

CAFR

COMPREHENSIVE

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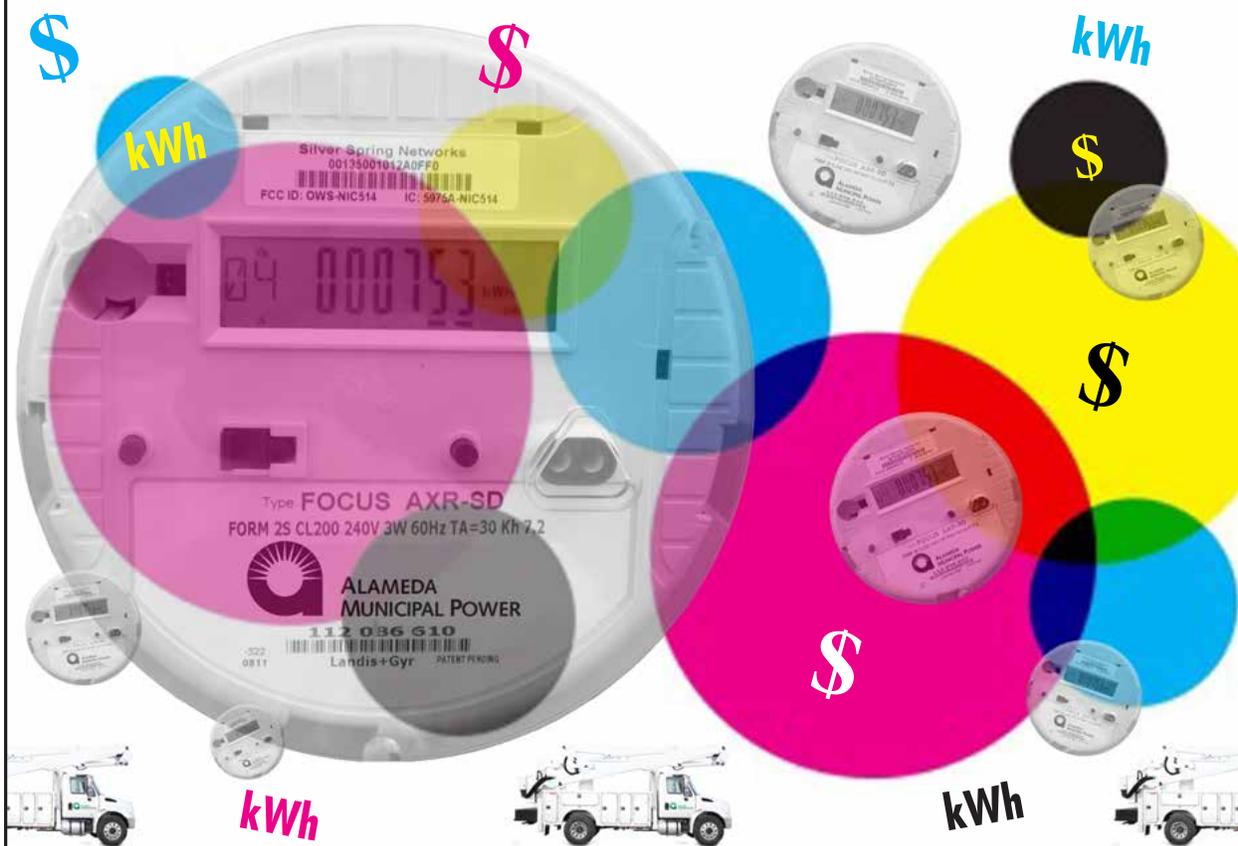
REPORT

For the

Year Ended

June 30

2018



**ALAMEDA
MUNICIPAL POWER**

An Enterprise Fund and Department of the City of Alameda
Alameda, California

(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 year ended June 30, 2018, with comparative amounts for 2017 (Exhibit D). The comparative amounts for 2017 are being used because AMP adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statements No. 75, Accounting and Financial Reporting for Other Postemployment Benefits (OPEB), and No. 85, Omnibus 2017, effective July 1, 2017.

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, 2018, 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 2018 (Exhibit D), with its comparative amounts to the previous year, 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 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 21st 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, 2018, 2017, 2016, 2015, and 2014.

After acceptance by the Board, the CAFR for FY 2018 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

Not Applicable

EXHIBITS

- A. Letter from the independent auditor describing Internal Control Over Financial Reporting and on Compliance and other Matters based on an audit of Financial Statements performed in accordance with Government Auditing Standards (GAS)
- 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 year ended June 30, 2018, with comparative amounts for 2017



VAVRINEK, TRINE, DAY & CO., LLP
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Public Utilities Board
Alameda Municipal Power
Alameda, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise AMP's basic financial statements, and have issued our report thereon dated February 21, 2019. Our report included an emphasis-of-matter regarding that the financial statements present only AMP and do not purport to, and do not, present fairly the financial position of the City of Alameda. Our report also included an emphasis of matter stating that AMP adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered AMP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AMP's internal control. Accordingly, we do not express an opinion on the effectiveness of AMP's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AMP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Pleasanton, California

February 21, 2019



VAVRINEK, TRINE, DAY & CO., LLP
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**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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2019. Our report included an emphasis of matter regarding that the financial statements present only AMP's enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Alameda. Our report also included an emphasis of matter stating that AMP adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017..

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, 2018 approved by the Public Utilities Board on June 26, 2017, 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, 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
February 21, 2019



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Certified Public Accountants

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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 year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standard*, 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 12, 2018. 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 adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 85, *Omnibus 2017*, effective July 1, 2017. 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 the AMP's financial statements were:

- Green-house gas credit sales accrual uncollected at June 30, 2018;
- Fair value of investments;
- Liability for claims incurred but not reported;
- Useful lives of capital assets and related depreciation expense;
- Net pension liability, deferred inflow of resources and deferred outflows of resources and related disclosures which are based on actuarial valuations and a proportionate share of the City of Alameda's Miscellaneous Plan net pension liability, and;
- Total OPEB liability, deferred inflow of resources and deferred outflows of resources and related disclosures which are based on actuarial valuations and a proportionate share of the City of Alameda's total OPEB liability.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 21, 2019.

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 management's discussion and analysis, schedule of AMP's proportionate share of the City's miscellaneous plan net pension liability, schedule of pension contributions, and schedule of AMP's proportionate share of the City's total OPEB liability, which are 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 information and 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

February 21, 2019

ALAMEDA MUNICIPAL POWER

**AN ENTERPRISE FUND AND
DEPARTMENT OF THE
CITY OF ALAMEDA, CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
JUNE 30, 2018**

WITH COMPARATIVE AMOUNTS FOR 2017

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Introductory Section

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

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

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**ALAMEDA MUNICIPAL POWER
 AN ENTERPRISE FUND AND DEPARTMENT
 OF THE CITY OF ALAMEDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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February 21, 2019

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 year ended June 30, 2018. 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

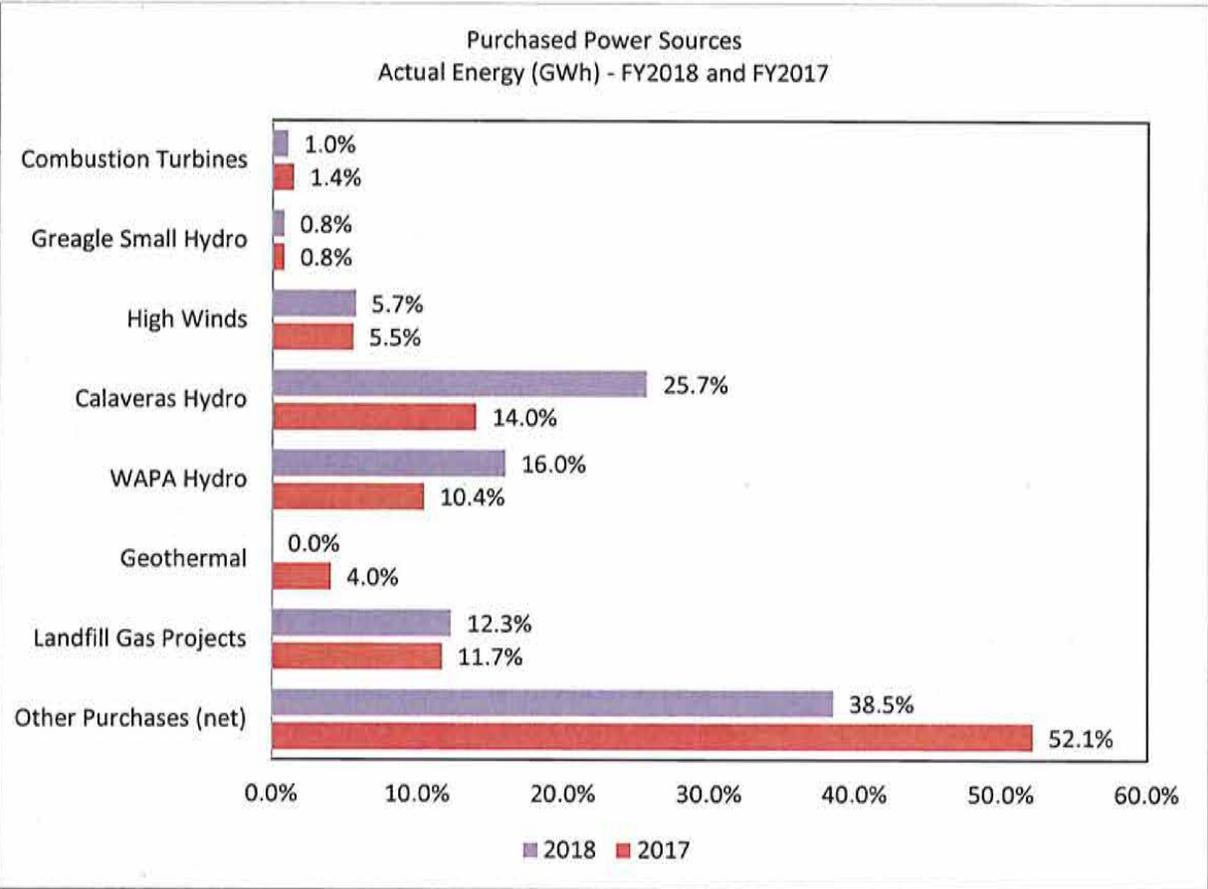
The City of Alameda - Department of Public Utilities - Bureau of Electricity, now doing business as Alameda Municipal Power, is the oldest municipal electric utility in California and is amongst the oldest in the nation, either public or private. The municipal utility has safely provided reliable, cost-effective, 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) 2018, the members of the Board included President Ann McCormick, Vice President Jerry Serventi, Commissioner Madeline Deaton, Commissioner Laura Giuntini, Commissioner and Assistant City Manager Elizabeth Warmerdam. For FY 2019, the Board members are Ann McCormick, President, Jerry Serventi, Vice President, Commissioners Laura Giuntini, Jeff Gould, and Assistant City Manager Elizabeth Warmerdam. The appointments became effective July 2018.

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, 179 circuit miles of underground distribution lines, 6.8 pole miles of overhead transmission lines, 1.9 circuit miles of underground transmission lines and 6,415 streetlights. During FY 2018, AMP served an average of 34,790 customer accounts, comprised of approximately 30,625 residential accounts, 3,778 commercial accounts, and 387 other accounts, with a peak demand of approximately 59.6 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 30.6% of AMP's resources in FY2018 were sourced through NCPA including 14.0% from the Calaveras hydroelectric facilities, 10.4% from the Western Area Power Alliance's (WAPA) hydroelectric facilities, 0.8% from the Graeagle hydroelectric facilities, and 1.4% from the Combustion Turbine (CT) projects. NCPA market purchases for AMP accounted for another 52.1% of purchased power.

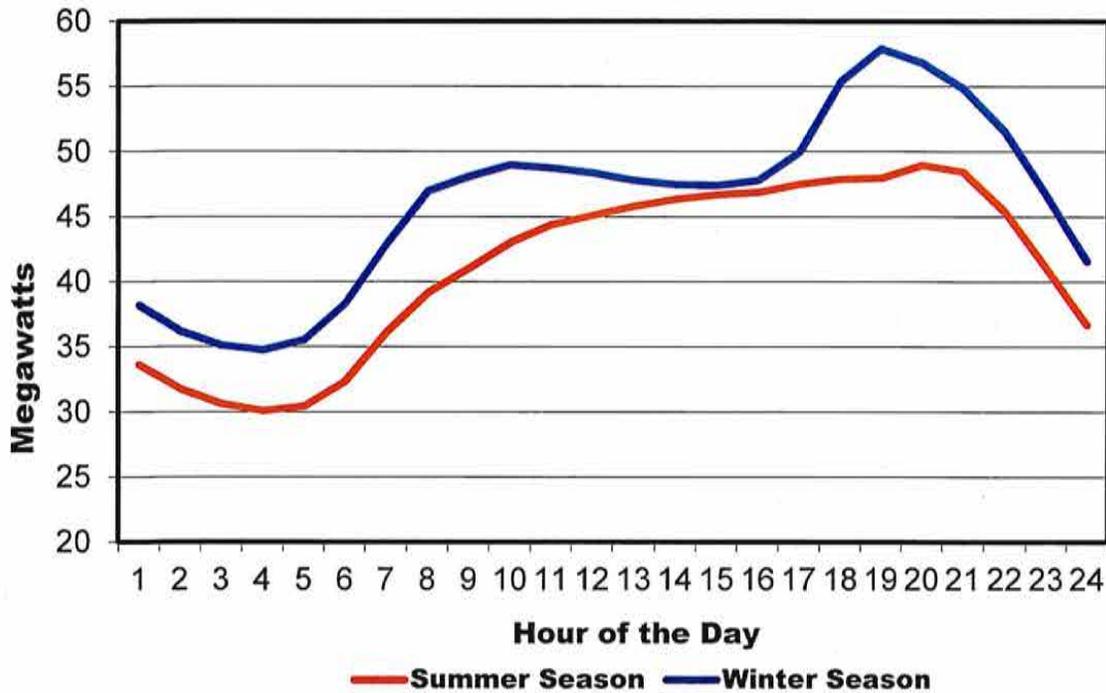
AMP procured approximately 17.2% of its power supply resources independent of NCPA and has obtained independent contracts for several landfill gas facilities and for a portion of the high winds project. NCPA provides electric scheduling, dispatch and transmission for these electric-energy services.

At its January 2012 meeting, the Board approved a Renewable Portfolio Power Sales Policy that directed AMP to sell all eligible renewable power through 2019 not required to comply with the revised Renewable Portfolio Standard. 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 2019 through 2020 period.

The Board directed that the resulting revenues from the short-term sales of the renewable power be retained and used to support AMP directed initiatives to reduce Green House Gas (GHG) emissions associated with electricity usage and service. Additionally, the California Cap-and-Trade (C&T) program continues to 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.

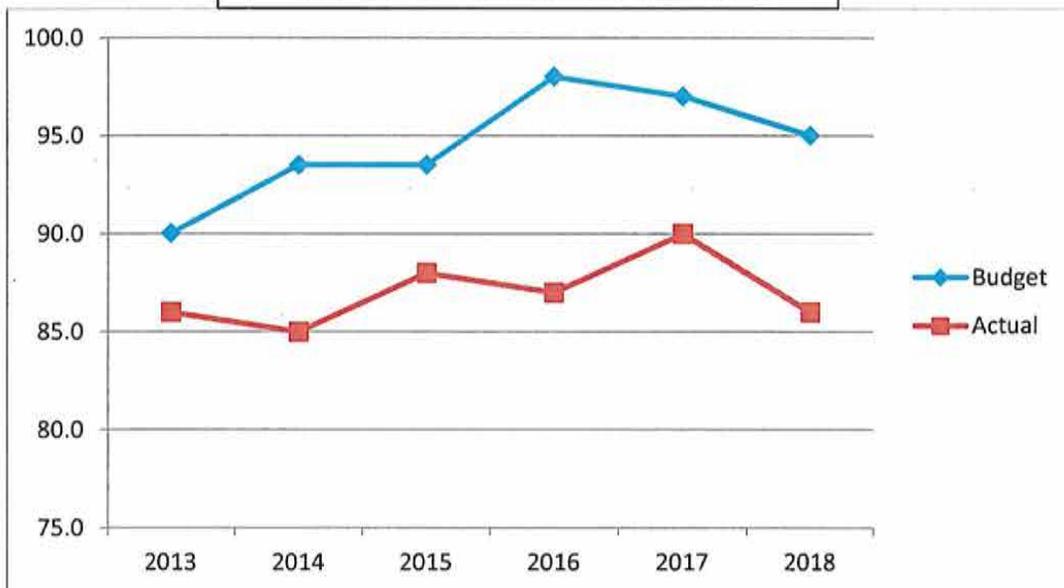
Each year, the energy output from the generating facilities is optimized based upon seasonal, economic and maintenance considerations. The chart below indicates the electric system's maximum average daily load occurs about 7:00 pm during the winter and the minimum average daily load occurs about 4:00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

TYPICAL DAILY LOADS FY 2018



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”).

Electric Staff Position – Budget/Actual



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

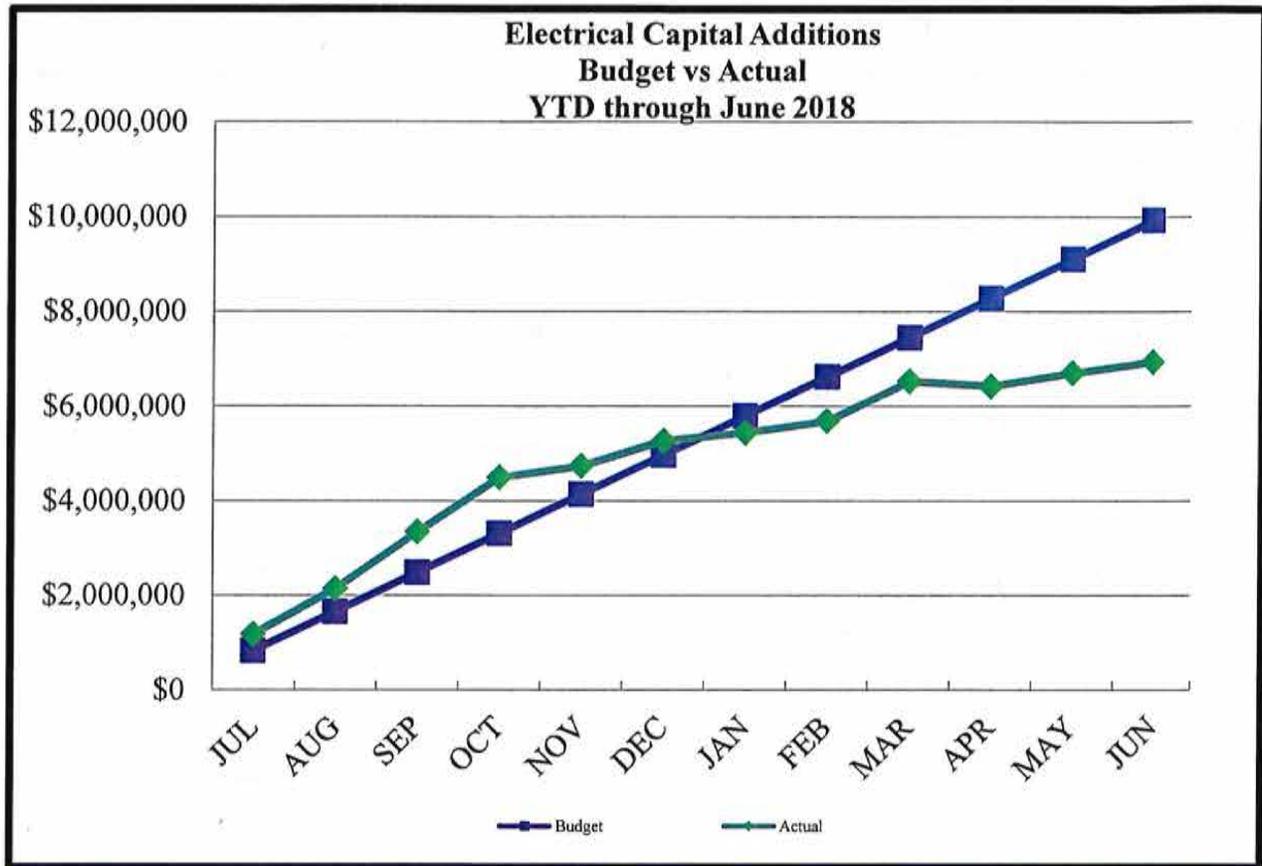
6) Financial and Organizational Stability

- ❖ 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 2018 meeting, the Board approved a five-year ratemaking policy for FY 2019 through 2023. 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 2018, the Board approved an average rate increase of 1.0 percent for FY 2019. The 1.0% 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.

