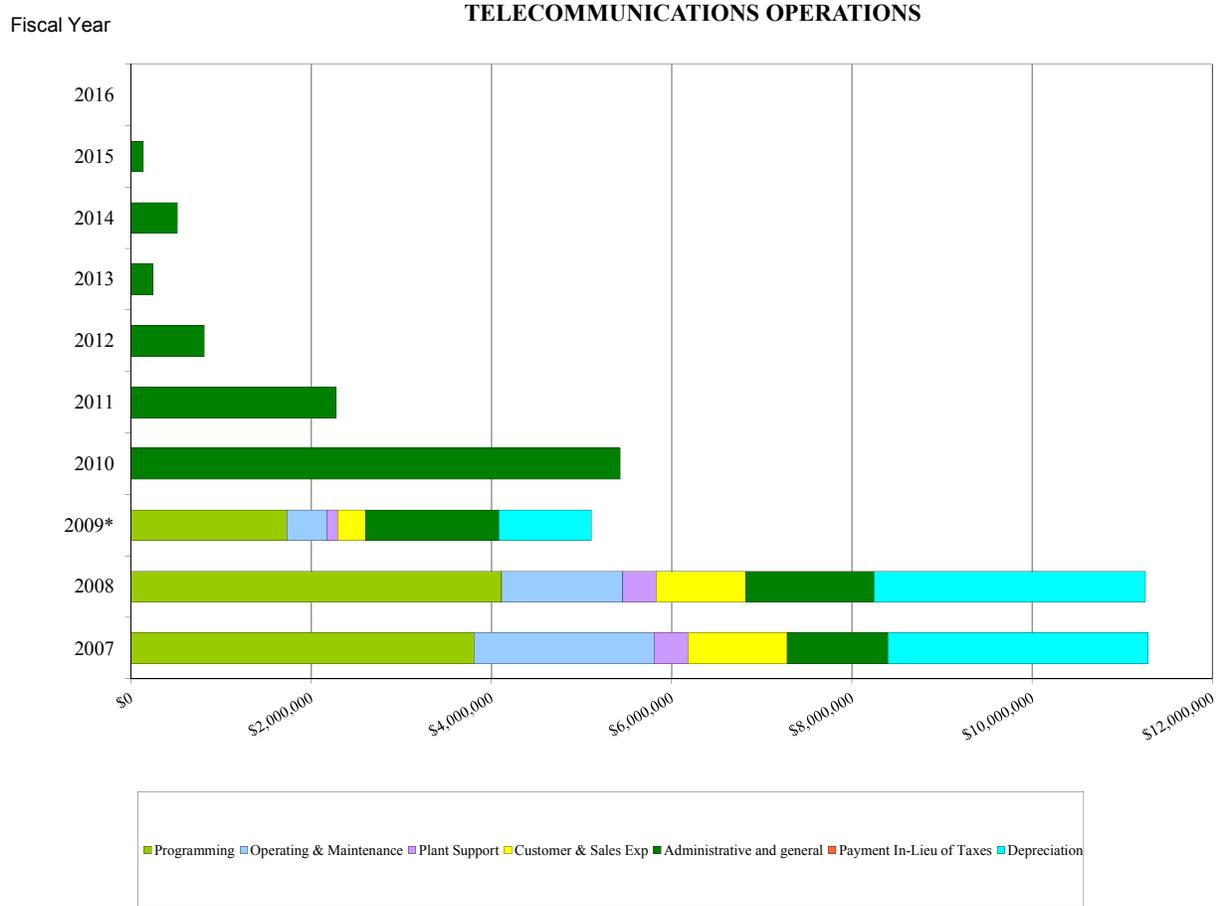
**ALAMEDA MUNICIPAL POWER
OPERATING EXPENSES BY FUNCTION PER FERC CODES
LAST TEN FISCAL YEARS**