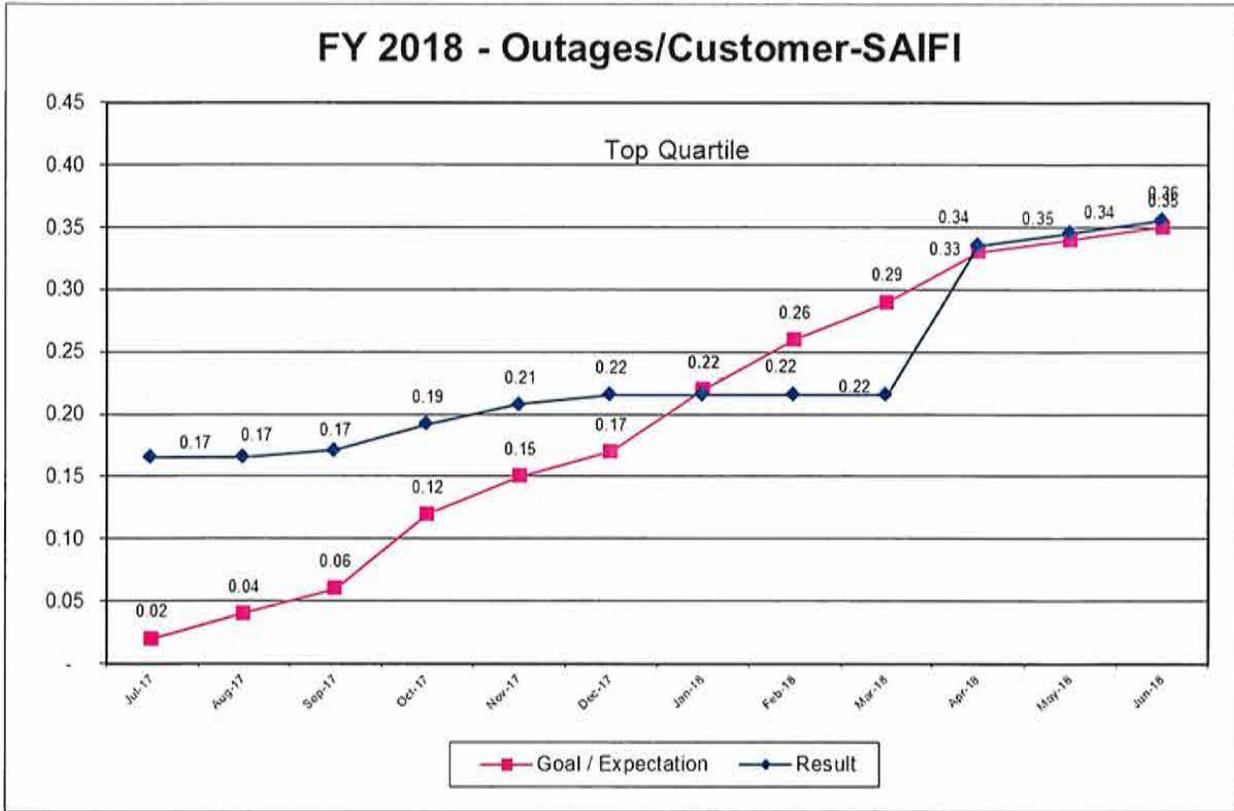
In its continuing commitment to provide the most reliable power for Alameda and in support of community development goals, AMP continues to improve its electric distribution network through capital improvements to the supervisory control and data acquisition (SCADA) system and electrical equipment; providing 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 2018 that impacted planned construction budgets and schedules. Projects that were lower than budget because of material, labor, or contractor availability were 1) Distribution Poles replacement and restorations, and SF6 breakers, 2) Engineering design tools and system operations upgrade, 3) Underground Utility District (UUD), 4) vehicle replacements, and 5) Alameda Point and Site A expansions, and residential customer connections. The Community Solar project was not started in FY2018 and continues to be reviewed and assessed for future implementation. Projects that exceeded budgets were 1) Advanced Metering Infrastructure (AMI), 2) Core Switch upgrade, and 2) service center fire alarm replacement from prior year.

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 2018, 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 \$3.7 million to the City’s General Fund in accordance with Measure M approved by voters in November 2016, and paid \$1.45 million in Payments-In-Lieu-Of-Taxes (PILOT) and has effectively reduced the tax burden of residents thus improving the quality of life in Alameda while maintaining substantially lower rates than nearby investment-owned utilities.

Economic Conditions and Outlook

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

The California Department of Finance shows a population of 79,928 people residing in Alameda in FY 2018 versus 79,928 people in FY 2017, an increase of 0.0%. Alameda’s unemployment rate dropped from 3.6% in FY 2017 to 3.3% in FY 2018. It is anticipated that the population of Alameda will 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 providing leasing of nonresidential buildings, to Safeway stores providing groceries to households, to Alameda Commercial Property providing nonresidential leases, to Penumbra providing designing and manufacturing innovative medical devices. The diversity of businesses and their unique electricity needs continues to be reliably served by the backbone of the electric distribution network.

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

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

Major Initiatives

Community Involvement

Through participation in local events and programs, and in partnership with local agencies, AMP maintains a strong presence in the community. AMP sponsors a variety of organizations and local events, including the Park Street Art & Wine Faire, the Webster Street Jam, the Chamber of Commerce's State of the City Luncheon, and the City's Earth Day and Fourth of July activities. Through the "Power Up for Learning" program, AMP customers and the Alameda Education Foundation supported robotics programs for Alameda public school students. To recognize Public Power Week 2018, held from October 7-13, AMP hosted events to promote public power and its voluntary renewable power program, Alameda Green. As part of San Francisco Fleet Week, AMP educated the public on its potential roles in emergencies in an exercise led by the U.S. Maritime Administration (MARAD). In its customer newsletter, "The Flash," AMP continues to promote its safety-education initiatives. In addition to its community involvement, AMP continues to provide financial assistance programs for low-income customers.

Economic Development

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

A portion of the west end of Alameda has seen significant growth. During FY 2018, AMP built new infrastructure and decommissioned old Navy electric infrastructure that was posing reliability concerns. AMP supported development at Site A, WETA, and Building 8, 9 and 91, and also installed new equipment to augment reliability at Alameda Point. AMP completed the replacement of SF6 breakers at Jenney substation and will do the same in FY 2019. AMI deployment was successfully completed in FY 2018 and AMP will finish the remaining 500

meters in FY 2019. Finally, AMP changed the methodology to charge new development for service laterals to ensure new development pays an equitable share for new service. For FY 2019, AMP will launch the new AMI customer portal, seek final approval and begin work on an underground utility district, and continue with system enhancements and improvements to better serve customers.

Customer Service

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

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

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, 2017. A GFOA Certificate of Achievement is valid for a period of 1 year. This was the twenty-first 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,



Nicolas Procos
General Manager

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Principal Officers

(As of June 30, 2018)

PUBLIC UTILITIES BOARD

Ann McCormick, President

Jerry Serventi, Vice President

Madeline Deaton, Commissioner

Laura Giuntini, Commissioner

Interim Commissioner and City Manager, Elizabeth Warmerdam

GENERAL MANAGER

Nicolas Procos

MANAGERS

Robert J. Orbeta, Assistant General Manager – Administration

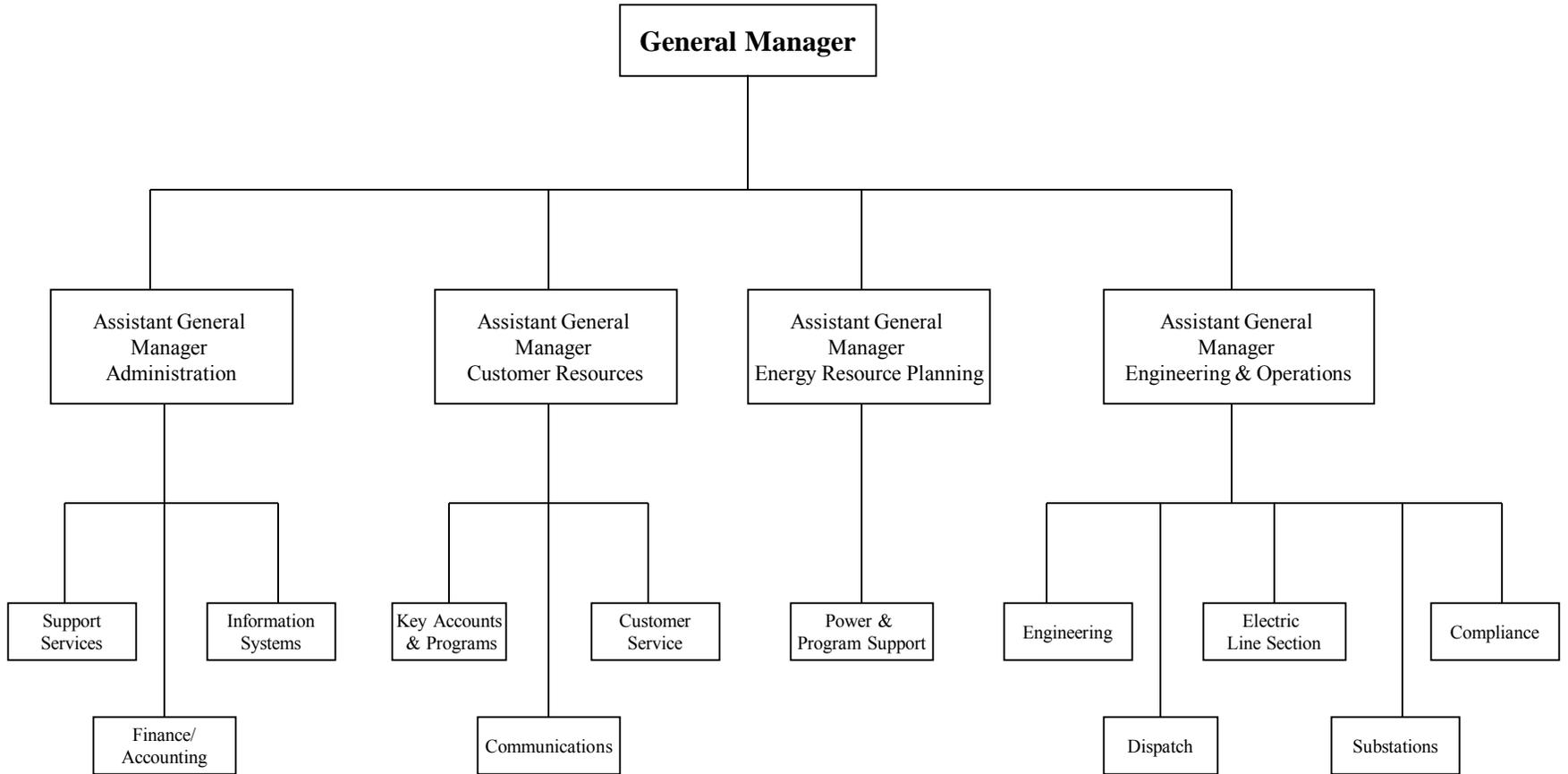
Rebecca Irwin, Assistant General Manager – Customer Resources

Vidhi Chawla Assistant General Manager – Energy Resource Planning

Andre Basler 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, 2017

Christopher P. Morill

Executive Director/CEO

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Alameda, California, United States



XIX



Alameda City Boundary



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Financial Section



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

Public Utilities Board
Alameda Municipal Power
Alameda, California

We have audited the accompanying financial statements of Alameda Municipal Power (AMP), an enterprise fund and department of the City of Alameda, California, as of and for the year ended June 30, 2018, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of AMP as of June 30, 2018, and the its 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.

Emphasis of Matter

Individual Fund Financial Statements

As discussed in Note 1 to the financial statements, the financial statements present only the AMP electric enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Alameda, California, as of June 30, 2018, and the changes in its financial position, or where applicable, its cash flows for the year 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited AMP's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, schedule of pension contributions, and schedule of proportionate share of the total OPEB liability, 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 an opinion on the financial statements as a whole. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019 on our consideration of AMP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AMP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AMP's internal control over financial reporting and compliance.

Varrinck, Trine, Day & Co. LLP

Pleasanton, California
February 21, 2019

ALAMEDA MUNICIPAL POWER ELECTRIC ENTERPRISE FUND MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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 year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with information contained in the preceding transmittal letter, the accompanying financial statements and notes, the statistical section of the comprehensive annual financial report and the bond disclosure information.

FINANCIAL STATEMENTS OVERVIEW

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

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

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

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

FINANCIAL HIGHLIGHTS

- AMP's total net position decreased by \$1.7 million for the year ended June 30, 2018 while last year an increase of \$9.6 million was reported.
- The decrease of \$1.7 million to the total net position comes from a combination of factors including:
 - Current Assets increased by \$8.1 million for the year ended June 30, 2018 while last year's current assets decreased by \$2.9 million. This year's changes were due to an increase \$3.5 million in cash and equivalents that were a result of increased cash flows from revenues, Renewable Energy Credits (REC) sales, and reduced expenditures. An increase of \$3.8 million in investments and interest receivable as rates continued to improve and AMP began investing in corporate bonds and higher yield investments. An increase of \$0.7 million in accounts receivable, and an increase of \$113k in Greenhouse Gas (GHG) net receivables;
 - Capital Assets net of depreciation decreased \$1.5 million for the year ended June 30, 2018 while last year an increase of \$2.5 million was reported (see note 3 for additional information regarding capital assets and depreciation amounts);

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

- Other Non-current Assets decreased by \$1.3 million for the year ended June 30, 2018 while last year an increase of \$8.9 million was reported. This change was primarily due to a decrease of \$100k in certain Northern California Power Agency (NCPA) projects and investments (see note 8 for additional information regarding NCPA), and an decrease of \$1.2 million for investments designated for special purposes (see note 2 for additional information regarding restricted and designated investments), an increase of \$52k for restricted investments;
- Deferred Outflow of Resources increased by \$261k for the year ended June 30, 2018 while last year an increase of \$3.6 million due to pensions. The deferred outflows for pension are prepayment of the pension liability for the current year.
- Current Liabilities increased by \$2.4 million for the year ended June 30, 2018, while last year a decrease of \$1.5 million was reported. The change was primarily due to an increase of \$2.4 million deposits for transformer and various development projects;
- Non-current Liabilities increased \$3.6 million for the year ended June 30, 2018 while last year an increase of \$4.2 million was reported. The change was primarily due to an increase of \$3.5 million in net pension liability, an increase in \$2.0 million for OPEB liability, a decrease of \$1.3 million in long term debt (net of current portion), and a decrease of \$151k claims liability (see note 10B for additional information);
- Deferred Inflow of Resources increased by \$2.8 million for the year ended June 30, 2018, while last year a decrease of \$53k was reported. The change is primarily due to \$2.8 million increase in the balancing account due to capital projects that were delayed because of material, labor or contractor availability and lower administrative and general expenses. The deferred inflows for pension liability decreased by \$0.1 million while OPEB increased \$0.1 million.
- Electric fund operating revenue increased \$1.2 million for the year ended June 30, 2018 as electricity sales revenue increased \$3.6 million as a result of higher rates and cost of service charges, miscellaneous services decreased \$129k relating to a decrease in field visits and other operating revenues, plant leased to others increased \$42k, jobbing sales decreased \$700k related to timing of work being performed for developers and customers, Cap & Trade (CT) Program net revenue increased \$11k, and Greenhouse Gas (GHG) related sales decreased \$1.8 million due to lower contract rates for calendar years 2017, 2018, and 2019.
- Excluding purchased power, depreciation and the balancing account, electric fund operating expenses for the year ended June 30, 2018 increased \$2.4 million compared to the results from last year primarily as a result of an increase in administrative and general expenses of \$3.1 million relating to filled vacant positions, overtime, credit card fees, medical and general liability insurance, OPEB expense, and higher legal fees. Customer service and operating expenses increased by \$265k due to higher tree trimming costs and credit card fees. These increases were offset with decreases of \$626k in jobbing sales expenses which are billed to customers for development, \$332k in lower energy efficiency expenses.
- Purchased power expenses increased \$417k for the year ended June 30, 2018, while last year a \$1.6 million decrease was reported. Increase in purchase power was primarily due to lower hydro for FY2018 compared to FY2017 and higher market purchases.
- Depreciation and amortization expense decreased \$166k for the year ended June 30, 2018, while last year a \$140k increase was reported.
- The balancing account, which is used to stabilize rates, was increased by \$2.8 million, while last year it was increased by \$1.4 million (see note 1C for additional information on the deferred inflows of resources related to balancing account).

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

- Electric fund non-operating revenues/expenses had a net decrease of \$3.2 million in spending for the year ended June 30, 2018 while last year a net decrease in spending of \$800k was reported.
 - Interest income was higher by \$377k and interest expense was lower by \$55k for the year ended June 30, 2018 while last year interest income was higher by \$156k and interest expenses was higher by \$49k. The higher interest income is a result of investment diversification.
 - Gain (Loss) from sale of capital assets was \$705k during the year ended June 30, 2018. This was the result of the disposal of the Advanced Metering Infrastructure (AMI) pilot costs that were replaced with newer technology in Fiscal Year (FY) 2018.
 - Fair value of NCPA Projects and Reserves decreased by \$2.7 million during the year ended June 30, 2018, while last year an increase by \$507k was reported.
 - Miscellaneous non-operating revenue/expense had a net decrease of \$42k for the year ended June 30, 2018 while last year a net increase of \$78k was reported.
- AMP continues to maintain the telephone system at Alameda Point and strives to provide service to customers “at cost”. AMP began consolidating the telephone revenues with electric as they are insignificant amounts. Last year AMP recognized \$27k in revenues for the telephone system while it recognized \$26k in FY2018.
- AMP continued its support of the City’s general fund with a voter approved contribution of \$3.7 million in FY 2018. The Board approved the contributions in prior years and for FY 2017, the contribution was \$2.8 million. In addition to the annual contribution, AMP contributed streetlight assets of \$4.4 million to the City. The value of the contribution was the net book value of the streetlights that AMP maintained up to June 30, 2017.
- The electric fund had an increase of \$6.8 million in cash and equivalents for the year ended June 30, 2018 while last year a decrease of \$3.4 million was reported. The results come from a combination of factors including:
 - Net cash provided by operating activities increased \$4.4 million while last year it was reported that net cash provided by operating activities decreased \$705k.
 - Net cash used for non-capital financing activities increased \$5.3 million while last year it was reported that net cash used for non-capital financing activities increased \$2.2 million from the previous year. The increase is from the \$900k voter approved transfer to the City and the transfer of \$4.4 million non-cash streetlight asset.
 - Net cash used for capital and related financing activities decreased \$3.4 million while last year it was reported that net cash used in capital and related financing activities increased \$2.6 million from the previous year.
 - Net cash used by investing activities decreased \$4.3 million while last year it was reported that net cash provided for investing activities increased \$1.0 million.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

COMBINED NET POSITION

AMP's Combined Net Position as of June 30:

(Dollars in thousands)

	2018	2017	2016
Assets:			
Current Assets	\$ 51,663	\$ 43,540	\$ 46,403
Capital Assets, net of depreciation	41,206	42,728	40,206
Other Non-current Assets	47,307	48,561	39,586
Total Assets	140,176	134,829	126,195
Deferred Outflow of Resources	5,926	5,665	2,060
Liabilities:			
Current Liabilities	7,594	5,153	6,176
Long-term Liabilities Outstanding	50,353	46,309	42,617
Total Liabilities	57,947	51,462	48,793
Deferred Inflow of Resources	21,553	18,726	18,779
Net Position:			
Net Investment in Capital Assets	33,129	34,437	32,252
Restricted	4,662	4,609	4,581
Unrestricted	28,811	31,260	23,848
Total Net Position	\$ 66,602	\$ 70,306	\$ 60,681

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

ANALYSIS OF NET POSITION

AMP's combined total net position was \$66.6 million as of June 30, 2018. Comparing this year results to the previous fiscal year, the combined total net position decreased by \$3.7 million, or almost 5.3% of last year.

The largest portion of combined total net position is the cash and cash equivalents, investments and interest, accounts receivable, inventory, and Green House Gas related sales receivables. The next largest contributor to AMP's combined total net position is the unrestricted Net Position from the renewable energy credit sales held in designated reserve accounts. AMP's board may designate how these funds are expended. The third largest portion 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 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 \$5.3 million, or a 4.0% increase to last year's total. Total combined Deferred Outflow of Resources increased by \$261k, or 4.6% increase to last year's total relating to pensions. Total combined liabilities increased by \$6.5 million, or an 12.6% compared to last year's total. Total combined Deferred Inflow of Resources (balancing account) increased by \$2.8 million, or a 15.1% increase to last year's total.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

(Dollars in thousands)

	2018	2017	2016
Operating Revenues			
Electric Sales	\$ 59,501	\$ 55,926	\$ 54,221
Other Services Revenue	5,101	7,523	7,792
Total Operating Revenues	<u>64,602</u>	<u>63,449</u>	<u>62,013</u>
Operating Expenses			
Purchased Power	28,618	28,202	29,781
Energy efficiency, solar, other	1,173	1,505	1,685
Operations and Maintenance	4,814	4,674	4,574
Customer Accounts, Information Systems	2,296	2,171	2,226
Administrative and General	10,527	7,425	7,733
Depreciation and Amortization	3,340	3,506	3,366
Sales Expense	506	530	540
Jobbing Sales Expense	368	994	315
Balancing Account	2,821	1,425	1,010
Total Operating Expenses	<u>54,463</u>	<u>50,432</u>	<u>51,230</u>
Operating Income (Loss)			
Electric	10,139	13,017	10,783
Telecommunications	-	-	-
Total Operating Income (Loss)	<u>10,139</u>	<u>13,017</u>	<u>10,783</u>
Non-operating Revenue (Expense)			
Interest Income on Investments	851	473	316
Interest Expense	(1,406)	(1,461)	(1,510)
Gain (Loss) from Disposition	(705)	86	-
Other Expense	(14)	-	-
Increase (Decrease) in Value of NCPA Projects	(1,125)	1,579	1,073
Alameda Point Phone Maintenance-Net	16	43	51
Misc Non-operating Income (Expense)	63	105	58
Telecommunications	-	-	10
Payment in-lieu of taxes	(1,446)	(1,418)	(1,391)
Total Non-Operating Revenue (Expense)	<u>(3,766)</u>	<u>(593)</u>	<u>(1,393)</u>
Income (loss) before Transfers and Special Item	<u>6,373</u>	<u>12,424</u>	<u>9,390</u>
Transfers in (to Telecom)			2,190
Transfer to City of Alameda	(8,075)	(2,800)	(2,800)
Transfers out (from Electric)			(2,190)
Total Transfers	<u>(8,075)</u>	<u>(2,800)</u>	<u>(2,800)</u>
Change In Net Position			
Electric	(1,702)	9,624	4,390
Telecommunications	-	-	2,200
Total Change In Net Position	<u>\$ (1,702)</u>	<u>\$ 9,624</u>	<u>\$ 6,590</u>

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

ANALYSIS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in Electric Net Position

Electric net position decreased \$1.7 million for the year ended June 30, 2018 while last year an increase of \$9.6 million was reported. Electric operating revenue increased \$1.2 million while last year an increase of \$1.5 million was reported. Electric operating expenses increased \$4.0 million while last year a decrease of \$798k primarily due to higher power expenses, higher legal fees, higher pension expense, higher OPEB expense, and higher labor overtime expenses to cover for staffing shortages.

Electric Condensed Statement of Changes in Net Position for the year ended June 30:

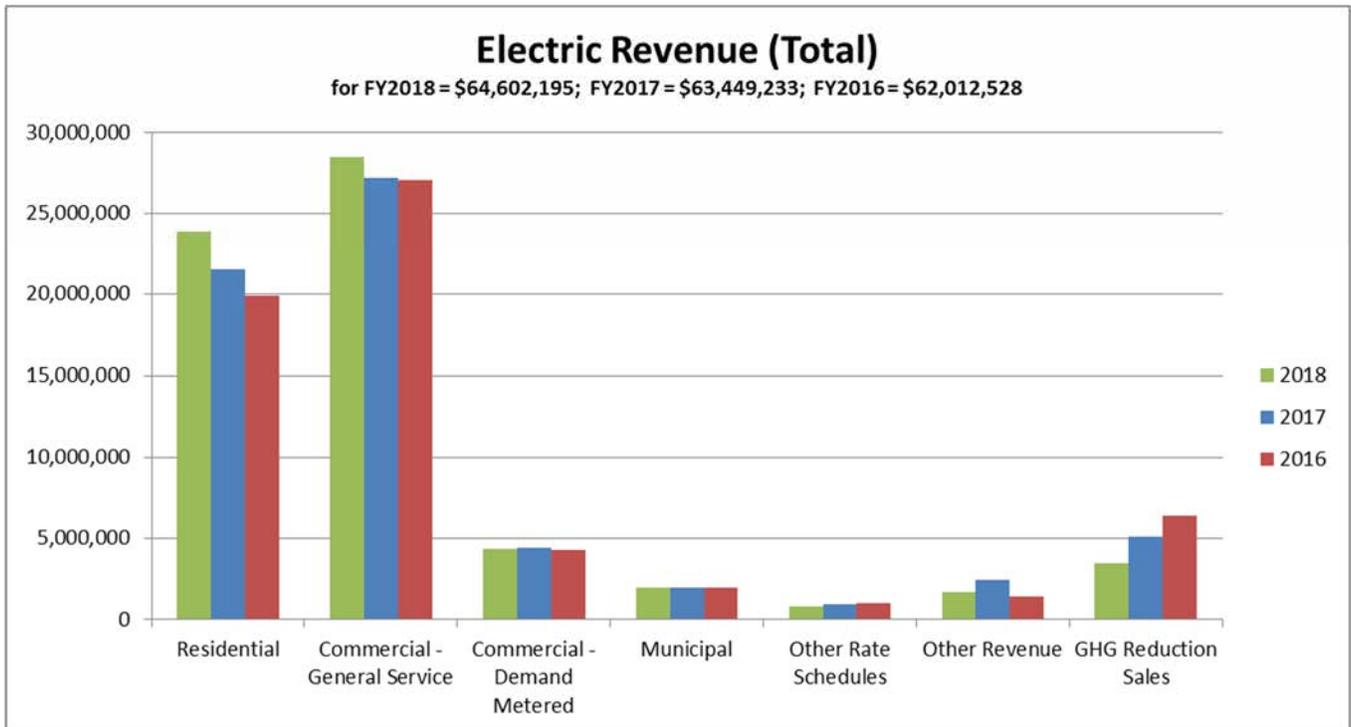
(Dollars in thousands)

	2018	2017	2016
Operating Revenues	\$ 64,602	\$ 63,449	\$ 62,013
Operating Expenses	54,463	50,432	51,230
Operating Income	10,139	13,017	10,783
Total Non-operating Revenue (Expense)	(3,766)	(593)	(1,403)
Transfers Out	(8,075)	(2,800)	(4,990)
Change In Net Position	\$ (1,702)	\$ 9,624	\$ 4,390

Electric Operating Revenues

Electric operating revenue increased by \$1.2 million or 1.8% during FY 2018 and increased by \$1.4 million last fiscal year. Contributing to the FY 2018 results are revenues from electricity sales relating to rate increases, increased Low Carbon Fuel Standards (LCFS) credit sales. The increases were offset with decreased jobbing sales, decreased GHG sales, and other field service revenues. Electricity sales revenue was \$59.5 million or 92.1% of all electric revenues. Miscellaneous services, plant leased to others and jobbing sales contributed \$1.7 million, or 2.6% of revenue. Cap & Trade net revenue, GHG related sales, and LCFS contributed \$3.4 million, or 5.3% of revenue.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**



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; voters approved the contribution amount in November 2016.

**ALAMEDA MUNICIPAL POWER
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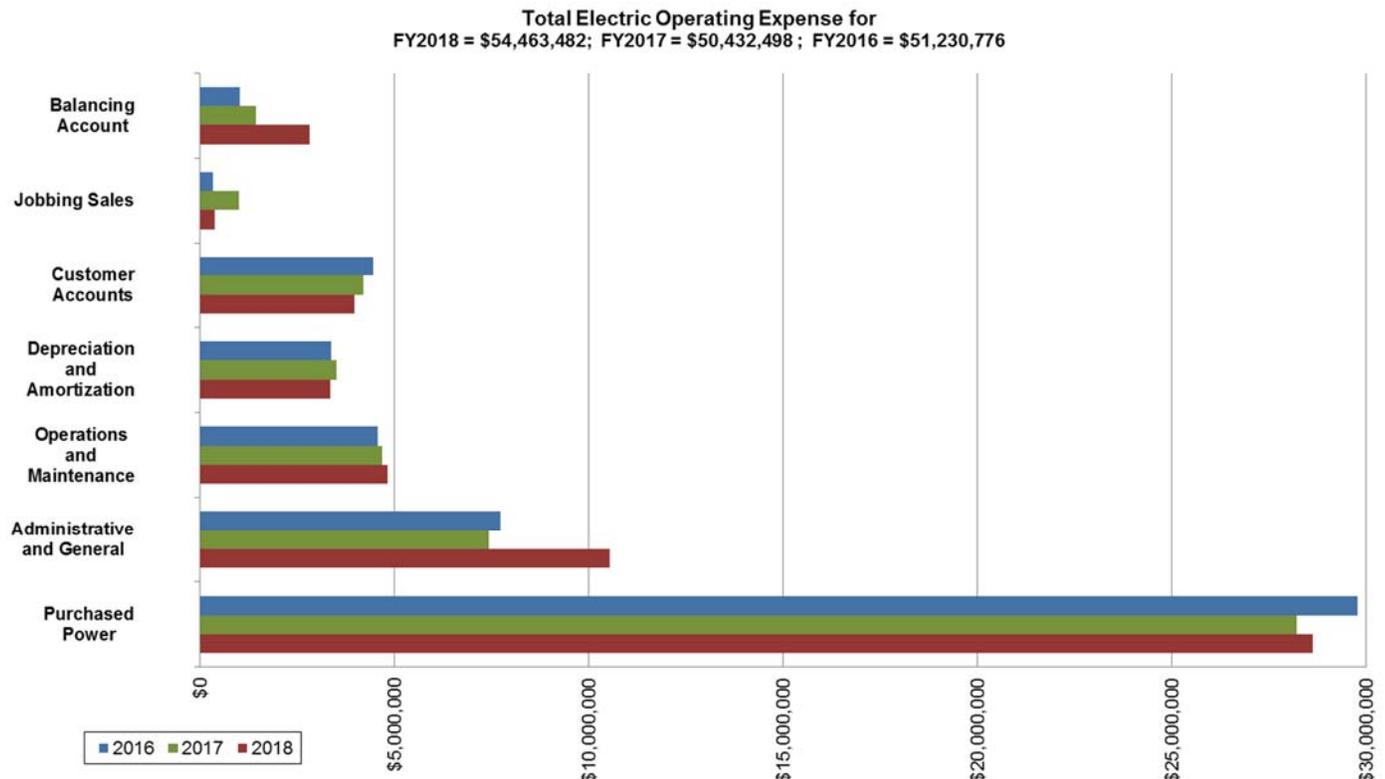
Electric Operating Expenses

Electric operating expenses, excluding the adjustment for balancing account accumulation, were higher than last year’s results by \$2.6 million. In FY 2017, a \$1.2 million increase from FY 2016 was reported. During FY 2018 the increase is primarily driven by \$417k higher power purchases, \$140k higher operations and maintenance expenses, \$125k higher customer service expenses, and \$3.1 higher administrative expenses. During FY 2018 the decreases were \$166k depreciation expense related to retirements and transfer of streetlights asset to the City, \$626k lower jobbing sales expenses as less development and special projects were delayed, and \$332k lower energy efficiency programs.

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 \$2.8 million during FY 2018 and \$1.4 million lower were reported in FY 2017.

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 2018, FY 2017, and FY 2016.



**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Electric Non-Operating Revenues (Expenses)

Non-operating expenses and transfers in FY 2018 exceeded non-operating revenue by \$10.8 million compared to the recorded \$3.4 million last year. This year’s resulting \$8.4 million net change comes from a combination of factors including a \$4.4 million increase for streetlight assets transferred to the City, \$900k increase for the transfer to the City per voter approval for streetlight maintenance in November 2016, \$2.7 million decrease in the value of certain NCPA-held assets, \$378k increase in interest income, a \$55k decrease in interest expense, \$792k increase from the disposition of obsolete and retired assets, \$27k increase in payments in lieu of taxes, and a net of \$82k other miscellaneous non-operating revenue/expenses.

ANALYSIS OF COMBINED CASH FLOW STATEMENT

Net Change in Cash and Equivalents

The net change in cash and equivalents increased by \$6.8 million for the year ended June 30, 2018 while last year a decrease of \$3.4 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.

Electric Fund Condensed Statement of Cash Flows as of June 30:

(Dollars in thousands)

	2018	2017	2016
Operating Activities	\$ 20,946	\$ 16,509	\$ 17,224
Non-capital Financing Activities	(9,521)	(4,218)	(4,191)
Capital and Related Financing Activities	(5,116)	(8,536)	(8,183)
Investing Activities	(2,811)	(7,105)	(6,077)
Change in Cash and Equivalents	<u>\$ 3,498</u>	<u>\$ (3,350)</u>	<u>\$ (1,227)</u>

Cash Flows from Operating Activities

In FY 2018, cash provided by operating activities was \$20.9 million versus \$16.5 million in FY 2017, or an increase of \$4.4 million. The change in cash flows from operating activities compared to FY 2017 is primarily the result of \$6.2 million increase from electric customers, \$3.1 million decrease from special sales as contracts were at lower rates than prior years, \$1.8 million increase in payments to suppliers, \$3.4 million decreased payments to employees, and \$82k decreased non-operating income.

**ALAMEDA MUNICIPAL POWER
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JUNE 30, 2018**

Cash Flows from Non-Capital Financing Activities

In FY 2018, cash used for non-capital financing activities was \$9.5 million versus \$4.2 million in FY 2017. The change from last year was higher than prior years due to the \$4.4 million transfer of the streetlight assets from AMP to the City and the General Fund Transfer was increased \$900k per voter approval in November 2016. The Payment in lieu of taxes is consistent with prior years and increased \$27k in FY 2018.

Cash Flows from Capital and Related Financing Activities

In FY 2018, cash used for capital and related financing activities was \$5.1 million versus \$8.5 million in FY 2017, or a decrease of \$3.4 million. The change in cash flows from capital and related financing activities compared to FY 2017 is primarily the result of decreased capital additions.

During FY 2018, AMP's capital asset additions for the electric system were \$8.6 million and included projects to expand, replace, and enhance facilities, to improve their efficiency and reliability, to extend their useful life, to comply with laws and regulations, and/or to meet the increasing demands on the electric system. Specific capital work that occurred during FY 2018 includes information system upgrades, maintenance trucks and vehicles, new developments within community (Alameda Landing, Site A, etc.), Advanced Metering Infrastructure (AMI), continued enhancements to the System Control and Data Acquisition (SCADA) systems, new residential and commercial installations, computer room enhancements, service center paving, and general distribution and substation system upgrades. The capital assets were decreased \$5.2 million by transferring \$4.4 million of streetlights to the City and \$792k for the retirement of the pilot AMI project that was replaced with newer and better technology in FY 2018.

Cash Flows from Investing Activities

In FY 2018, net cash used by investing activities was \$2.8 million versus \$7.1 million that was provided in FY 2017, or a change of \$4.3 million. The change in cash flows from investing activities compared to FY 2017 is primarily the result of \$4.3 million decrease in investments for special purposes as prices dropped for renewable credits. The additional changes were a decrease of \$256k in investments in NCPA projects and reserves and an increase of \$306k in interest income as rates have increased. 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.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
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Long-Term Debt as of June 30:

(Dollars in thousands)

	2018	2017	2016
Revenue Bonds, Series 2010A	\$ 8,700	\$ 8,700	\$ 8,700
Taxable Revenue Bonds, Series 2010B	15,370	16,590	17,760
Long-Term Debt	<u>\$ 24,070</u>	<u>\$ 25,290</u>	<u>\$ 26,460</u>

ANALYSIS OF CAPITAL ASSETS

AMP’s investment in capital assets for its electric operations amounts to \$41.2 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 decrease in AMP’s investment in capital assets including depreciation and retirements for the current year was \$1.5 million, or 3.56%. 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)

	2018	2017	2016
Land and Rights	\$ 154	\$ 154	\$ 154
Construction In Progress	2,873	6,452	1,736
Utility Plant	86,124	84,655	84,548
Service Center Building	8,131	8,072	7,851
Machinery & Equipment	9,620	9,510	9,439
Transportation Equipment	3,318	3,240	3,048
Computer Equipment	4,168	4,158	3,832
Furniture & Fixtures	900	836	836
Easements	186	186	186
Less Accumulated Depreciation	(74,268)	(74,535)	(71,425)
Capital Assets, Net	<u>\$ 41,206</u>	<u>\$ 42,728</u>	<u>\$ 40,205</u>

ANALYSIS OF ECONOMIC FACTORS

Economic Factors and Next Year’s Budget

The adopted budget for FY 2019 reflects the local economy and the sluggish demand for new electric services from the commercial sector. During FY 2018, AMP continued its strategic planning activities to enhance focus on the customer, provide a forum for long-range financial planning, facilitate prioritization of limited resources, balance conflicting priorities, and provide for effective communication of goals and policies.

AMP continues assessments of future financial needs; documents those needs in a 10-year pro-forma; manages Board established financial guidelines for rates, revenues and reserves; develops rate designs to meet financial guideline objectives; and continues to review opportunities to monetize its power supply resources. The adopted budget for FY 2019 includes electric operating revenues that are expected to be \$64.0 million or 3.04% higher

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

than the \$62.1 million budgeted for FY 2018. The increase is due to the increased tier rates and cost of service recovery. The REC and Cap & Trade (C&T) sales are approximately the same as FY 2018 and AMP projected a 1.0% rate increase for FY 2019. Purchase power for FY 2019 is estimated to decrease approximately \$2.0 million due to AMP's participation in market sales that are carried out by NCPA on behalf of AMP. The energy adjustment charge is estimated at zero for FY 2019, however, AMP will evaluate the power purchases throughout FY 2019 to determine if the adjustment charge would need to be added based on demand and power purchase costs during the year. The energy adjustment charge was implemented to stabilize purchase power costs.

The adopted budget for FY 2019 includes operating expenses budgeted at \$53.8 million or 1.4% lower than the budgeted FY 2018 expenses. The primary reason for the operating budget decreases are due to \$2 million lower power purchase costs, \$908k higher operating and maintenance expenses, \$70k lower customer service and sales, and \$364k higher general and administrative expenses.

The non-operating budget for FY 2019 includes funds for outside billing projects, debt related charges of \$1.3 million, PILOT/ROI charges of \$1.5 million and a transfer to the City of \$3.8 million as a result of the approved voter proposal on November 2016. The budget assumes that no additional long-term debt will be needed during the fiscal year. Capital project work for system additions, system enhancements, new load additions, conversion of overhead facilities to underground facilities, information system upgrades and enhancements, and capitalized work from routine activities account for \$5.6 million of the FY 2019 budget which includes \$250k for UUD and \$1 million for community solar project implementation, and approximately \$3.0 million for system enhancements and improvements.