| Fiscal Year | Purchased Power | Distribution Operation | Transmission-Maintenance | Customer Accounts | Administration | *Payment In-lieu of Taxes | Depreciation | Jobbing Sales Expenses | Balancing Account | Total |
|-------------|-----------------|------------------------|--------------------------|-------------------|----------------|---------------------------|--------------|------------------------|-------------------|--------------|
| 2007 | \$27,729,141 | \$2,484,258 | \$21,400 | \$1,996,986 | \$6,735,174 | \$745,702 | \$3,074,509 | | \$ 1,969,418 | \$44,756,588 |
| 2008 | \$27,316,014 | \$2,998,729 | \$27,189 | \$2,010,916 | \$7,205,310 | \$761,592 | \$3,020,056 | | \$ - | \$43,339,806 |
| 2009 | \$30,700,344 | \$3,705,148 | \$19,984 | \$2,659,956 | \$6,917,547 | \$775,903 | \$3,194,994 | \$971,303 | \$ (434,508) | \$48,510,671 |
| 2010 | \$29,147,084 | \$3,005,612 | \$57,486 | \$3,359,085 | \$6,160,199 | | \$3,343,601 | \$232,121 | \$ (2,211,428) | \$43,093,760 |
| 2011 | \$25,159,235 | \$3,219,257 | \$29,744 | \$3,167,469 | \$6,164,149 | | \$3,461,276 | \$154,501 | \$ (303,406) | \$41,052,225 |
| 2012 | \$25,878,402 | \$3,159,241 | \$33,852 | \$3,464,843 | \$6,476,238 | | \$3,525,265 | \$216,243 | \$ 4,055,622 | \$46,809,706 |
| 2013 | \$28,544,844 | \$3,093,277 | \$6,708 | \$3,564,481 | \$7,197,031 | | \$2,921,400 | \$239,946 | \$ 2,318,595 | \$47,886,282 |
| 2014 | \$28,196,783 | \$3,323,756 | \$10,326 | \$3,346,221 | \$7,110,522 | | \$2,959,691 | \$718,904 | \$ (1,897,439) | \$43,768,764 |
| 2015 | \$27,517,599 | \$4,228,121 | \$2,202 | \$4,175,433 | \$6,289,604 | | \$3,148,548 | \$202,796 | \$ (660,241) | \$44,904,062 |
| 2016 | \$29,781,270 | \$4,549,165 | \$2,414 | \$4,483,281 | \$7,723,065 | | \$3,366,025 | \$315,472 | \$ 1,010,084 | \$51,230,776 |

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

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



| Fiscal Year | Programming & Access | Operating & Maintenance | Plant Support | Customer A/C & Sale Expenses | Administration | Payment In-lieu of Taxes | Depreciation | Total |
|-------------|----------------------|-------------------------|---------------|------------------------------|----------------|--------------------------|--------------|---------------|
| 2007 | \$ 3,807,937 | \$ 1,997,119 | \$ 376,173 | \$ 1,099,979 | \$ 1,121,179 | \$ - | \$ 2,884,341 | \$ 11,286,728 |
| 2008 | \$ 4,110,499 | \$ 1,349,231 | \$ 371,940 | \$ 989,042 | \$ 1,430,034 | \$ - | \$ 3,005,331 | \$ 11,256,077 |
| 2009* | \$ 1,728,905 | \$ 441,452 | \$ 126,742 | \$ 307,607 | \$ 1,479,714 | \$ - | \$ 1,024,205 | \$ 5,108,625 |
| 2010 | \$ - | \$ - | \$ - | \$ - | \$ 5,430,304 | \$ - | \$ - | \$ 5,430,304 |
| 2011 | \$ - | \$ - | \$ - | \$ - | \$ 2,272,937 | \$ - | \$ - | \$ 2,272,937 |
| 2012 | \$ - | \$ - | \$ - | \$ - | \$ 814,557 | \$ - | \$ - | \$ 814,557 |
| 2013 | \$ - | \$ - | \$ - | \$ - | \$ 247,336 | \$ - | \$ - | \$ 247,336 |
| 2014 | \$ - | \$ - | \$ - | \$ - | \$ 515,127 | \$ - | \$ - | \$ 515,127 |
| 2015 | \$ - | \$ - | \$ - | \$ - | \$ 137,271 | \$ - | \$ - | \$ 137,271 |
| 2016 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