The budget anticipates that operating revenues will be sufficient to meet all expenses to be incurred during FY 2019. The budget anticipates that a minimal amount 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
ELECTRIC ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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
ELECTRIC ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 25,980,675	\$ 22,482,833
Investments	12,865,416	9,191,970
Interest receivable	221,357	104,258
Accounts receivable, net	7,769,377	7,077,038
Greenhouse gas related sales receivable	984,502	870,946
Materials and supplies	3,776,486	3,748,086
Prepaid and other	64,700	64,700
Total Current Assets	51,662,513	43,539,831
Non-current Assets:		
Capital assets (Note 3):		
Nondepreciable	3,026,316	6,605,967
Depreciable	112,447,301	110,656,462
Accumulated depreciation (Note 3)	(74,267,672)	(74,534,854)
Capital assets, net (Note 3)	41,205,945	42,727,575
Restricted assets (Note 2)	4,661,503	4,608,923
Investments designated for special purposes (Note 2)	32,975,219	34,132,548
Investment in Joint Venture - Share of certain NCPA projects and reserve (Note 8)	9,670,766	9,819,690
Total Non-current Assets	88,513,433	91,288,736
Total Assets	140,175,946	134,828,567
Deferred Outflows of Resources:		
Deferred amount on refunding	623,445	685,096
Deferred outflows related to pensions	5,302,753	4,980,063
Total Deferred Outflows of Resources:	5,926,198	5,665,159
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued payroll	928,537	986,920
Due to City of Alameda	274,498	286,805
Interest payable	672,356	699,696
Current portion of long term debt (Note 4)	1,275,000	1,220,000
Deposits	3,688,165	1,230,235
Other accrued liabilities	-	21,833
Current portion of compensated absences (Note 1C)	560,569	536,999
Current portion of claims liability (Note 10B)	195,000	170,000
Total Current Liabilities	7,594,125	5,152,488
Non-current Liabilities:		
Long term debt, net of current portion (Note 4)	22,795,000	24,070,000
Compensated absences (Note 1C)	-	61,381
Claims liability (Note 10B)	1,021,097	1,171,958
Net pension liability	24,557,226	21,006,196
Total OPEB liability	1,979,781	-
Total Non-current Liabilities	50,353,104	46,309,535
Total Liabilities	57,947,229	51,462,023
Deferred Inflows of Resources:		
Balancing account	21,469,620	18,648,533
Deferred inflows related to pension	-	77,361
Deferred inflows related to OPEB	83,417	-
Total deferred Inflows of Resources:	21,553,037	18,725,894
Net Position:		
Net investment in capital assets	33,129,390	34,437,310
Restricted for:		
Debt service reserves (Note 2H)	4,661,503	4,608,923
Unrestricted	28,810,985	31,259,576
Total Net Position	\$ 66,601,878	\$ 70,305,809

See accompanying notes to the financial statements.

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**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE
AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017)**

	2018	2017
Operating Revenues:		
Sales	\$ 59,501,406	\$ 55,925,748
Miscellaneous services	1,146,507	1,275,191
Plant leased to others	152,828	110,995
Jobbing sales	366,372	1,066,124
Cap and trade revenue	872,676	860,927
Greenhouse gas related sales	2,390,906	4,210,248
Low carbon fuel standard credit sales	171,500	-
Total Operating Revenues	<u>64,602,195</u>	<u>63,449,233</u>
Operating Expenses:		
Purchased power	28,618,484	28,201,607
Energy efficiency, solar and other	1,172,615	1,504,629
Operations and maintenance	4,814,122	4,674,307
Customer service, information systems	2,296,001	2,170,617
Administrative and general	10,527,575	7,425,117
Depreciation and amortization	3,340,263	3,506,452
Customer relations	505,711	530,544
Jobbing sales expense	367,624	993,589
Balancing account adjustment	2,821,087	1,425,636
Total Operating Expenses	<u>54,463,482</u>	<u>50,432,498</u>
Operating Income	<u>10,138,713</u>	<u>13,016,735</u>
Nonoperating Revenues (Expenses):		
Interest income	826,098	470,818
Interest income on restricted investments	24,920	2,252
Interest expense	(1,406,368)	(1,461,042)
Gain (Loss) from sale of capital assets	(705,347)	86,420
Other expense	(13,605)	-
Increase (decrease) in value of certain NCPA projects and reserves	(1,124,877)	1,579,293
Alameda Point phone maintenance-Net	16,464	42,690
Miscellaneous non-operating revenue	62,855	104,893
Payment in-lieu of taxes	(1,445,575)	(1,418,209)
Total Nonoperating Revenue (Expense)	<u>(3,765,435)</u>	<u>(592,885)</u>
Income (loss) before Transfers and special items	<u>6,373,278</u>	<u>12,423,850</u>
Transfers to City of Alameda (Note 5)	<u>(8,075,447)</u>	<u>(2,800,000)</u>
Total Transfers	<u>(8,075,447)</u>	<u>(2,800,000)</u>
Change in Net Position	(1,702,169)	9,623,850
Net position, beginning of year, as restated	<u>68,304,047</u>	<u>60,681,959</u>
Net position, end of year	<u>\$ 66,601,878</u>	<u>\$ 70,305,809</u>

See accompanying notes to the financial statements.

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**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE
AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017)**

	2018	2017
Cash Flows from Operating Activities		
Receipts from customers	\$ 62,932,704	\$ 56,739,777
Receipts from Special Sales (C&T and REC)	3,321,526	6,516,598
Payments to suppliers	(39,218,602)	(37,323,763)
Payments to the city	(12,307)	23,728
Payments to employees	(6,143,403)	(9,595,374)
Miscellaneous non-operating income	65,714	147,583
Net cash provided by Operating Activities	<u>20,945,632</u>	<u>16,508,549</u>
Cash Flows from Noncapital Financing Activities		
Transfers to General Fund of City of Alameda	(3,700,000)	(2,800,000)
Transfers of streetlights to the City of Alameda	(4,375,447)	
Payments in-lieu of taxes	(1,445,575)	(1,418,209)
Net cash used for Noncapital Financing Activities	<u>(9,521,022)</u>	<u>(4,218,209)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(1,818,633)	(6,028,346)
Proceeds (loss) from disposition of capital assets	(705,347)	86,420
Long-term debt repayments	(1,220,000)	(1,170,000)
Interest paid on long-term debt	(1,372,057)	(1,424,032)
Net cash used for Capital and Related Financing Activities	<u>(5,116,037)</u>	<u>(8,535,958)</u>
Cash Flows from Investing Activities		
Interest receipts	733,919	428,383
Investments designated for special purposes	(2,516,117)	(6,785,781)
Investment in certain NCPA projects and reserves	(975,953)	(719,802)
Sale of restricted assets	(52,580)	(27,612)
Net cash used for Investing Activities	<u>(2,810,731)</u>	<u>(7,104,812)</u>
Net increase (decrease) in cash and cash equivalents	3,497,842	(3,350,430)
Cash and equivalents at beginning of year	22,482,833	25,833,263
Cash and equivalents at end of year	<u>\$ 25,980,675</u>	<u>\$ 22,482,833</u>
Reconciliation of operating income to net cash provided by operating activities:	\$ 10,138,713	\$ 13,016,735
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation and amortization	3,340,263	3,506,452
Pension expense	3,150,978	(180,115)
OPEB expense	61,436	-
Decrease (increase) in accounts receivable	(805,894)	125,329
Decrease (increase) in materials and supplies	(28,400)	(750,325)
Decrease (increase) in prepaids	-	319,584
Increase (decrease) in accounts payable and accrued payroll	(58,383)	(748,476)
Increase (decrease) in due to general fund	(12,307)	23,728
Increase (decrease) in balancing account	2,821,087	1,425,636
Increase (decrease) in refundable deposits	2,457,930	(318,187)
Increase (decrease) in other accrued liabilities	(21,833)	(880)
Increase (decrease) in compensated absences	(37,811)	51,052
Increase (decrease) in claims liability	(125,861)	(109,567)
Miscellaneous non-operating income	65,714	147,583
Net cash provided by (used in) operating activities	<u>\$ 20,945,632</u>	<u>\$ 16,508,549</u>

See accompanying notes to the financial statements

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**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *General*

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

B. *Basis of Presentation*

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

C. *Basis of Accounting*

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

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

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

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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.

Deferred Inflows and Outflows Related to Other Postemployment Benefits (OPEB) – deferred outflows related to OPEB relates to the payment of OPEB contributions after the measurement date. Deferred inflows related to OPEB relates to the net differences between projected and actual earnings on OPEB plan investments, changes of assumptions, and differences between actual and expected experience. See Note 7 for further discussion.

Deposits – customer deposits 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. Developers requesting higher rated transformers are required to provide deposits that are retained by AMP for approximately three years. At the end of the three year period, AMP will evaluate the usage and determine if the transformer requirements are met. Developers also prepay for the distribution system substructure and part of the trunk costs for new developments within Alameda.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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:

	2018	2017
Balance at beginning of fiscal year	\$ 598,380	\$ 547,328
Compensated absences earned	589,734	645,657
Compensated absences taken	<u>(627,545)</u>	<u>(594,605)</u>
Balance at end of fiscal year	<u>\$ 560,569</u>	<u>\$ 598,380</u>
Current Portion	<u>\$ 560,569</u>	<u>\$ 536,999</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.
5. Unexpended appropriations lapse at year-end and must be re-appropriated 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
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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. *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.

H. *Reclassifications*

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in AMP's financial position and operations.

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.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 fiduciary net position of AMP's proportionate 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.

J. Changes in Accounting Principles

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 was implemented by AMP as of July 1, 2017.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The primary objective of this statement is to improve accounting and 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. This Statement is effective for reporting periods beginning after December 15, 2016. AMP has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement was implemented by AMP as of July 1, 2017.

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

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities government should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018. AMP has not determined the effect on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. AMP has not determined the effect on the financial statements.

GASB Statement No. 90 – In June 2018, GASB issued Statement No. 90, *Majority Equity Interest*. The objective of this Statements are to improve the consistency and comparability of a reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018. AMP has not determined the effect on the financial statements.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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:

	2018	2017
Cash and cash equivalents	\$ 25,980,675	\$ 22,482,833
Investments	12,865,416	9,191,970
Restricted assets	4,661,503	4,608,923
Investments designated for special purposes	32,975,219	34,132,548
Total Cash and Investments	<u>\$ 76,482,813</u>	<u>\$ 70,416,274</u>

B. Policies

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

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

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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 below:

Investment Type	Maximum % or \$	Percentage by Issuer	Maximum Maturity	Minimum Required Rating
Bank/Time Deposits	None	N/A	5 years	N/A
U.S. Treasuries	None	N/A	5 years	N/A
U.S. Agencies	75%	25% for one issuer	5 years	N/A
Mutual Funds and Money				Highest rating
Market Funds	20%	10% with one issuer	5 years	by 2 NRSROs
Bankers Acceptances	30%	5% with one issuer	180 days	A1 or its equivalent
Commercial Paper	25%	5% with one issuer	270 days	A1 or its equivalent, A rated issuer or its equivalent
Negotiable CDs	30% (combined with CDARS)	5% with one issuer	5 years	No rating for amount under FDIC insurance; A-1 / A for amounts greater than FDIC insurance
LAIF	\$65 million per account	N/A	N/A	N/A
CAMP / Caltrust	None	N/A	N/A	N/A
CDs - non-negotiable / CDARS	30% (combined with NCDs)	5% with one issuer	3 years	N/A
Municipal Obligations	30%	5% with one issuer	5 years	A (except City's own bonds)
Medium Term Notes	30%	5% with one issuer	5 years	A
Supranationals	10% (US Dollar denominated)	N/A	5 years	AA
Asset-Backed Securities	15%	N/A	5 years	AA or higher rated issue (with issuer rated A or higher)

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 on the next page identifies the investment types that are authorized for investments held by fiscal agents.

The table also identifies certain provisions of these debt agreements:

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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

D. Investments Authorized by Debt Agreements (Continued)

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	N/A	No Limit	No Limit
U.S. Agency Securities (a)	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	A1/P1	25%	5%
Certificates of Deposit	5 years	A1/A	30%	5%
Bankers' Acceptances	180 days	A1/P1	30%	5%
Money Market Mutual Funds	N/A	A	20%	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	No Limit
Investment Agreements (b)	N/A	AA	No Limit	No Limit

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

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

E. Interest Rate Risk

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

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, 2018 and 2017:

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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

E. Interest Rate Risk (Continued)

	2018		
	12 Months or less	More than 12 months	Total
Investments:			
Money Market Mutual Funds	\$ 1,283,871	\$ -	\$ 1,283,871
Local Agency Investment Fund	46,808,913	-	46,808,913
Corporate Bonds	297,503	2,251,447	2,548,950
Certificates of Deposit	8,495,269	-	8,495,269
Held by bond fiscal agent:			
Bond Mutual Funds	4,661,503	-	4,661,503
Total Investments	61,547,059	2,251,447	63,798,506
Cash with Banks and Petty Cash	12,684,307	-	12,684,307
Total Cash and Investments	<u>\$ 74,231,366</u>	<u>\$ 2,251,447</u>	<u>\$ 76,482,813</u>

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

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
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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

F. Fair Value Measurement

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, 2018 and 2017, AMP has the following recurring fair value measurements:

	Balance at June 30, 2018	Fair Value Measurements on a Recurring Basis Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Certificates of Deposit	\$ 8,495,269	\$ -	\$ 8,495,269	\$ -
Corporate Bonds	2,548,950	-	2,548,950	-
Total Investments by Fair Value Level	11,044,219	\$ -	\$ 11,044,219	\$ -
Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy				
Local Agency Investment Fund	46,808,913			
Money Market Mutual Funds	1,283,871			
Total Investments Not Measured at Fair Value	48,092,784			
Investments Measured at Net Asset Value (NAV)				
Bond Mutual Funds	4,661,503			
Total Investments Measured at Net Asset Value (NAV)	4,661,503			
Total Investments	\$ 63,798,506			
		Fair Value Measurements on a Recurring Basis Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level	Balance at June 30, 2017			
Certificates of Deposit	\$ 7,481,000	\$ -	\$ 7,481,000	\$ -
Total Investments by Fair Value Level	7,481,000	\$ -	\$ 7,481,000	\$ -
Investments Not Measured at Fair Value or Subject to Fair Value Hierarchy				
Local Agency Investment Fund	45,273,358			
Total Investments Not Measured at Fair Value	45,273,358			
Investments Measured at Net Asset Value (NAV)				
Bond Mutual Funds	4,608,923			
Total Investments Measured at Net Asset Value (NAV)	4,608,923			
Total Investments	\$ 57,363,281			

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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

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, 2018 and 2017:

Investment type	Moody's Credit Rating	S&P Rating	2018	2017
Bond Mutual Funds	Aaa-mf	AAAm	\$ 4,661,503	\$ 4,608,923
Money Market Mutual Fund	Aaa-mf	AAAm	1,283,871	-
Corporate Bonds				
Citibank NA	A1	A+	250,002	-
IBM Corp	A1	A+	151,012	-
Oracle Corp	A1	AA-	306,379	-
PepsiCo Corp	A1	A+	305,188	-
John Deere Capital Corp	A2	A	247,992	-
Apple Inc	AA1	AA+	245,637	-
Bristol-Myers Squibb Co	A2	A+	248,476	-
Public Storage	A2	A	250,007	-
Wal-Mart Stores Inc	AA2	AA	246,757	-
General Electric	Not Rated	A1+	297,500	-
Total Investments - rated			8,494,324	4,608,923
Not rated:				
Certificate of Deposit (Morgan Stanley)			8,495,269	7,481,000
Local Agency Investment Fund			46,808,913	45,273,358
Total Investments			\$ 63,798,506	\$ 57,363,281

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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, 2018, AMP’s bank balance of \$12,684,307 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC) AMP’s investments with Morgan Stanley were insured up to \$250,000 by FDIC. Morgan Stanley also had SIPC coverage which provided an additional \$250,000 coverage. Furthermore, Morgan Stanley had private insurance in excess of SIPC coverage with a \$1.9M per-client limit. As of June 30, 2018, AMP’s investments balance with Morgan Stanley was \$16,989,593.

Investments

As of June 30, 2018, 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 custodian and safekeeping institutions for its investment securities. All of 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	
	2018	2017
Restricted by Revenue Bond Series 2010A&B Indenture - Bond Fund	\$ 1,982,710	\$ 1,948,150
Restricted by Revenue Bond Series 2010A&B Indenture - Reserve Fund	<u>2,678,793</u>	<u>2,660,773</u>
Total Restricted Assets	<u>\$ 4,661,503</u>	<u>\$ 4,608,923</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.

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

I. Designated Investments

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

	June 30	
	2018	2017
Insurance Reserve	\$ 1,200,000	\$ 1,200,000
Underground Special Fund	10,013,913	8,885,465
Solar PV Rebate Reserve	329,890	284,678
Renewable Energy Credits Energy Reserve	18,480,235	21,508,056
Cap and Trade Net Revenue Reserve	2,825,543	2,254,349
Low Carbon Fuel Standard Revenue Reserve	125,638	-
Total	<u>\$ 32,975,219</u>	<u>\$ 34,132,548</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.

Low Carbon Fuel Standard Revenue Reserve represents the set aside of resources generated from the sale of the banked credits to reduce the carbon intensity of transportation fuels in California by 10 percent by 2020. The program is administered by the California Air Resources Board (CARB).

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NOTE 3 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018 and 2017 is as follows:

	Balance June 30, 2017	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land and Rights	\$ 153,643	\$ -	\$ -	\$ -	\$ 153,643
Construction Work in Progress	6,452,324	7,448,982	(9,745,070)	(1,283,563)	2,872,673
Total Capital Assets not being depreciated	<u>6,605,967</u>	<u>7,448,982</u>	<u>(9,745,070)</u>	<u>(1,283,563)</u>	<u>3,026,316</u>
Capital assets being depreciated:					
Utility Plant	84,654,593	9,050,239	(3,295,878)	(4,285,144)	86,123,810
Service Center Building	8,071,667	-	-	58,958	8,130,625
Machinery and Equipment	9,510,377	39,612	-	70,387	9,620,376
Transportation Equipment	3,240,419	101,960	(24,223)	-	3,318,156
Computer Equipment	4,158,116	-	(2,751)	13,547	4,168,912
Furniture and Fixtures	835,790	-	-	64,132	899,922
Easements	185,500	-	-	-	185,500
Total Capital Assets being depreciated	<u>110,656,462</u>	<u>9,191,811</u>	<u>(3,322,852)</u>	<u>(4,078,120)</u>	<u>112,447,301</u>
Less accumulated depreciation and amortization for:					
Utility Plant	54,962,477	2,652,387	(2,595,612)	(986,236)	54,033,016
Service Center Building	4,055,335	182,175	-	-	4,237,510
Machinery and Equipment	8,772,874	119,294	-	-	8,892,168
Transportation Equipment	2,466,690	179,145	(24,222)	-	2,621,613
Computer Equipment	3,615,156	171,879	(1,375)	-	3,785,660
Furniture and Fixtures	543,322	35,383	-	-	578,705
Easements	119,000	-	-	-	119,000
Total Accumulated Depreciation	<u>74,534,854</u>	<u>3,340,263</u>	<u>(2,621,209)</u>	<u>(986,236)</u>	<u>74,267,672</u>
Total Depreciable Assets	<u>36,121,608</u>	<u>5,851,548</u>	<u>(701,643)</u>	<u>(3,091,884)</u>	<u>38,179,629</u>
Capital assets, net	<u>\$ 42,727,575</u>	<u>\$ 13,300,530</u>	<u>\$ (10,446,713)</u>	<u>\$ (4,375,447)</u>	<u>\$ 41,205,945</u>

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NOTE 3 – CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2016	Additions & Adjustments	Retirements & Adjustments	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land and Rights	\$ 153,643	\$ -	\$ -	\$ -	\$ 153,643
Construction Work in Progress	1,736,459	5,945,678	(396,648)	(833,165)	6,452,324
Total Capital Assets not being depreciated	<u>1,890,102</u>	<u>5,945,678</u>	<u>(396,648)</u>	<u>(833,165)</u>	<u>6,605,967</u>
Capital assets being depreciated:					
Utility Plant	84,548,411	-	(396,622)	502,803	84,654,592
Service Center Building	7,850,886	220,782	-	-	8,071,668
Machinery and Equipment	9,439,316	71,061	-	-	9,510,377
Transportation Equipment	3,048,241	56,637	-	135,541	3,240,419
Computer Equipment	3,832,459	130,836	-	194,821	4,158,116
Furniture and Fixtures	835,790	-	-	-	835,790
Easements	185,500	-	-	-	185,500
Total Capital Assets being depreciated	<u>109,740,603</u>	<u>479,316</u>	<u>(396,622)</u>	<u>833,165</u>	<u>110,656,462</u>
Less accumulated depreciation and amortization for:					
Utility Plant	52,537,186	2,821,913	(396,622)	-	54,962,477
Service Center Building	3,885,450	169,885	-	-	4,055,335
Machinery and Equipment	8,661,056	111,818	-	-	8,772,874
Transportation Equipment	2,284,906	181,784	-	-	2,466,690
Computer Equipment	3,424,741	190,415	-	-	3,615,156
Furniture and Fixtures	516,185	27,137	-	-	543,322
Easements	115,500	3,500	-	-	119,000
Total Accumulated Depreciation	<u>71,425,024</u>	<u>3,506,452</u>	<u>(396,622)</u>	<u>-</u>	<u>74,534,854</u>
Total Depreciable Assets	<u>38,315,579</u>	<u>(3,027,136)</u>	<u>-</u>	<u>833,165</u>	<u>36,121,608</u>
Capital assets, net	<u>\$ 40,205,681</u>	<u>\$ 2,918,542</u>	<u>\$ (396,648)</u>	<u>\$ -</u>	<u>\$ 42,727,575</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, 2018 and 2017 was \$3,340,263 and \$3,506,452 respectively.