*Telecommunication operation was sold in November 2008

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

ELECTRIC OPERATIONS

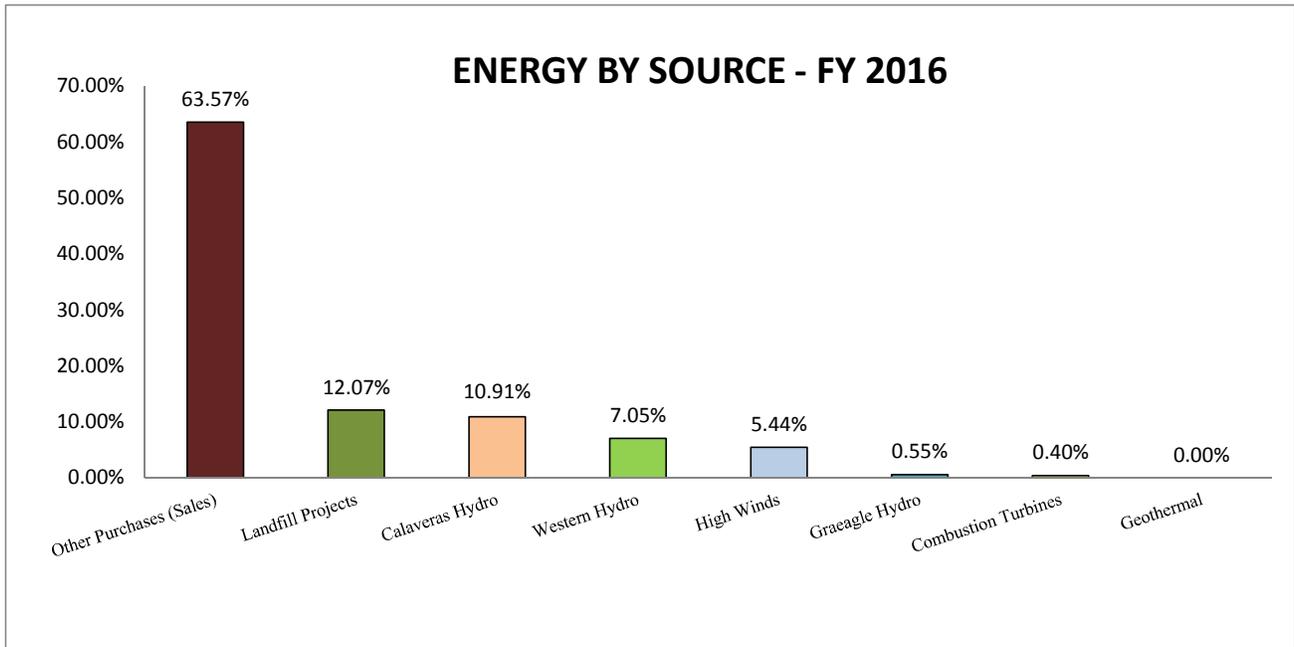
| <u>Fiscal Year</u> | <u>Plant</u> | <u>Service Center Building</u> | <u>Land, Rights & Easements</u> | <u>Machinery & Equipment</u> | <u>Transportation Equipment</u> | <u>Computer Equipment</u> | <u>Furniture & Fixtures</u> | <u>Construction in Progress</u> | <u>Less: Accumulated Depreciation</u> | <u>Net Electric Capital Assets</u> |
|--------------------|---------------|--------------------------------|-------------------------------------|----------------------------------|---------------------------------|---------------------------|---------------------------------|---------------------------------|---------------------------------------|------------------------------------|
| 2007 | \$ 61,679,929 | \$ 7,843,583 | \$ 153,644 | \$ 8,492,135 | \$ 1,923,324 | \$ 2,637,662 | \$ 599,106 | \$ 3,799,309 | \$ (43,833,510) | \$ 43,295,182 |
| 2008 | \$ 65,547,117 | \$ 7,843,636 | \$ 153,644 | \$ 8,697,019 | \$ 1,944,940 | \$ 2,914,982 | \$ 599,106 | \$ 1,381,059 | \$ (46,453,449) | \$ 42,628,054 |