In FY 2018, the net capital assets transfer of \$4,375,447 reflects the streetlights transferred to the City of Alameda.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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, 2018 and 2017 is as follows:

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements & Adjustments	Balance June 30, 2018	Current Portion
Revenue Bonds, Series 2010A	\$ 8,700,000	\$ 8,700,000	\$ -	\$ -	\$ 8,700,000	\$ -
Taxable Revenue Bonds, Series	22,985,000	16,590,000	-	(1,220,000)	15,370,000	1,275,000
Total Long-term Debt		<u>\$ 25,290,000</u>	<u>\$ -</u>	<u>\$ (1,220,000)</u>	<u>\$ 24,070,000</u>	<u>\$ 1,275,000</u>

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

B. *Description of Long-Term Debt Issues*

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

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

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Debt Service Requirements

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

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 1,275,000	\$ 1,312,883	\$ 2,587,883
2020	1,340,000	1,246,594	2,586,594
2021	1,410,000	1,174,820	2,584,820
2022	1,485,000	1,097,090	2,582,090
2023	1,600,000	1,004,540	2,604,540
2024 - 2028	9,710,000	3,275,382	12,985,382
2029 - 2033	7,250,000	542,682	7,792,682
Total	\$ 24,070,000	\$ 9,653,991	\$ 33,723,991

NOTE 5 – TRANSACTIONS WITH THE CITY OF ALAMEDA

Prior to July 1, 2017, the City Charter provided that AMP transfer to the City's General Fund certain excess earnings as defined in the City Charter. In accordance with these provisions, AMP was required to transfer excess earnings of \$216,721 in FY 2017 to the City's General Fund. However, AMP Board approved a contribution of \$2,800,000 to the City's General Fund during the year ended June 30, 2017. This amount was contributed from the Electric Services Fund. Effective July 1, 2017, and each year thereafter, the City Charter states that AMP shall annually transfer to the City, the amount of \$3,700,000 plus an adjustment for inflation, minus any deduction for the amount of any exemptions granted by the AMP Board pursuant to Article XII, Section 12-6, subdivision (d) of the City Charter, in twelve equal monthly installments. As of June 30, 2018, \$3,700,000 was transferred to the City's General Fund.

In July 2017, AMP transferred ownership of the City's streetlights to the City, with a book value of \$4,375,447.

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 \$1,445,575 and \$1,418,209 in lieu of taxes to the City during the fiscal years ended June 30, 2018 and 2017, respectively.

Disbursements by AMP to the City for services provided by the City for the years ended June 30, 2018 and 2017 were \$5,880,999 and \$4,697,376, respectively. Utility taxes collected by AMP and remitted to the City's General Fund for the years ended June 30, 2018 and 2017 were \$3,834,652 and \$3,508,154, respectively. Amounts payable to the City as of June 30, 2018 and 2017 were \$274,498 and \$286,805, respectively.

Billings of electricity to the City for the years ended June 30, 2018 and 2017 were \$1,832,736 and \$1,836,732, respectively.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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.

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, 2018 and 2017, are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
	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	50-63	52-67
Monthly benefits, as a % of annual salary	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.868%	6.75%
Required employer contribution rates	7.132%	9.00%

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 6 – DEFINED BENEFIT PLAN (CONTINUED)

A. *CalPERS Miscellaneous Employees Plan (Continued)*

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

Employee contribution rates for the fiscal year ended June 30, 2018 and 2017, ranged from 7.00 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 \$1,723,908 and \$1,631,011 for the years ended June 30, 2018 and 2017, respectively.

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

As of June 30, 2018 and 2017, AMP reported a net pension liability of \$24,557,226 and \$21,006,196, 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, 2017 and 2016, 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, 2016 and 2015. AMP’s proportion of the City’s net pension liability was based on AMP’s FY 2017 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, 2017 and 2016 measurement date was 30.19 percent and 29.84 percent, respectively.

**ALAMEDA MUNICIPAL POWER
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NOTE 6 – DEFINED BENEFIT PLAN (CONTINUED)

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

For the year ended June 30, 2018 and 2017, AMP recognized pension expense of \$4,798,689 and \$1,450,897, respectively. At June 30, 2018 and 2017, AMP reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions paid by AMP subsequent to measurement date	\$ 1,739,297	\$ -
Changes in assumptions	2,651,718	-
Differences between expected and actual experience	859,531	-
Net differences between projected and actual earnings on pension plan	52,207	-
Total	<u>\$ 5,302,753</u>	<u>\$ -</u>
	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions paid by AMP subsequent to measurement date	\$ 1,631,011	\$ -
Changes in assumptions	-	(53,387)
Differences between expected and actual experience	28,520	(23,974)
Net differences between projected and actual earnings on pension plan	3,320,532	-
Total	<u>\$ 4,980,063</u>	<u>\$ (77,361)</u>

**ALAMEDA MUNICIPAL POWER
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NOTE 6 – DEFINED BENEFIT PLAN (CONTINUED)

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

The amount of \$1,739,297 reported as deferred outflows of resources related to pensions, resulting from AMP’s contributions to the City’s plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Year ended June 30	
	2019	\$ 2,048,649
	2020	1,396,554
	2021	339,095
	2022	<u>(220,843)</u>
	Total	<u>\$ 3,563,456</u>

Actuarial Assumptions – AMP’s proportion of the City’s total miscellaneous plan pension liability in the June 30, 2016 and 2015, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% (1)	3.3% - 14.2% (1)
Mortality	Society of Actuaries Scale BB (3)	

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

(2) Net of administrative expense

(3) The mortality table used was developed based on CalPERS' specific data.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website at: www.calpers.ca.gov under *Forms and Publications*.

**ALAMEDA MUNICIPAL POWER
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NOTE 6 – DEFINED BENEFIT PLAN (CONTINUED)

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

Changes in assumptions – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

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
ELECTRIC ENTERPRISE FUND
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NOTE 6 – DEFINED BENEFIT PLAN (CONTINUED)

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

The tables below reflect long-term expected real rate of return by asset class. The rate of return is calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

2018			
Asset Class	Target Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

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

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent and 7.65 percent for the Plan as of the measurement date of June 30, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that AMP’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

**ALAMEDA MUNICIPAL POWER
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NOTE 6 – DEFINED BENEFIT PLAN (CONTINUED)

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

Sensitivity of AMP's proportionate share of the City's Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate – The following presents AMP's proportionate share of the City's Miscellaneous Plan net pension liability, calculated using the discount rate of 7.15 percent and 7.65 percent for the Plan, as well as what AMP's proportionate share of the City's Miscellaneous Plan net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	2018	2017
1% Decrease	6.15%	6.65%
Net Pension Liability	\$ 35,506,953	\$ 30,586,623
Current Discount Rate	7.15%	7.65%
Net Pension Liability	\$ 24,557,226	\$ 21,006,196
1% Increase	8.15%	8.65%
Net Pension Liability	\$ 15,466,240	\$ 13,022,855

Pension Plan Fiduciary Net Position – Detailed information about the City's Miscellaneous Plan 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.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 7 – POSTEMPLOYMENT HEALTH CARE BENEFITS

A. *City of Alameda Other Post Employment Benefit Plan*

Plan Description – The City of Alameda provides medical and dental benefits to retirees as specified below under the City of Alameda Other Post-Employment Benefit (OPEB) Plan, a single-employer defined benefit health care plan. The City is responsible for establishing and amending the funding policy of the Plan.

The City established an irrevocable trust with Public Agency Retirement Services (PARS) to fund its retiree health benefits. Contributions to the trust are made annually according to the City’s OPEB funding policy.

The City is the Plan administrator, while PARS administers the investment trust. The City’s OPEB Plan does not issue separate financial statements. PARS issues a separate annual financial report and copies of the report may be obtained by writing to PARS at 4350 Von Karman Ave., Suite 100, Newport Beach, California, 92660.

No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75.

Benefits provided – The following is a summary of Plan eligibility requirements and benefits by employee group as of June 30, 2018:

Eligibility requires retiring from the City under CalPERS typically on or after age 50 (52 for PEPR employees) with at least 5 years of CalPERS service or disability retirement.

The City’s contribution for medical coverage for Miscellaneous employees is the Public Employees’ Medical and Hospital Care Act (PEMHCA) minimum required contribution (MRC) - \$133 per month in 2018.

As of June 30, 2018, the total amount of benefits paid by AMP was \$71,130.

B. *OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB*

As of June 30, 2018, AMP reported a total OPEB liability of \$1,979,781 for its proportionate share of the City’s total OPEB liability.

The total OPEB liability of the Plan was measured as of June 30, 2018, and the total OPEB liability for the Plan used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2016. AMP’s proportion of the City’s total OPEB liability was based on AMP’s FY 2018 contributions to the City’s OPEB plan relative to the total contributions of the City as a whole. AMP’s proportionate share of the City’s total OPEB liability for the Plan as of June 30, 2018 measurement date was 1.92 percent.

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NOTE 7 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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

For the year ended June 30, 2018, AMP recognized OPEB expense of \$59,008. At June 30, 2018, AMP reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes in assumptions	<u>\$ (83,417)</u>
Total	<u><u>\$ (83,417)</u></u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30,	
<u>2019</u>	\$ (27,784)
2020	(27,784)
2021	(27,784)
2022	(65)
Total	<u><u>\$ (83,417)</u></u>

Actuarial Assumptions – AMP’s proportion of the City’s total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method, level percent of pay
Actuarial Assumptions:	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Discount Rate	3.98%
Inflation	2.75%
Payroll Growth	3.00%, plus merit increases
Healthcare Trend Rate:	
PPO	6.50% in 2019 and will decline to 5.00% in 2022 and later years
HMO	6.00% in 2019 and will decline to 5.00% in 2022 and later years

Mortality assumptions were based on the mortality rates under the CalPERS most recent pension experience study projected fully generational Scale MP-2014 modified to converge to ultimate rates in 2022.

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NOTE 7 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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

Discount rate – The discount rate used to measure the total OPEB liability was 3.98 percent, based on a blended of asset expected rate of return and 3.4% using the average of 3 different 20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index.

Sensitivity of AMP’s proportionate share of the City’s Total OPEB Liability to Changes in the Discount Rate – The following presents AMP’s proportionate share of the City’s total OPEB liability, calculated using the discount rate of 3.98 percent for the Plan, as well as what AMP’s proportionate share of the City’s total OPEB 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:

	1% Decrease (2.98%)	Discount Rate (3.98%)	1% Increase (4.98%)
Total OPEB Liability	\$ 2,370,714	\$ 1,979,781	\$ 1,674,946

Sensitivity of AMP’s proportionate share of the City’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents AMP’s proportionate share of the City’s total OPEB liability, calculated using the healthcare cost trend rate of 6.00 (HMO)/6.50 (PPO) percent for the Plan, as well as what AMP’s proportionate share of the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	(5.00% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO)	(6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO)	(7.00% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO)
Total OPEB Liability	\$ 1,612,472	\$ 1,979,781	\$ 2,458,946

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
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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 fourteen (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, 2018 and 2017 for purchased power were \$28,618,484 and \$28,201,607 respectively. Additionally, purchased power was reduced by a refund of \$787,417 and \$656,325 for power exchange distribution and budget settlement monies returned to the NCPA General Operating Reserve (GOR), for the fiscal year ended June 30, 2018 and 2017, respectively.

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

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

	Year ended June 30,	
	2018	2017
Beginning balance	\$ 9,819,690	\$ 7,520,595
Increase (decrease) in equity in NCPA projects	(148,924)	2,299,095
Ending balance	<u>\$ 9,670,766</u>	<u>\$ 9,819,690</u>

**ALAMEDA MUNICIPAL POWER
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NOTE 8 – NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

A. General (Continued)

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

	June 30,	
	2018	2017
General Operating Reserve	\$ 4,550,080	\$ 3,138,623
Purchased Power & Transmission	3,590	83,220
Share of Scheduling Coordination Balancing Account	2,053,478	1,843,364
Share of Congestion Revenue Rights (CRR)	130,746	194,970
Associated Member Services	108,845	105,662
Market Purchase Program (MPP) Security Deposit	127,670	699,040
	<u>6,974,409</u>	<u>6,064,879</u>
Net book value of amounts contributed to fund		
Alameda Municipal Power's share of NCPA Power:		
Geothermal Projects/Power Line	1,999,937	2,207,763
Calaveras Hydroelectric Project	755,172	1,379,658
Combustion Turbine Project No. 1	(136,975)	145,466
Combustion Turbine Project No. 2	78,223	21,924
	<u>\$ 9,670,766</u>	<u>\$ 9,819,690</u>

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

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

B. Projects in which AMP is a Participant

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

**ALAMEDA MUNICIPAL POWER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

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

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

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.

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 two 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, 2018, the book value of this Project's plant, equipment and other assets was \$2,280,252 while its long-term debt totaled \$0, and other liabilities totaled \$2,906,243. AMP's share of the Project's long-term debt and other liabilities amounted to \$634,142 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.

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.

**ALAMEDA MUNICIPAL POWER
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NOTE 8 – NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

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

As of June 30, 2018, AMP's share of long-term debt for the Geothermal, Hydroelectric and Capital Facilities Projects are set forth below:

	Final Maturity	Total				AMP		
		Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion	AMP's Obligation % \$	
Geothermal Project								
2009A	7/1/2024	\$ 7,640,000	\$ -	\$ 2,420,000	\$ 5,220,000	\$ 2,545,000	16.8825%	\$ 881,267
2012A	7/1/2022	7,595,000	-	1,310,000	6,285,000	1,340,000	16.8825%	1,061,065
2016A	7/1/2024	17,530,000	-	265,000	17,265,000	365,000	16.8825%	2,914,764
Total Geothermal Project		32,765,000	-	3,995,000	28,770,000	4,250,000	0.0000%	4,857,095
Hydroelectric Project								
1992A	7/1/2018	23,595,000	-	11,440,000	12,155,000	12,155,000	10.0000%	1,215,500
2008A	7/1/2032	85,160,000	-	-	85,160,000	-	10.0000%	8,516,000
2008B	7/1/2020	1,540,000	-	305,000	1,235,000	325,000	10.0000%	123,500
2008C	7/1/2024	77,130,000	-	77,130,000	-	-	0.0000%	-
2010A	7/1/2023	72,615,000	-	9,640,000	62,975,000	10,130,000	10.0000%	6,297,500
2012A	7/1/2032	76,665,000	-	-	76,665,000	-	10.0000%	7,666,500
2012B	7/1/2024	7,120,000	-	-	7,120,000	-	10.0000%	712,000
2018A	7/1/2025	-	68,875,000	-	68,875,000	-	10.9775%	7,560,753
2018B	7/1/2025	-	1,340,000	-	1,340,000	-	10.9775%	147,099
Total Hydroelectric Project		343,825,000	70,215,000	98,515,000	315,525,000	22,610,000	0.0000%	32,238,852
Capital Facilities (STIG)								
2010A	8/1/2025	37,400,000	-	3,760,000	33,640,000	3,995,000	19.0000%	6,391,600
Unamortized premium		763,000	-	181,000	582,000	-	0.0000%	-
Total Capital Facilities		38,163,000	-	3,941,000	34,222,000	3,995,000	0.0000%	6,391,600
Total Long-Term Debt		\$414,753,000	\$ 70,215,000	\$ 106,451,000	\$ 378,517,000	\$ 30,855,000	0.0000%	\$ 43,487,547

^a Increased % reflects Roseville and Healdsburg opt-out of the 2022A&B bonds, which were later defeased, along with the 2003A&B bonds, by the 2008C&D bonds. The 2008C&B bonds were later defeased by the 2018A&B bonds.

NCPA Geothermal (2009A & 2016A) and Hydroelectric bonds pay principal July 1. Geothermal 2012A bonds pay principal both January 1 and July 1. NCPA Capital Facilities bond pay principal August 1.

Defeased Debt - Various bond refundings were undertaken to defease debt and realize future debt service savings. Debt was defeased by using the proceeds of the refunding issues and other available monies to irrevocably place in trust cash and US Gov't securities, which together with interest earned thereon, will be sufficient to pay both the interest and the appropriate maturity or redemption value of the refunded bonds as required.

In March 2018, NCPA issued Hydroelectric Project Number One Revenue Bonds 2018 Refunding Series A and B (\$70,215,000) to refund Hydroelectric Project Number One Revenue Bond 2008 Refunding Series C. The refunding was completed through the issuance of \$70,215,000 fixed rate debt (2018 Series A & B) with a yield of 2.01 percent with varying principal maturities ranging from \$839,850 to \$14,957,250 through July 1, 2024. AMP's share for this debt obligation is \$1,708,200 as of June 30, 2018. The Hydroelectric defeased debt issue has been considered extinguished for financial reporting purposes. At year-end, the defeased debt remained outstanding for Project One, 2008 Series C is \$77,130,000.

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.

**ALAMEDA MUNICIPAL POWER
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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

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

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.

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.

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

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

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/h 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.

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, 2018 and 2017, AMP's share of this debt is \$0 and \$0, respectively.

**ALAMEDA MUNICIPAL POWER
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NOTE 9 – TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (TANC) (CONTINUED)

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>.

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.

**ALAMEDA MUNICIPAL POWER
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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – RISK MANAGEMENT (CONTINUED)

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, 2018 and 2017, AMP contributed \$55,355 and \$58,428 for the coverage, respectively.

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

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

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.