| 2009 | \$ 66,171,877 | \$ 7,843,636 | \$ 339,144 | \$ 8,725,118 | \$ 2,393,295 | \$ 3,023,573 | \$ 599,106 | \$ 3,054,175 | \$ (49,572,317) | \$ 42,577,607 |
| 2010 | \$ 68,706,972 | \$ 7,843,636 | \$ 339,144 | \$ 8,720,994 | \$ 2,593,727 | \$ 3,213,190 | \$ 599,106 | \$ 2,261,549 | \$ (52,958,017) | \$ 41,320,301 |
| 2011 | \$ 70,314,925 | \$ 7,843,636 | \$ 339,144 | \$ 8,739,161 | \$ 2,593,727 | \$ 3,256,643 | \$ 599,107 | \$ 1,719,491 | \$ (56,419,296) | \$ 38,986,538 |
| 2012 | \$ 71,900,364 | \$ 7,843,636 | \$ 339,143 | \$ 8,915,622 | \$ 2,738,514 | \$ 3,288,430 | \$ 606,182 | \$ 1,501,292 | \$ (59,916,840) | \$ 37,216,343 |
| 2013 | \$ 73,322,303 | \$ 7,843,636 | \$ 339,143 | \$ 9,074,538 | \$ 2,738,514 | \$ 3,320,906 | \$ 629,213 | \$ 1,877,849 | \$ (62,829,423) | \$ 36,316,679 |
| 2014 | \$ 79,142,909 | \$ 7,843,636 | \$ 339,143 | \$ 9,153,503 | \$ 2,867,266 | \$ 3,455,613 | \$ 829,333 | \$ 45,897 | \$ (65,426,161) | \$ 38,251,139 |
| 2015 | \$ 79,286,684 | \$ 7,843,636 | \$ 339,143 | \$ 9,197,186 | \$ 3,050,605 | \$ 3,654,987 | \$ 833,207 | \$ 4,518,743 | \$ (68,536,089) | \$ 40,188,102 |
| 2016 | \$ 84,548,411 | \$ 7,850,886 | \$ 339,143 | \$ 9,439,316 | \$ 3,048,241 | \$ 3,832,459 | \$ 835,790 | \$ 1,736,459 | \$ (71,425,024) | \$ 40,205,681 |