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JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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:

	<u>Worker's Compensation</u>	<u>General Liability</u>	<u>Total</u>
Beginning Balance as of July 1, 2015	\$ 803,434	\$ 459,096	\$ 1,262,530
Change in liability for current and prior fiscal year claims	172,851	54,880	227,731
Payments made on claims	<u>(31,896)</u>	<u>(6,840)</u>	<u>(38,736)</u>
Liability as of June 30, 2016	<u>944,389</u>	<u>507,136</u>	<u>1,451,525</u>
Change in liability for current and prior fiscal year claims	(257,990)	185,539	(72,451)
Payments made on claims	<u>(37,116)</u>	<u>-</u>	<u>(37,116)</u>
Liability as of June 30, 2017	<u>649,283</u>	<u>692,675</u>	<u>1,341,958</u>
Change in liability for current and prior fiscal year claims	(331,774)	312,394	(19,380)
Payments made on claims	<u>(70,450)</u>	<u>(36,031)</u>	<u>(106,481)</u>
Ending balance as of June 30, 2018	247,059	969,038	1,216,097
Less current portion	<u>(160,000)</u>	<u>(35,000)</u>	<u>(195,000)</u>
Long-term portion	<u>\$ 87,059</u>	<u>\$ 934,038</u>	<u>\$ 1,021,097</u>

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, 2018 was \$56,979,972. 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.

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 11 – COMMITMENTS (CONTINUED)

A. Take -or- Pay Agreements (Continued)

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

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

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

A summary of AMP’s “Take or Pay” contracts and related projects and its contingent liability for the debt service including principal and interest payments at June 30, 2018 is as follows:

Fiscal Year	NGP	NCHP	NCFP	Total
2019	\$ 833,277	\$ 3,744,031	\$ 1,081,655	\$ 5,658,963
2020	833,471	3,649,589	1,086,174	5,569,234
2021	834,962	3,653,259	1,101,320	5,589,541
2022	835,761	3,638,470	1,074,019	5,548,250
2023	836,267	3,641,932	1,085,784	5,563,983
2024-2028	1,174,263	14,347,662	2,474,217	17,996,142
2029-2033	-	11,053,859	-	11,053,859
Total	\$ 5,348,001	\$ 43,728,802	\$ 7,903,169	\$ 56,979,972

B. Lease Agreement with 1835 Alameda Property, LLC

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

Fiscal Year	
2019	\$ 297,882
2020	306,818
2021	316,023
2022	325,504
2023	335,269
2024-2028	1,833,387
2029-2031	1,164,830
Total	\$ 4,579,713

**ALAMEDA MUNICIPAL POWER
ELECTRIC ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (WITH COMPARATIVE AMOUNTS FOR 2017)**

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLES

AMP adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Refer to Note 7 for further disclosures related to the Plan and related balances. As a result of the implementation, AMP restated beginning net position as noted below:

	June 30, 2017 Previously Presented	Restatement	July 1, 2017 Restated
Total OPEB Liability	\$ -	\$ (2,001,762)	\$ (2,001,762)
Net Position	70,305,809	(2,001,762)	68,304,047

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*

	2018	2017	2016	2015
AMP's proportion of the City's net pension liability	30.19%	29.84%	29.00%	29.00%
AMP's proportionate share of the City's net pension liability	\$ 24,557,226	\$ 21,006,196	\$ 16,040,814	\$ 13,657,795
AMP's Covered payroll	8,094,108	7,798,786	7,471,121	7,264,115
AMP's proportionate share of the City's net pension liability as a percentage of covered payroll	303.40%	269.35%	214.70%	188.02%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	71.50%	72.92%	77.96%	81.01%
Measurement date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

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

	2018	2017	2016	2015
Actuarially determined contributions	\$ 1,739,297	\$ 1,631,011	\$ 1,312,978	\$ 1,016,782
Contributions in relation to the actuarially determined contribution	1,739,297	1,631,011	1,312,978	1,016,782
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,550,195	\$ 8,094,108	\$ 7,798,786	\$ 7,471,121
Contributions as a percentage of covered payroll	20.34%	20.15%	16.84%	13.61%

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

ALAMEDA MUNICIPAL POWER
 Required Supplemental Information
 Schedule of Proportionate Share of the City's OPEB Liability and Related Ratios
 Last 10 Fiscal Years*

	2018
AMP's proportion of the City's total OPEB liability	1.92%
AMP's proportionate share of the City's total OPEB liability	\$ 1,979,781
AMP's Covered employee payroll	11,994,869
AMP's proportionate share of the City's total OPEB liability as a percentage of covered employee payroll	16.51%
Measurement date:	June 30, 2018

There are no assets accumulated in a trust to pay related benefits.

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore, only one year is shown.

Statistical Section

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

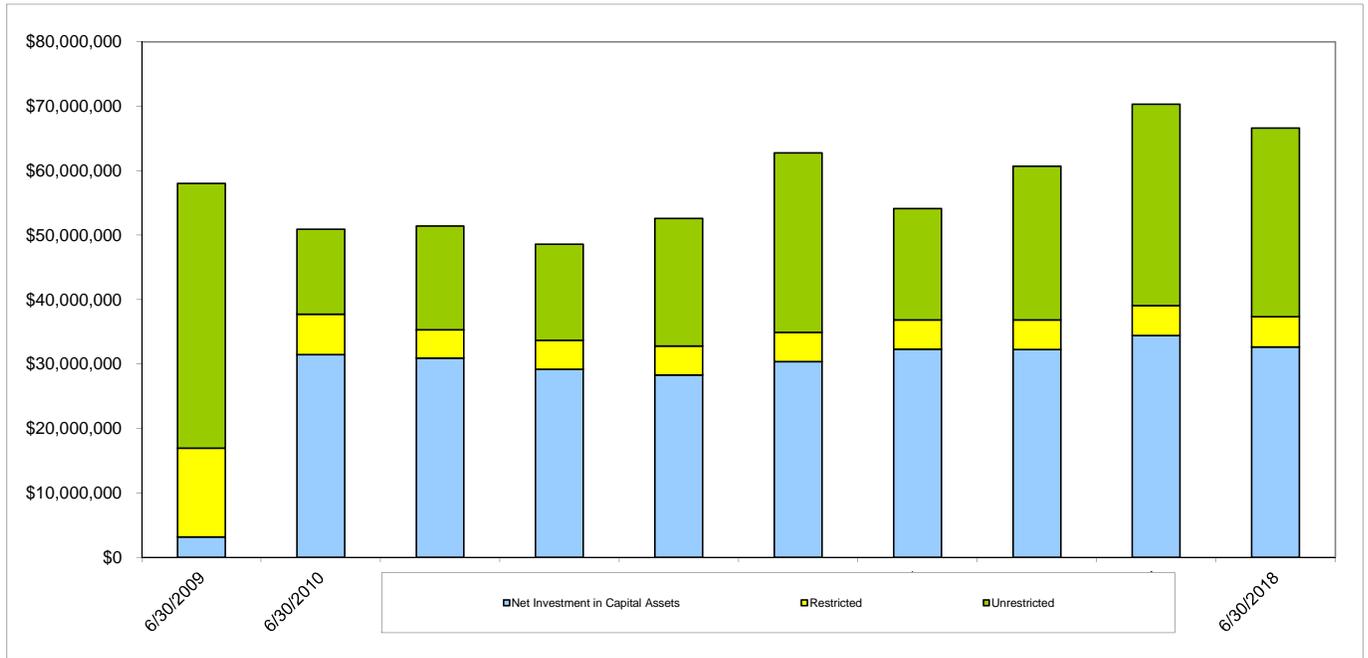
1. Operating Expenses by Function – Electric Operations
2. Operating Expenses by Function – Telecommunications Operations
3. Capital Asset Statistics by Function/Program
4. Operation Indicators
5. Operation Indicators - Continued

Sources

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

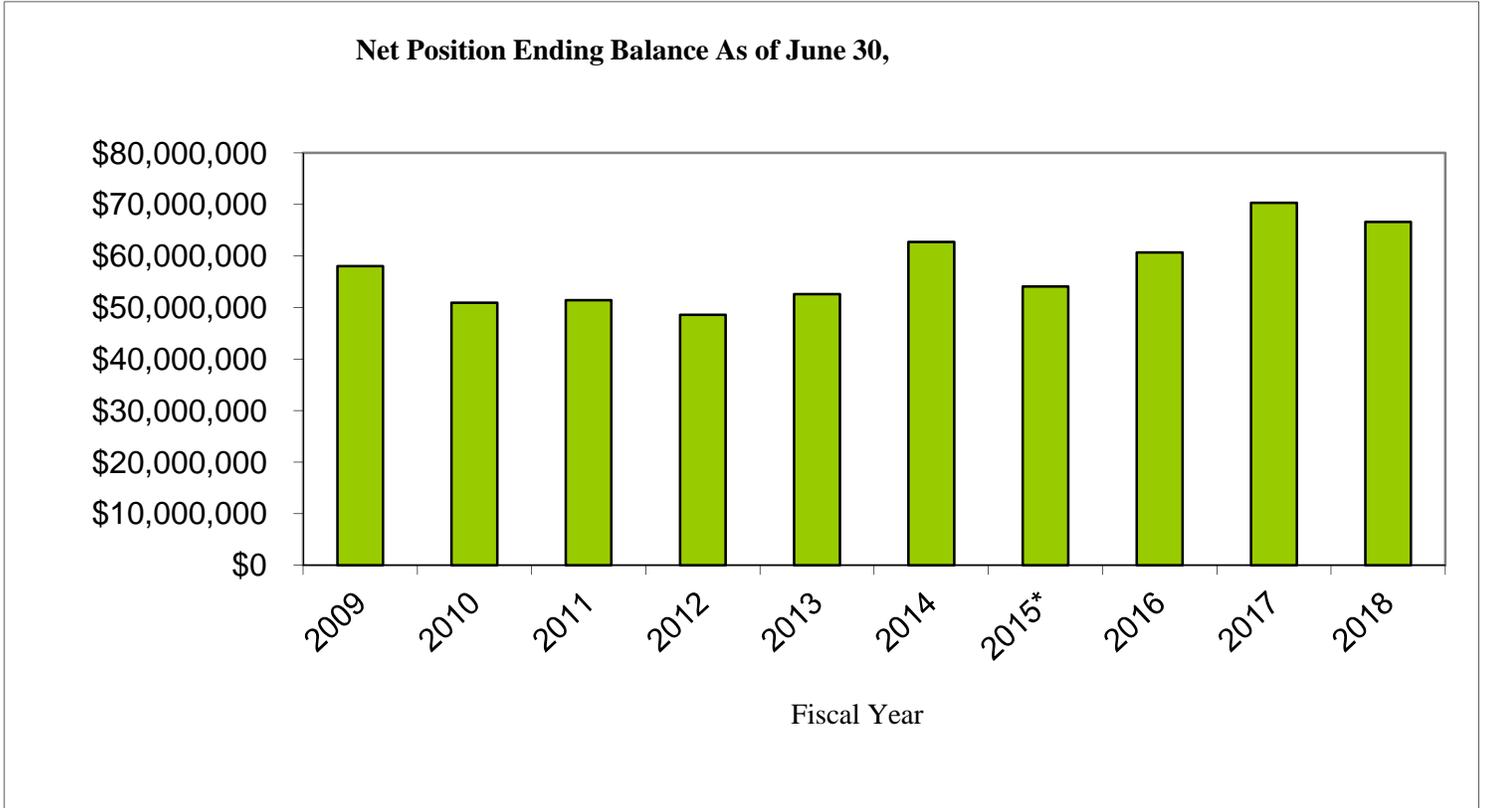
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**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**



	Fiscal Year Ended,									
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Net Position:										
Net Investment in Capital Assets	\$3,179,206	\$31,473,395	\$30,928,840	\$29,166,859	\$28,278,573	\$30,357,606	\$32,296,499	\$32,252,428	\$34,437,310	\$32,661,774
Restricted	13,736,657	6,226,879	4,378,747	4,515,565	4,529,302	4,544,429	4,561,650	4,581,311	4,608,923	4,661,503
Unrestricted	41,103,862	13,222,943	16,111,594	14,916,203	19,774,368	27,833,516	17,235,250	23,848,220	31,259,576	29,278,601
Total Net Position	\$58,019,725	\$50,923,217	\$51,419,181	\$48,598,627	\$52,582,243	\$62,735,551	\$54,093,399	\$60,681,959	\$70,305,809	\$66,601,878

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



<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>	<u>Non-Operating Revenue, Expenses & Transfers</u>	<u>Change in Net Position</u>	<u>Net Position</u>	
						<u>Beginning Balance</u>	<u>Ending Balance</u>
2009	\$ 53,507,364	\$ 53,619,296	\$ (111,932)	\$ 20,400,641	\$ 20,288,709	\$ 37,731,016	\$ 58,019,725
2010	\$ 48,953,054	\$ 48,524,064	\$ 428,990	\$ (7,525,498)	\$ (7,096,508)	\$ 58,019,725	\$ 50,923,217
2011	\$ 50,771,700	\$ 43,325,162	\$ 7,446,538	\$ (6,950,574)	\$ 495,964	\$ 50,923,217	\$ 51,419,181
2012	\$ 51,434,869	\$ 47,624,263	\$ 3,810,606	\$ (6,631,160)	\$ (2,820,554)	\$ 51,419,181	\$ 48,598,627
2013	\$ 56,044,239	\$ 48,133,618	\$ 7,910,621	\$ (3,927,005)	\$ 3,983,616	\$ 48,598,627	\$ 52,582,243
2014	\$ 59,693,838	\$ 44,283,891	\$ 15,409,947	\$ (5,256,639)	\$ 10,153,308	\$ 52,582,243	\$ 62,735,551
2015*	\$ 58,759,497	\$ 45,041,333	\$ 13,718,164	\$ (5,452,868)	\$ 8,265,296	\$ 45,828,103	\$ 54,093,399
2016	\$ 62,012,528	\$ 51,230,776	\$ 10,781,752	\$ (4,193,192)	\$ 6,588,560	\$ 54,093,399	\$ 60,681,959
2017	\$ 63,449,233	\$ 50,432,498	\$ 13,016,735	\$ (3,392,887)	\$ 9,623,848	\$ 60,681,959	\$ 70,305,807
2018	\$ 64,602,195	\$ 54,463,482	\$ 10,138,713	\$ (13,842,644)	\$ (3,703,931)	\$ 70,305,809	\$ 66,601,878

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

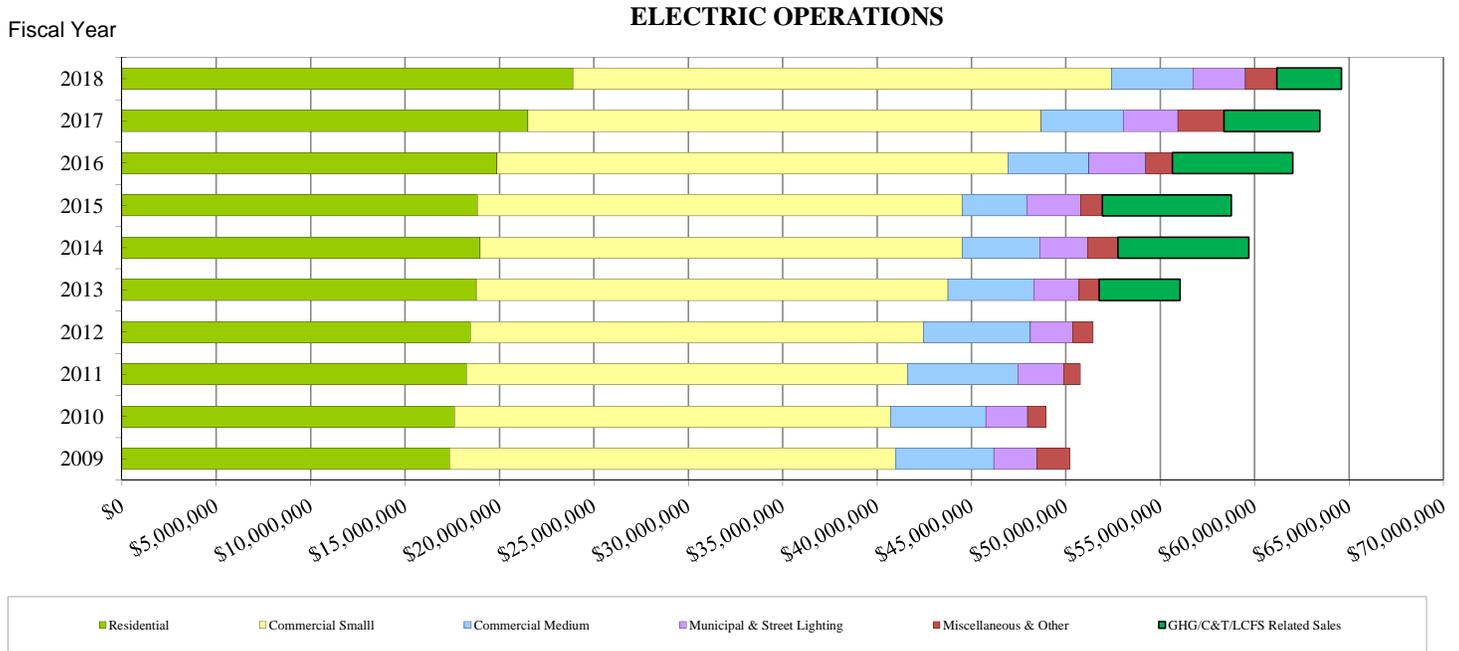
**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
CHANGES IN NET POSITION OF ELECTRIC OPERATIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Non-Operating Revenue, Expenses & Transfers	Change in Net Position	<u>Net Position</u>	
						Beginning Balance	Ending Balance
2009	\$ 50,210,280	\$ 48,510,671	\$ 1,699,609	\$ (3,987,119)	\$ (2,287,510)	\$ 62,662,136	\$ 60,374,626
2010	\$ 48,948,051	\$ 43,093,760	\$ 5,854,291	\$ (10,259,777)	\$ (4,405,486)	\$ 60,374,626	\$ 55,969,140
2011	\$ 50,769,687	\$ 41,052,225	\$ 9,717,462	\$ (9,879,984)	\$ (162,522)	\$ 55,969,140	\$ 55,806,618
2012	\$ 51,434,869	\$ 46,809,706	\$ 4,625,163	\$ (7,619,442)	\$ (2,994,279)	\$ 55,806,618	\$ 52,812,339
2013	\$ 56,044,239	\$ 47,886,282	\$ 8,157,957	\$ (4,134,326)	\$ 4,023,631	\$ 52,812,339	\$ 56,835,970
2014	\$ 59,693,838	\$ 43,768,764	\$ 15,925,074	\$ (7,386,926)	\$ 8,538,148	\$ 56,835,970	\$ 65,374,118
2015*	\$ 58,759,497	\$ 44,904,062	\$ 13,855,435	\$ (6,028,706)	\$ 7,826,729	\$ 48,466,670	\$ 56,293,399
2016	\$ 62,012,528	\$ 51,230,776	\$ 10,781,752	\$ (6,393,192)	\$ 4,388,560	\$ 56,293,399	\$ 60,681,959
2017	\$ 63,449,233	\$ 50,432,498	\$ 13,016,735	\$ (3,392,885)	\$ 9,623,850	\$ 60,681,959	\$ 70,305,809
2018	\$ 64,602,195	\$ 54,463,482	\$ 10,138,713	\$ (13,842,644)	\$ (3,703,931)	\$ 70,305,809	\$ 66,601,878

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

** 2018 Net Position Beginning Balance is restated adopting GASB No. 68 "Accounting and Financial Reporting for Pensions"