TELECOMMUNICATIONS OPERATIONS

| <u>Fiscal Year</u> | <u>Plant</u> | <u>Service Center Building</u> | <u>Land & Rights</u> | <u>Machinery & Equipment</u> | <u>Transportation Equipment</u> | <u>Computer Equipment</u> | <u>Furniture & Fixtures</u> | <u>Construction in Progress</u> | <u>Less: Accumulated Depreciation</u> | <u>Net Telecommunications Capital Assets</u> |
|--------------------|---------------|--------------------------------|--------------------------|----------------------------------|---------------------------------|---------------------------|---------------------------------|---------------------------------|---------------------------------------|--|
| 2007 | \$ 47,617,069 | \$ - | \$ 605,029 | \$ 211,885 | \$ 253,752 | \$ 494,189 | \$ 739 | \$ 659,336 | \$ (7,546,718) | \$ 42,295,281 |
| 2008 | \$ 23,147,625 | \$ - | \$ 605,029 | \$ 211,885 | \$ 253,752 | \$ 494,189 | \$ 739 | \$ 19,485 | \$ (10,090,048) | \$ 14,642,656 |
| 2009* | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2010 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2011 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2012 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

*Telecommunications operation was sold in November 2008.

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



**Energy By Source
Last Ten Fiscal Years**

| Fiscal Year | Other Purchases (Sales) | Morgan Stanley | Landfill Projects | Geothermal | Western Hydro | Calaveras Hydro | High Winds | Graeagle Hydro | Combustion Turbines | Total |
|-------------|-------------------------|----------------|-------------------|------------|---------------|-----------------|------------|----------------|---------------------|---------|
| 2007 | 7.00% | 16.00% | 7.00% | 41.00% | 9.00% | 10.00% | 7.00% | 0.00% | 3.00% | 100.00% |
| 2008 | 12.00% | 17.00% | 6.00% | 39.00% | 7.00% | 9.00% | 6.00% | 0.00% | 4.00% | 100.00% |
| 2009 | 9.09% | 16.15% | 10.26% | 39.32% | 6.46% | 9.85% | 6.38% | 0.27% | 2.22% | 100.00% |
| 2010 | 2.10% | 16.30% | 19.80% | 35.80% | 6.10% | 12.60% | 5.60% | 0.50% | 1.20% | 100.00% |
| 2011 | -10.27% | 16.37% | 21.08% | 36.19% | 9.06% | 20.61% | 5.62% | 0.70% | 0.64% | 100.00% |
| 2012 | -3.67% | 16.91% | 21.53% | 37.63% | 9.96% | 12.09% | 4.75% | 0.67% | 0.13% | 100.00% |
| 2013 | 33.51% | 17.21% | 16.71% | 11.41% | 9.00% | 7.03% | 4.46% | 0.52% | 0.15% | 100.00% |
| 2014 | 50.61% | 17.58% | 14.32% | 0.00% | 6.68% | 5.39% | 4.71% | 0.43% | 0.28% | 100.00% |
| 2015 | 59.11% | 9.22% | 14.74% | 0.00% | 5.70% | 4.62% | 5.83% | 0.39% | 0.39% | 100.00% |
| 2016 | 63.57% | 0.00% | 12.07% | 0.00% | 7.05% | 10.91% | 5.44% | 0.55% | 0.40% | 100.00% |

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

| Fiscal Year | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Since: | 1,887 | 1,887 | 1,887 | 1,887 | 1,887 | 1,887 | 1,887 | 1,887 | 1,887 | 1,887 |
| Budgeted Employees | 131 | 119 | 95 | 95 | 91 | 91 | 90 | 94 | 93 | 98 |
| Vehicles in Service | 53 | 53 | 43 | 40 | 40 | 40 | 40 | 40 | 39 | 46 |
| Service Area (Miles) | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 |
| Transmission Lines (115kV) | | | | | | | | | | |
| Overhead Pole Miles | 6.77 | 6.77 | 6.77 | 6.77 | 6.77 | 6.77 | 6.80 | 6.77 | 6.77 | 6.77 |
| Underground Circuit Miles | 1.64 | 1.93 | 1.93 | 1.93 | 1.93 | 1.93 | 1.90 | 1.93 | 1.93 | 1.93 |
| Distribution Lines (12kV) | | | | | | | | | | |
| Overhead Pole Miles | 87.84 | 86.56 | 86.56 | 86.19 | 86.11 | 86.08 | 86.10 | 86.08 | 86.10 | 86.08 |
| Underground Circuit Miles | 169.00 | 169.98 | 170.92 | 171.26 | 171.76 | 172.93 | 172.50 | 174.01 | 176.40 | 177.17 |
| Street Lights (excluding inactivated lights) | 6,365 | 6,440 | 6,440 | 6,069 | 5,584 | 5,593 | 5,315 | 5,372 | 5,441 | 5,470 |

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Bond Disclosure Section

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November 23, 2016

Subject: Bond Disclosure Information

We are pleased to provide bond disclosure information for Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California. The information presented is for AMP’s five (5) most recent fiscal years, which includes those ended June 30, 2016, 2015, 2014, 2013, and 2012. AMP believes that the data presented here is accurate in all material respects, that the data is presented in a manner designed to set forth fairly the financial position of the organization and that all disclosures necessary to gain an understanding of the financial activity of AMP are included in this report.