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

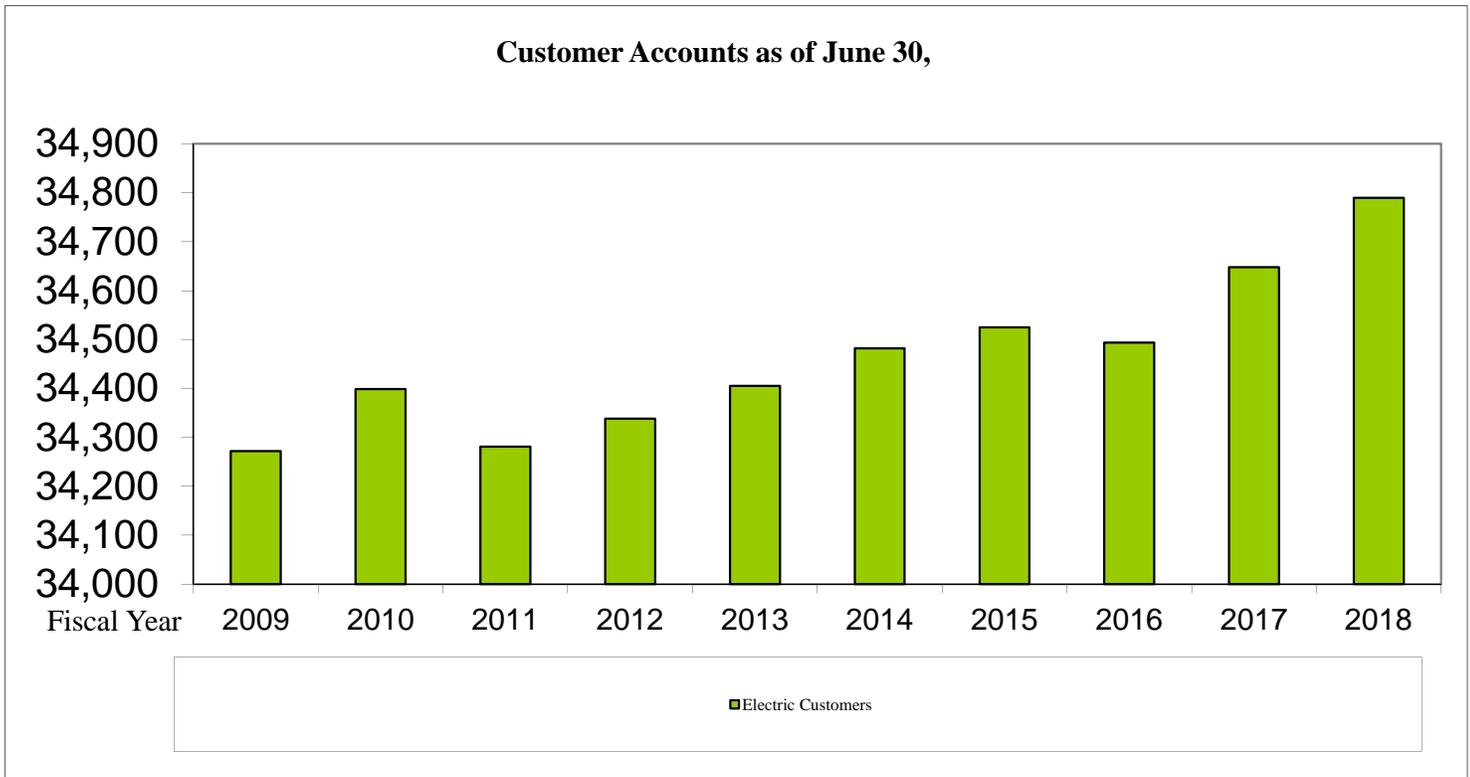


Fiscal Year	Sales of Electricity					29278601		GHG/C&T/LCFS Related Sales	Total
	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting/ Other	Miscellaneous Services	Plant Lease & Jobbing Sales		
2009	\$17,365,563	\$23,644,464	\$5,175,117	\$1,820,996	\$451,524	\$603,419	\$1,149,197	\$50,210,280	
2010	\$17,647,604	\$23,090,891	\$5,026,286	\$1,749,835	\$461,947	\$643,929	\$327,559	\$48,948,051	
2011	\$18,257,650	\$23,352,114	\$5,861,554	\$1,753,399	\$641,967	\$613,426	\$289,577	\$50,769,687	
2012	\$18,488,086	\$23,964,056	\$5,666,350	\$1,793,977	\$464,788	\$687,220	\$370,392	\$51,434,869	
2013	\$18,781,411	\$24,967,214	\$4,552,958	\$1,779,313	\$623,308	\$666,112	\$390,500	\$4,283,423	\$56,044,239
2014	\$18,974,096	\$25,554,219	\$4,088,510	\$1,859,914	\$660,902	\$773,677	\$843,737	\$6,938,783	\$59,693,838
2015	\$18,849,656	\$25,660,869	\$3,435,518	\$2,047,549	\$797,198	\$742,071	\$402,567	\$6,824,069	\$58,759,497
2016	\$19,869,104	\$27,071,358	\$4,278,240	\$1,973,689	\$1,028,631	\$947,765	\$479,791	\$6,363,950	\$62,012,528
2017	\$21,510,126	\$27,177,335	\$4,366,885	\$1,958,154	\$913,248	\$1,275,191	\$1,177,119	\$5,071,175	\$63,449,233
2018	\$23,902,788	\$28,500,186	\$4,338,898	\$1,965,664	\$793,870	\$1,146,507	\$519,200	\$3,435,082	\$64,602,195

\$0

Fiscal Year	Kilowatt- Hour Sales					Total KWH	Peak Demand (KW)
	Residential	Commercial Small	Commercial Medium	Municipal	Street Lighting/ Other		
2009	140,048,081	184,300,489	45,611,047	14,675,829	3,041,330	387,676,776	76,250
2010	142,109,998	179,960,145	44,243,371	13,598,342	3,207,924	383,119,780	73,712
2011	142,305,884	174,717,111	49,235,786	13,138,014	3,240,179	382,636,974	70,800
2012	139,665,283	172,445,087	45,512,960	12,880,649	3,283,309	373,787,288	67,188
2013	135,924,914	176,259,228	35,487,830	12,585,314	3,186,846	363,444,132	68,100
2014	131,209,422	175,075,476	31,951,900	12,537,513	3,138,994	353,913,305	69,308
2015	125,431,220	174,257,771	26,587,830	12,809,590	3,116,374	342,202,785	63,372
2016	125,831,929	176,575,883	31,490,040	12,375,517	2,546,494	348,819,863	64,283
2017	126,850,402	172,520,353	30,127,960	11,428,198	2,838,825	343,765,738	63,738
2018	124,589,523	168,873,305	28,321,180	10,723,565	2,518,330	335,025,903	59,624

**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
2009	30,119	3,782	11	333	27	34,272
2010	30,191	3,818	18	342	30	34,399
2011	30,171	3,744	13	330	23	34,281
2012	30,194	3,776	12	327	29	34,338
2013	30,260	3,781	9	331	24	34,405
2014	30,293	3,786	12	363	28	34,482
2015	30,307	3,834	8	361	15	34,525
2016	30,377	3,735	8	363	11	34,494
2017	30,495	3,764	12	362	15	34,648
2018	30,625	3,778	12	363	12	34,790

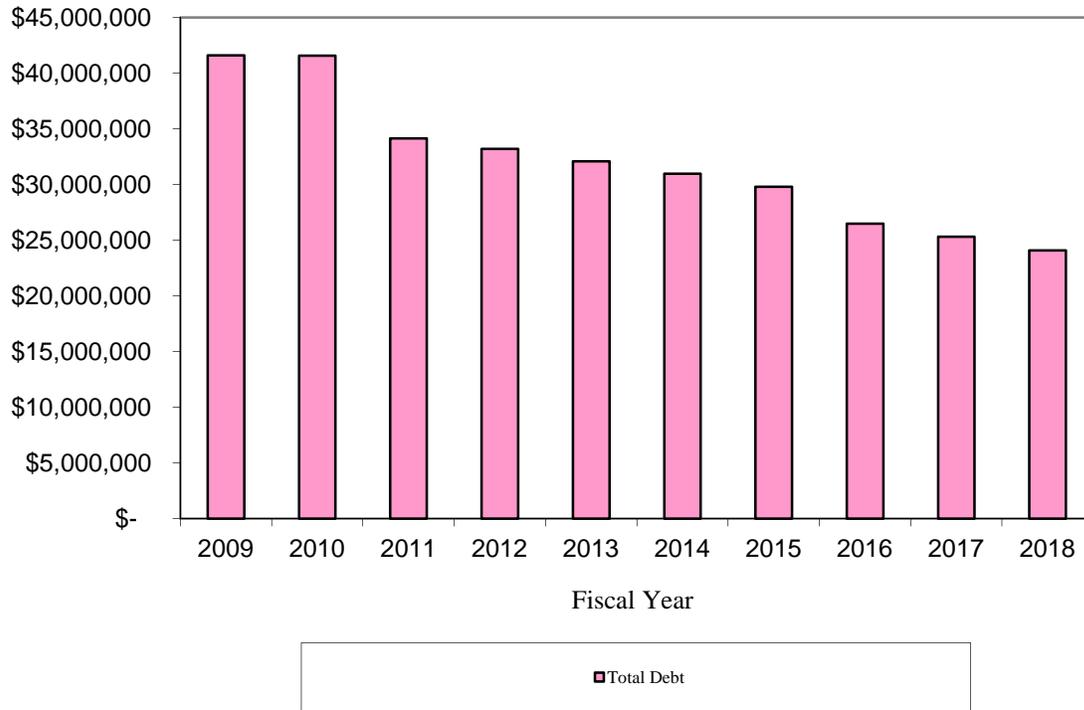
NOTE: Telecommunication operation was sold in November 2008 - 10 year historical data is zero for 2009 onwards

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

Electric Rate Changes

<u>Date</u>	<u>Percent Change</u>	
July 1, 2006	0.56%	
July 1, 2008	0.70%	(State Mandated Solar Program)
July 1, 2009	0.09%	(2.5% MU-1 rate increase)
July 1, 2010	3.75%	
July 1, 2011	3.85%	
July 1, 2012	3.25%	
July 1, 2013	3.25%	
July 1, 2014	2.00%	
July 1, 2015	4.60%	
July 1, 2016	5.00%	
July 1, 2017	5.00%	
July 1, 2018	1.00%	(Fiscal Year 2019)

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

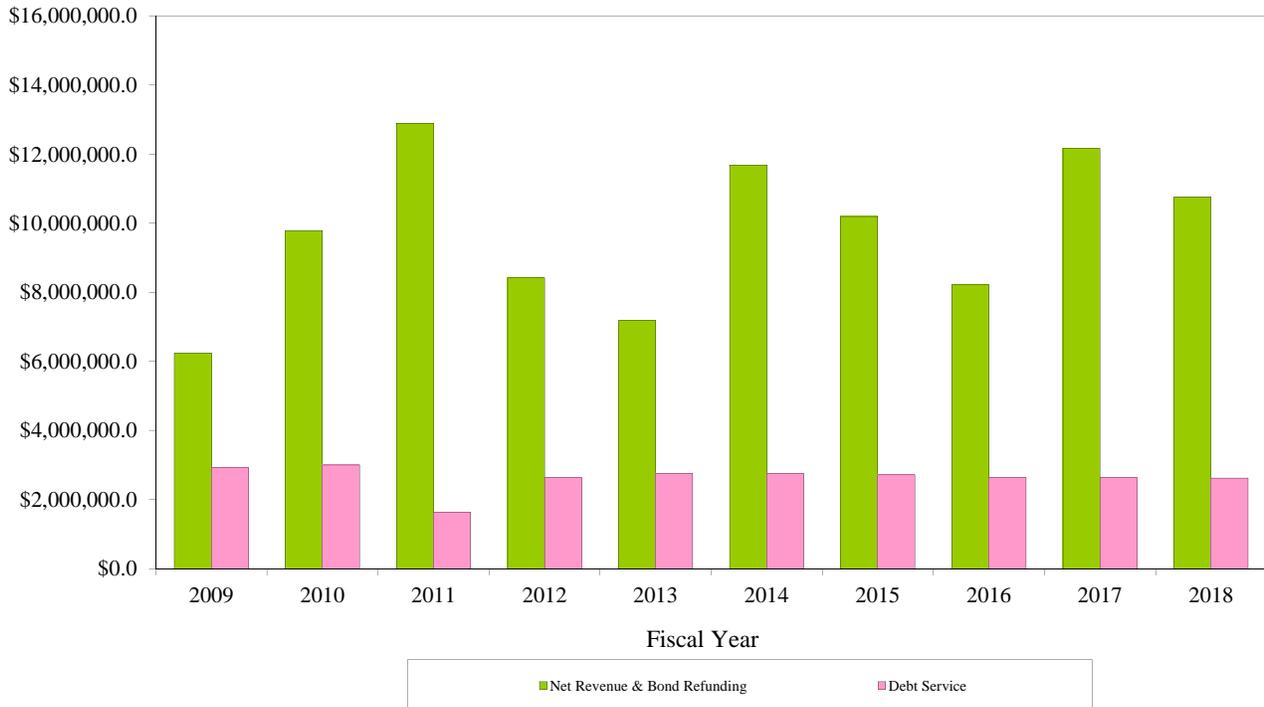


Fiscal Year	Certificates of Participation	Revenue Bonds/ Anticipation Notes	Loans and		Total	Per Customer Accounts	Per Capita (a)
			Lease Purchases				
2009	\$ 39,045,000	\$ -	\$ 2,553,401		\$ 41,598,401	\$1,201.50	\$ 561.90
2010	\$ 39,045,000	\$ -	\$ 2,501,906		\$ 41,546,906	\$1,211.95	\$ 555.92
2011	\$ -	\$ 31,685,000	\$ 2,447,380		\$ 34,132,380	\$994.01	\$ 460.74
2012	\$ -	\$ 30,790,000	\$ 2,389,610		\$ 33,179,610	\$964.38	\$ 444.53
2013	\$ -	\$ 29,750,000	\$ 2,328,405		\$ 32,078,405	\$930.29	\$ 426.99
2014	\$ -	\$ 28,685,000	\$ 2,263,581		\$ 30,948,581	\$896.41	\$ 405.02
2015	\$ -	\$ 27,590,000	\$ 2,200,000		\$ 29,790,000	\$862.85	\$ 392.17
2016	\$ -	\$ 26,460,000	\$ -		\$ 26,460,000	\$767.09	\$ 333.77
2017	\$ -	\$ 25,290,000	\$ -		\$ 25,290,000	\$729.91	\$ 316.41
2018	\$ -	\$ 24,070,000	\$ -		\$ 24,070,000	\$691.87	\$ 301.15

Source: (a) City of Alameda (population)

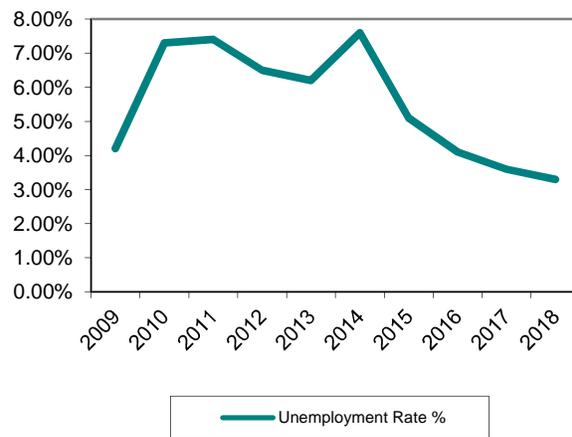
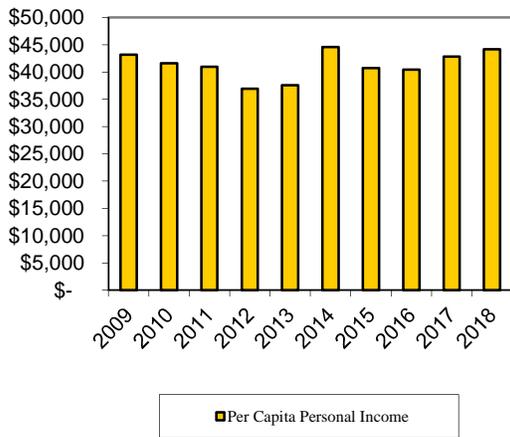
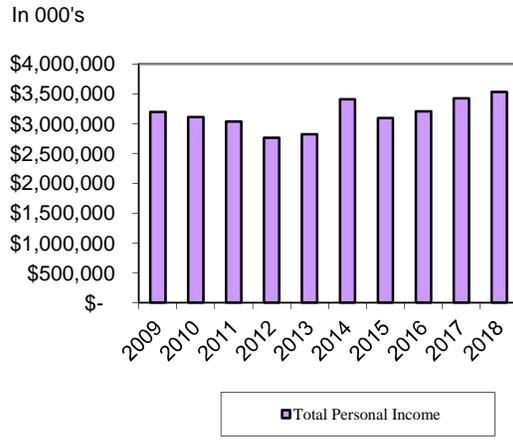
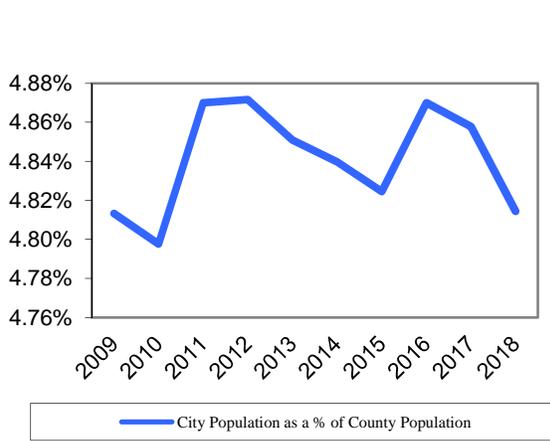
**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
REVENUE BONDS/CERTIFICATES OF PARTICIPATION COVERAGE
LAST TEN FISCAL YEARS**

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	
2009	\$ 51,552,840		\$ 45,315,677	\$ 6,237,163	\$ 48,603	\$ 2,877,163	\$ 2,925,766	2.13
2010	\$ 49,540,502		\$ 39,750,159	\$ 9,790,343	\$ 51,495	\$ 2,945,095	\$ 2,996,590	3.27
2011	\$ 50,482,874		\$ 37,590,949	\$ 12,891,925	\$ 54,526	\$ 1,582,668	\$ 1,637,194	7.87
2012	\$ 51,698,976		\$ 43,284,441	\$ 8,414,535	\$ 952,770	\$ 1,677,854	\$ 2,630,624	3.20
2013	\$ 56,431,462	4,283,423	\$ 44,964,882	\$ 7,183,157	\$ 1,101,205	\$ 1,651,892	\$ 2,753,097	2.61
2014	\$ 59,435,371	6,938,783	\$ 40,809,073	\$ 11,687,515	\$ 1,129,824	\$ 1,617,655	\$ 2,747,479	4.25
2015	\$ 59,005,393	6,824,069	\$ 41,987,012	\$ 10,194,312	\$ 1,158,581	\$ 1,554,056	\$ 2,712,637	3.76
2016	\$ 62,437,408	6,362,947	\$ 47,864,751	\$ 8,209,710	\$ 1,130,000	\$ 1,510,325	\$ 2,640,325	3.11
2017	\$ 64,156,296	5,071,175	\$ 46,926,046	\$ 12,159,075	\$ 1,170,000	\$ 1,461,044	\$ 2,631,044	4.62
2018	\$ 64,813,580	3,435,082	\$ 50,616,373	\$ 10,762,125	\$ 1,220,000	\$ 1,406,364	\$ 2,626,364	4.10

**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
2009	74,032	\$ 3,197,344	\$ 43,189	4.2%	1,538,054	4.81%
2010	74,736	\$ 3,110,554	\$ 41,621	7.3%	1,557,749	4.80%
2011	74,081	\$ 3,035,929	\$ 40,981	7.4%	1,521,157	4.87%
2012	74,640	\$ 2,763,776	\$ 36,962	6.5%	1,532,137	4.87%
2013	75,126	\$ 2,824,097	\$ 37,591	6.2%	1,548,681	4.85%
2014	76,413	\$ 3,406,033	\$ 44,574	7.6%	1,578,891	4.84%
2015	75,961	\$ 3,092,904	\$ 40,717	5.1%	1,574,497	4.82%
2016	79,277	\$ 3,207,096	\$ 40,454	4.1%	1,627,865	4.87%
2017	79,928	\$ 3,423,524	\$ 42,833	3.6%	1,645,359	4.86%
2018	79,928	\$ 3,529,109	\$ 44,154	3.3%	1,660,202	4.81%