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

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

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

- Geothermal-2009 Series A through 2025
- Geothermal-2012 Series A due 2023
- Hydroelectric-1992 Refunding Series A due 2019,
- Hydroelectric-2008 Refunding Series A due 2033,
- Hydroelectric-2008 Refunding Series B due 2021,
- Hydroelectric-2008 Refunding Series C through 2025,
- Hydroelectric-2010 Refunding Series A/B through 2024,
- Hydroelectric-2012 Refunding Series A through 2033,
- Hydroelectric-2012 Refunding Series B through 2025,
- Capital Facilities-2010 Refunding Series A through 2026

Annual Financial Report

This Bond Disclosure Section, included within AMP’s Comprehensive Annual Financial Report (CAFR) for Fiscal Years Ended 2016 and 2015, provides the most recent information required by the Continuing Disclosure Certificates (the Certificates). The CAFR, in turn, will be filed with the appropriate Dissemination Agent(s) for transmittal to the repositories in accordance with the requirements of the Certificates. The Annual Financial Report is incorporated into the CAFR and includes by reference the audited financial statements of AMP for the prior fiscal year.

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

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

Reporting of Significant Events

As of June 30, 2016, none of the events listed in Section 5 of the Certificates have occurred for the Series 2010 A/B bonds issued by the Alameda Public Financing Authority. As of June 30, 2016, Alameda Municipal Power has no knowledge of any impending significant event that would require disclosure under the provisions of the Certificates.

Additional Information

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

AMP established a Board designated reserve in compliance with the policy. AMP sold its share of eligible renewable energy generated by NCPA’s Geothermal Project and Ameresco’s Ox Mountain LFGE facility for a period not to exceed five years to the California Department of Water Resources. Net revenue from the renewable energy sales is held in a designated reserve that is part of a Rate Stabilization Fund and, as such, is not pledged to secure the payment of the 2010 Installment Payments, the payments with respect to any Parity Obligations or any payment with respect to any Subordinate Debt. During fiscal year (FY) 2016, AMP allocated \$5,807,291 of net revenue from the sale of eligible renewable power (see *Statement of Revenues, Expenses and Changes in Net Position*) toward the Board designated reserve as part of the Rate

Stabilization Fund. This allocated net revenue included \$16,833,777 of cash and \$2,316,369 of receivables (see *Statement of Net Position*).

Additionally, the California Cap-and-Trade (C&T) program began implementation of auction sales of directly allocated allowances from the California Air Resources Board (CARB). The resulting revenues from these sales must be used for the benefit of retail ratepayers consistent with the goals of Assembly Bill 32. AMP established a Board designated reserve in compliance with the requirements of these directions. An expenditure plan that complies with current C&T regulations has been reviewed by the Board. Net revenue from auction sales of directly allocated allowances are held in a designated reserve that is part of a Rate Stabilization Fund and, as such, is not pledged to secure the payment of the 2010 Installment Payments, the payments with respect to any Parity Obligations or any payment with respect to any Subordinate Debt. During FY 2016, AMP allocated \$556,659 of net revenue from the auction sales of directly allocated allowances (see *Statement of Revenues, Expenses and Changes in Net Position*) toward the Board designated reserve as part of the Rate Stabilization Fund. This allocated net revenue included \$1,432,425 of cash and \$0 of receivables (see *Statement of Net Position*).

CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
POWER SUPPLY RESOURCES
For the Fiscal Year Ended June 30, 2016

| Source | Capacity Available (MW) ⁽¹⁾ | Actual Energy MWH | % of Total Energy |
|---|--|-------------------|-------------------|
| Purchased Power ⁽²⁾ | | | |
| Western | 13.5 | 25,848.9 | 7.41% |
| High Winds | 3.1 | 19,929.0 | 5.71% |
| Landfill Gas | 12.2 | 44,240.8 | 12.68% |
| Graeagle | 0.0 | 2,015.0 | 0.58% |
| NCPA | | | |
| Geothermal Plant 1 ⁽³⁾ | 7.6 | - | 0.00% |
| Geothermal Plant 2 ⁽³⁾ | 1.3 | - | 0.00% |
| Hydroelectric Project | 25.3 | 39,981.7 | 11.46% |
| Combustion Turbine Project No. 1 | 15.5 | 842.0 | 0.24% |
| Combustion Turbine Project No. 2 | 9.4 | 625.5 | 0.18% |
| Other Purchases (Net) ⁽³⁾ | 0.0 | 232,964.1 | 66.79% |
| TOTAL | 87.9 | 366,447.0 | 105.05% |
| Losses | N/A | (17,627.1) | -5.05% |
| Alameda's System Requirement for Retail | 63.4 | 348,819.9 | 100.00% |

⁽¹⁾ Non-coincident capacity available.

⁽²⁾ Entitlements, firm allocations and contract amounts.

⁽³⁾ Renewable Energy Sales exchanged for market purchases

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

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

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

| Description | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|
| Number of Customers | | | | | |
| Residential | 30,194 | 30,260 | 30,293 | 30,307 | 30,377 |
| Commercial | 3,776 | 3,781 | 3,786 | 3,834 | 3,735 |
| Industrial | 12 | 9 | 12 | 8 | 8 |
| Public Authority | 327 | 331 | 363 | 361 | 363 |
| Other | 29 | 24 | 28 | 15 | 11 |
| Total Customers | 34,338 | 34,405 | 34,482 | 34,525 | 34,494 |
| Kilowatt Hour Sales: | | | | | |
| Residential | 139,665,283 | 135,924,914 | 131,209,422 | 125,431,220 | 125,831,929 |
| Commercial | 172,445,087 | 176,259,228 | 175,075,476 | 174,257,771 | 176,575,883 |
| Industrial | 45,512,960 | 35,487,830 | 31,951,900 | 26,587,830 | 31,490,040 |
| Public Authority | 12,880,649 | 12,585,314 | 12,537,513 | 12,801,245 | 12,375,517 |
| Other | 3,283,309 | 3,186,846 | 3,138,994 | 3,124,117 | 2,546,494 |
| Total kWh sales | 373,787,288 | 363,444,132 | 353,913,305 | 342,202,183 | 348,819,863 |
| Revenues from Sale of | | | | | |
| Residential | \$18,488,086 | \$18,781,411 | \$18,974,096 | \$18,849,656 | \$19,869,104 |
| Commercial | 23,964,056 | 24,967,214 | 25,554,219 | 25,660,869 | 27,071,358 |
| Industrial | 5,666,350 | 4,552,958 | 4,088,510 | 3,435,518 | 4,278,240 |
| Public Authority | 1,793,977 | 1,779,313 | 1,859,914 | 2,047,549 | 1,973,689 |
| Other | 464,788 | 623,309 | 660,902 | 797,198 | 1,028,631 |
| Total Revenues from Sale of Energy | \$50,377,257 | \$50,704,205 | \$51,137,641 | \$50,790,790 | \$54,221,022 |
| Peak Demand (kW) | 67,188 | 68,100 | 68,100 | 63,372 | 64,283 |

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

| Description | Through the Fiscal Year Ended June 30, | | | | |
|---|--|---------------------|---------------------|---------------------|---------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Electric System Revenues | | | | | |
| Sales of Electricity | \$50,377,257 | \$50,704,204 | \$51,137,641 | \$50,790,790 | \$54,221,022 |
| Other Revenues ⁽¹⁾ | \$1,321,719 | \$1,444,095 | \$1,355,947 | \$1,390,534 | \$1,852,516 |
| REC & C&T Sales ⁽⁶⁾ | - | \$4,283,423 | \$6,938,783 | \$6,824,069 | \$6,363,950 |
| Total Electric System Revenues | \$51,698,976 | \$56,431,722 | \$59,432,371 | \$59,005,393 | \$62,437,488 |
| Operation and Maintenance by FERC categories | | | | | |
| Purchased Power ⁽²⁾ | \$25,878,402 | \$28,544,844 | \$28,196,783 | \$27,517,599 | \$29,781,270 |
| Energy efficiency, solar and other | \$1,253,443 | \$1,241,434 | \$1,086,966 | \$1,605,608 | \$1,684,963 |
| Operations & maintenance | \$3,879,446 | \$3,871,957 | \$4,097,223 | \$4,328,813 | \$4,573,500 |
| Customer service, information systems | \$2,000,961 | \$2,005,147 | \$2,074,830 | \$2,113,922 | \$2,226,364 |
| Administrative and general | \$5,507,435 | \$6,114,615 | \$6,032,512 | \$6,115,467 | \$7,732,884 |
| Customer relations | \$492,889 | \$628,344 | \$499,294 | \$531,550 | \$540,214 |
| Jobbing sales expense | \$216,243 | \$239,946 | \$718,904 | \$202,796 | \$315,472 |
| Balancing account adjustment | 4,055,622 | 2,318,595 | (1,897,439) | (660,241) | 1,010,084 |
| Total Operation and Maintenance Costs | \$43,284,442 | \$44,964,882 | \$40,809,073 | \$41,755,514 | \$47,864,751 |
| Net Revenues | \$8,414,534 | \$11,466,840 | \$18,623,298 | \$17,249,879 | \$14,572,737 |
| Rate Stabilization Fund Transfers | - | (\$4,283,423) | (\$6,938,783) | (\$6,824,069) | (\$6,363,950) |
| Use of Reserves | - | - | - | - | - |
| Adjusted Annual Net Revenues | \$8,414,534 | \$7,183,417 | \$11,684,515 | \$10,425,810 | \$8,208,787 |
| Debt Service (Principal + Interest) | \$2,630,624 | \$2,753,097 | \$2,747,479 | \$2,712,637 | \$2,640,325 |
| Debt Service Coverage ⁽³⁾ | 3.20 | 2.61 | 4.25 | 3.84 | 3.11 |
| Amount Available After Debt Service | \$5,783,910 | \$4,430,320 | \$8,937,036 | \$7,713,173 | \$5,568,462 |

Selected Balance Sheet Information:

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Unrestricted Cash & Investments ⁽⁴⁾ | \$ 48,757 | \$ 50,095 | \$ 45,581 | \$ 42,094 | \$ 41,909 |
| Rate Stabilization Fund Balance ⁽⁷⁾ | -- | 4,283 | 11,222 | 16,500 | 20,583 |
| Net Plant in Service | 35,561 | 34,285 | 38,052 | 35,669 | 38,470 |
| Construction Work in Progress | 1,501 | 1,878 | 46 | 4,519 | 1,736 |
| Electric Utility Plant-Net | 37,063 | 36,163 | 38,097 | 40,188 | 40,206 |
| Outstanding Electric System Debt ⁽⁵⁾ | \$ 29,986 | \$ 28,947 | \$ 28,749 | \$ 27,590 | \$ 26,460 |

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

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

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

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

(5) Revenue Bonds, Series 2010A and Taxable Revenue Bonds, Series 2010B, see Note 4 to Financial Statements

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

(7) Renewable Energy Sales and Auction Sales placed in reserve for Rate Stabilization Fund and related receivable balances.

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