Source: California State Department of Finance

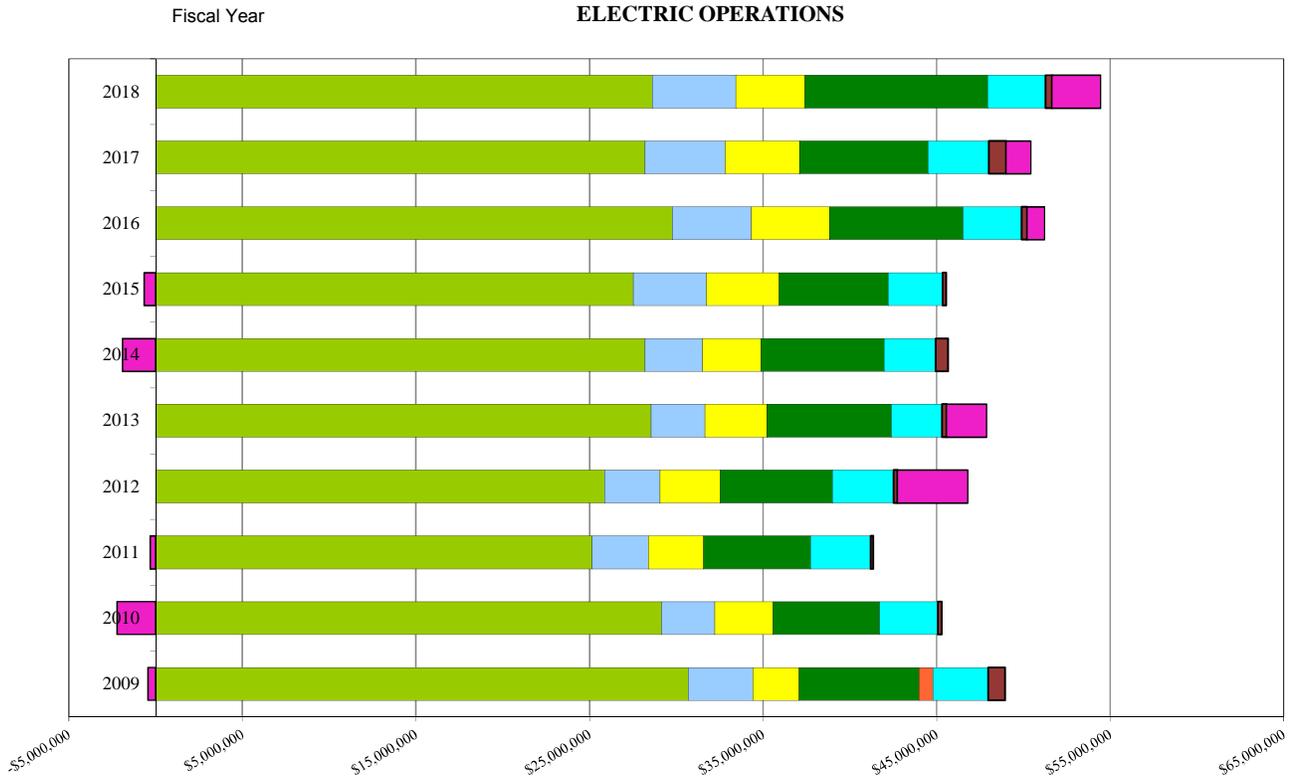
**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
Top 10 Customers
For the Fiscal Year Ended June 30, 2018**

<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	17,512,506	5.23%
2	City of Alameda/AMP	Local Government	8,876,454	2.65%
3	Maritime Administration	Regulation, Admin. of Transportation	6,840,365	2.04%
4	Safeway Stores Inc.	Grocery Retailer	6,118,568	1.83%
5	BSREP Marina Village Owner, LLC (formally Legacy Partners)	Lessor of Nonresidential Building	5,774,757	1.72%
6	Penumbra Inc.	Medical Devices Developer/Manufacturer	5,236,656	1.56%
7	Alameda Unified School District	Public School District	5,021,935	1.50%
8	Ascentris	Real Estate Management	4,687,920	1.40%
9	Alameda Health Care	Hospital, Medical and Emergency Services	4,552,800	1.36%
10	Peets Coffee	Coffee Roaster and Retailer.	4,205,320	1.26%
	Top 10 Customers KWHS		68,827,281	20.54%
	Total Kilowatt Hour Sales		335,025,903	

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

No.	Business Name	FY2017-18			FY2008-09		
		Number of Employees	Rank	Percentage % of Total City Population	Number of Employees	Rank	Percentage % of Total City Population
1	Penumbra	1754	1	2.19%			
2	Alameda Unified School District	1025	2	1.28%	1068	2	1.39%
3	VF Outdoor	813	3	1.02%			
7	Alameda Hospital	754	4	0.94%	692	4	0.90%
4	Oakland Raiders	640	5	0.80%			
6	Abbott Diabetes Care	531	6	0.66%	900	3	1.17%
5	City of Alameda	531	6	0.66%	620	5	0.81%
8	U.S. Department of Transportation	440	8	0.55%			
9	Kaiser Foundation Health Plan	425	9	0.53%			
	Cost Plus Corporate Headquarters	410	10	0.51%			
	U.S. Coast Guard				2200	1	2.86%
	Wind River Systems				400	6	0.52%
	Bay Ship and Yacht				370	7	0.48%
	College of Alameda				358	8	0.47%
	Safeway Stores				345	9	0.45%
	Celera Diagnostics LLC				330	10	0.43%
	Subtotal	7323		9.16%	7283		9.48%
	Total City Population	79,928			76,824		

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



■ Purchased Power ■ Distribution & Transmission ■ Customer Accounts ■ Administration ■ Payment In-Lieu of Taxes ■ Depreciation ■ Jobbing Sales Expense ■ Balancing Account

Fiscal Year	Purchased Power	Distribution Operation	Transmission-Maintenance	Customer Accounts	Administration	*Payment In-lieu of Taxes	Depreciation	Jobbing Sales Expenses	Balancing Account	Total
2009	\$30,700,344	\$3,705,148	\$19,984	\$2,659,956	\$6,917,547	\$775,903	\$3,194,994	\$971,303	\$ (434,508)	\$48,510,671
2010	\$29,147,084	\$3,005,612	\$57,486	\$3,359,085	\$6,160,199		\$3,343,601	\$232,121	\$ (2,211,428)	\$43,093,760
2011	\$25,159,235	\$3,219,257	\$29,744	\$3,167,469	\$6,164,149		\$3,461,276	\$154,501	\$ (303,406)	\$41,052,225
2012	\$25,878,402	\$3,159,241	\$33,852	\$3,464,843	\$6,476,238		\$3,525,265	\$216,243	\$ 4,055,622	\$46,809,706
2013	\$28,544,844	\$3,093,277	\$6,708	\$3,564,481	\$7,197,031		\$2,921,400	\$239,946	\$ 2,318,595	\$47,886,282
2014	\$28,196,783	\$3,323,756	\$10,326	\$3,346,221	\$7,110,522		\$2,959,691	\$718,904	\$ (1,897,439)	\$43,768,764
2015	\$27,517,599	\$4,228,121	\$2,202	\$4,175,433	\$6,289,604		\$3,148,548	\$202,796	\$ (660,241)	\$44,904,062
2016	\$29,781,270	\$4,549,165	\$2,414	\$4,483,281	\$7,723,065		\$3,366,025	\$315,472	\$ 1,010,084	\$51,230,776
2017	\$28,201,607	\$4,618,340	\$0	\$4,274,066	\$7,412,807		\$3,506,452	\$993,589	\$ 1,425,636	\$50,432,497
2018	\$28,618,484	\$4,814,122	\$0	\$3,974,327	\$10,527,575		\$3,340,263	\$367,624	\$ 2,821,087	\$54,463,482

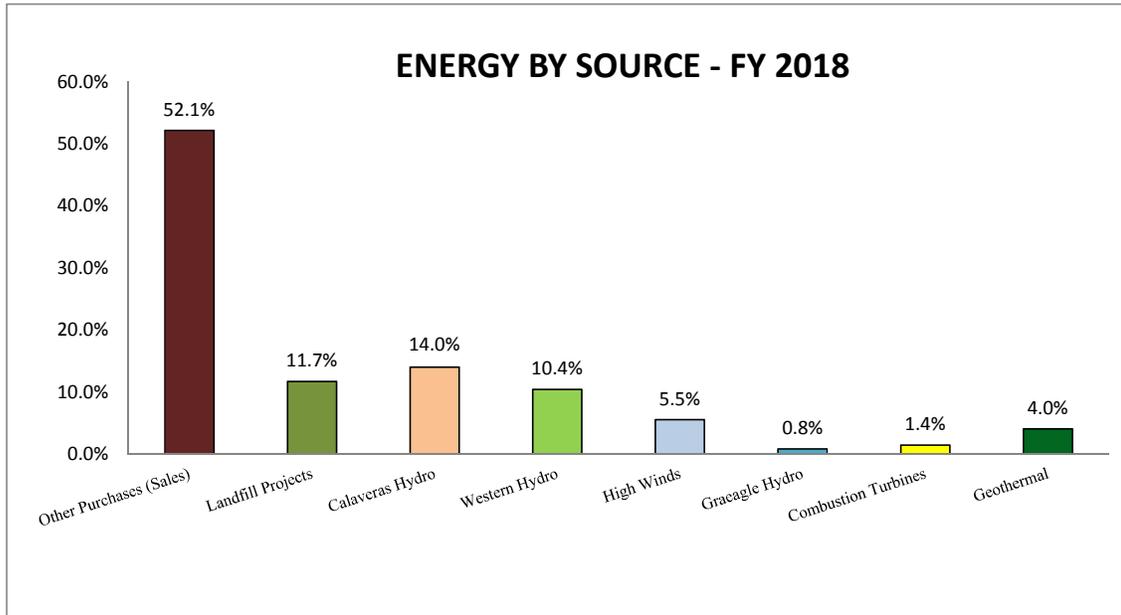
*Payment-in-lieu of taxes is included in non-operating revenues (expenses) to conform with 2010 A/B Bond operating expense definitions.

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
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>
2009	\$ 66,171,877	\$ 7,843,636	\$ 339,144	\$ 8,725,118	\$ 2,393,295	\$ 3,023,573	\$ 599,106	\$ 3,054,175	\$ (49,572,317)	\$ 42,577,607
2010	\$ 68,706,972	\$ 7,843,636	\$ 339,144	\$ 8,720,994	\$ 2,593,727	\$ 3,213,190	\$ 599,106	\$ 2,261,549	\$ (52,958,017)	\$ 41,320,301
2011	\$ 70,314,925	\$ 7,843,636	\$ 339,144	\$ 8,739,161	\$ 2,593,727	\$ 3,256,643	\$ 599,107	\$ 1,719,491	\$ (56,419,296)	\$ 38,986,538
2012	\$ 71,900,364	\$ 7,843,636	\$ 339,143	\$ 8,915,622	\$ 2,738,514	\$ 3,288,430	\$ 606,182	\$ 1,501,292	\$ (59,916,840)	\$ 37,216,343
2013	\$ 73,322,303	\$ 7,843,636	\$ 339,143	\$ 9,074,538	\$ 2,738,514	\$ 3,320,906	\$ 629,213	\$ 1,877,849	\$ (62,829,423)	\$ 36,316,679
2014	\$ 79,142,909	\$ 7,843,636	\$ 339,143	\$ 9,153,503	\$ 2,867,266	\$ 3,455,613	\$ 829,333	\$ 45,897	\$ (65,426,161)	\$ 38,251,139
2015	\$ 79,286,684	\$ 7,843,636	\$ 339,143	\$ 9,197,186	\$ 3,050,605	\$ 3,654,987	\$ 833,207	\$ 4,518,743	\$ (68,536,089)	\$ 40,188,102
2016	\$ 84,548,411	\$ 7,850,886	\$ 339,143	\$ 9,439,316	\$ 3,048,241	\$ 3,832,459	\$ 835,790	\$ 1,736,459	\$ (71,425,024)	\$ 40,205,681
2017	\$ 84,654,592	\$ 8,071,667	\$ 339,143	\$ 9,510,378	\$ 3,240,418	\$ 4,158,116	\$ 835,790	\$ 6,452,324	\$ (74,534,854)	\$ 42,727,575
2018	\$ 86,123,810	\$ 8,130,625	\$ 339,143	\$ 9,620,376	\$ 3,318,156	\$ 4,168,912	\$ 899,922	\$ 2,872,673	\$ (74,267,672)	\$ 41,205,945

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



**Energy By Source
Last Ten Fiscal Years**

Fiscal Year	Other Purchases (Sales)	Calaveras Hydro	Western Hydro	Landfill Projects	High Winds	Combustion Turbines	Graeagle Hydro	Geothermal	Morgan Stanley	Total
2009	9.09%	9.85%	6.46%	10.26%	6.38%	2.22%	0.27%	39.32%	16.15%	44.53%
2010	2.10%	12.60%	6.10%	19.80%	5.60%	1.20%	0.50%	35.80%	16.30%	47.90%
2011	-10.27%	20.61%	9.06%	21.08%	5.62%	0.64%	0.70%	36.19%	16.37%	47.44%
2012	-3.67%	12.09%	9.96%	21.53%	4.75%	0.13%	0.67%	37.63%	16.91%	45.46%
2013	33.51%	7.03%	9.00%	16.71%	4.46%	0.15%	0.52%	11.41%	17.21%	71.38%
2014	50.61%	5.39%	6.68%	14.32%	4.71%	0.28%	0.43%	0.00%	17.58%	82.42%
2015	59.11%	4.62%	5.70%	14.74%	5.83%	0.39%	0.39%	0.00%	9.22%	90.78%
2016	63.57%	10.91%	7.05%	12.07%	5.44%	0.40%	0.55%	0.00%	0.00%	100.00%
2017	38.52%	25.67%	16.00%	12.29%	5.71%	1.03%	0.77%	0.00%	0.00%	100.00%
2018	52.13%	13.98%	10.41%	11.68%	5.54%	1.42%	0.80%	4.03%	0.00%	100.00%

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

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Since:	1887	1887	1887	1887	1887	1887	1887	1887	1887	1887
Budgeted Employees	95	95	91	91	90	94	93	98	98	97
Vehicles in Service	43	40	40	40	40	40	39	46	46	
Service Area (Miles)	22.80	22.80	22.80	22.80	22.80	22.80	22.80	22.80	22.80	22.80
Transmission Lines (115kV)										
Overhead Pole Miles	6.77	6.77	6.77	6.77	6.80	6.77	6.77	6.77	6.77	6.77
Underground Circuit Miles	1.93	1.93	1.93	1.93	1.90	1.93	1.93	1.93	1.93	1.93
Distribution Lines (12kV)										
Overhead Pole Miles	86.56	86.19	86.11	86.08	86.10	86.08	86.10	86.08	86.08	86.10
Underground Circuit Miles	170.92	171.26	171.76	172.93	172.50	174.01	176.40	177.17	178.06	179.00
Street Lights (excluding inactivated lights)	6,440	6,069	5,584	5,593	5,315	5,372	5,441	5,470	5,470	6,415

**CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER
DAYS CASH ON HAND**

Fiscal Year	Actual	Budget
2009	176	159
2010	199	183
2011	237	215
2012	222	195
2013	213	173
2014	168	167
2015	252	214
2016	236	235
2017	206	230
2018	233	208
2019		197

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Bond Disclosure Section



February 25, 2019

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, 2018, 2017, 2016, 2015, and 2014. 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-2016 Series A through 2024
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 ^(a),
Hydroelectric-2010 Refunding Series A/B through 2024,
Hydroelectric-2012 Refunding Series A through 2033,
Hydroelectric-2012 Refunding Series B through 2025,
Hydroelectric-2018 Refunding Series A/B through 2025

Capital Facilities-2010 Refunding Series A through 2026

(a) Defeased debt with issuance of 2018 Refunding Series A/B which are considered extinguished for financial reporting purposes, but have defeased debt outstanding at end of FY 2018.

Annual Financial Report

This Bond Disclosure Section, included within AMP's Comprehensive Annual Financial Report (CAFR) for Fiscal Years Ended 2018 and 2017, 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, 2018, 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, 2018, 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 from January 2013 to December 2017 to the California Department of Water Resources. Subsequent to the expiration of this contract, AMP negotiated a similar sale to Shell Energy North America from January 1, 2017 – December 31, 2019. 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) 2018, AMP allocated \$2,390,906 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 \$18,480,235 of cash and \$984,502 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 2018, AMP allocated \$301,483 of net revenue from the auction sales of directly allocated allowances (see *Statement of Revenues, Expenses and Changes in Net Position*) toward the Board designated reserve as part of the Rate Stabilization Fund. This allocated net revenue included \$2,825,542 of cash and \$0 of receivables (see *Statement of Net Position*).

On October 2017, AMP sold 2,450 Low Carbon Fuel Standards (LCFS) Program credits per the Board's approval in April 2017. The revenue from the sale resulted in an initial \$171,500 funding for the program that is administered by CARB. The program is to reduce the carbon intensity of transportation fuels in California by 10 percent by 2020. Pursuant to the California Code of Regulations Sec. 95483(e)(1), LCFS program proceeds may only be used to: benefit current or future EV customers, educate the public on the economic, environmental, and societal values of EV adoption (total cost of ownership compared to gasoline-fueled vehicles), and provide rate options that encourage off-peak charging and minimize grid impacts. AMP expects to continue monetizing these credits at a similar level through 2020. Net revenue from auction sales of directly allocated credits 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 2018, AMP allocated \$45,862 of net revenue from the sale to LCFS (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 \$125,638 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, 2018

Source	Capacity Available (MW)⁽¹⁾	Actual Energy (GWh)	% of Total Energy
Purchased Power⁽²⁾:			
Western Hydroelectric	14.0	36.6	10.93%
Landfill Gas ⁽⁴⁾	12.2	41.1	12.26
High Winds	3.1	19.5	5.82
Graeagle	--	2.8	0.84
NCPA			
Hydroelectric Project	25.3	49.2	14.68
Combustion Turbine Project No. 1 & 2 ⁽³⁾	24.9	5.0	1.49
Geothermal Plant 1 ⁽⁴⁾	7.6	--	0.00
Geothermal Plant 2 ⁽⁴⁾	1.3	--	0.00
Silicon Valley Power	--	14.2	4.23
Other Purchases (Net)	--	183.3	54.74
Total Capacity and Total Purchased Energy	79.5	351.6	105.0%
Less Line Losses	N/A	(16.7)	(5.00)
Alameda's Capacity and Retail Sales Requirements	63.7	334.9	100.00%

⁽¹⁾ Non-coincident capacity available.

⁽²⁾ Entitlements, firm allocations and contract amounts.

⁽³⁾ Combustion Turbine Project No. 2 is also referred to as the NCPA Capital Facilities Project.

⁽⁴⁾ AMP sold its share of eligible renewable energy generated by the NCPA Geothermal Projects and one of its landfill PPAs.

**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%	
July 1, 2017	5.00%	
July 1, 2018	1.00%	Note: Fiscal Year 2019

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

Description	2014	2015	2016	2017	2018
Number of Customers Accounts:					
Residential	30,293	30,307	30,377	30,495	30,625
Commercial	3,786	3,834	3,735	3,764	3,778
Industrial	12	8	8	12	12
Public Authority	363	361	363	362	363
Other	28	15	11	15	12
Total Customers	34,482	34,525	34,494	34,648	34,790
Kilowatt Hour Sales:					
Residential	131,209,422	125,431,220	125,831,929	126,850,402	124,589,523
Commercial	175,075,476	174,257,771	176,575,883	172,520,353	168,873,305
Industrial	31,951,900	26,587,830	31,490,040	30,127,960	28,321,180
Public Authority	12,537,513	12,801,245	12,375,517	11,428,198	10,723,565
Other	3,138,994	3,124,117	2,546,494	2,838,825	2,518,330
Total kWh sales	353,913,305	342,202,183	348,819,863	343,765,738	335,025,903
Revenues from Sale of Energy:					
Residential	\$18,974,096	\$18,849,656	\$19,869,104	\$21,510,126	\$23,902,788
Commercial	25,554,219	25,660,869	27,071,358	27,177,335	28,500,186
Industrial	4,088,510	3,435,518	4,278,240	4,366,885	4,338,898
Public Authority	1,859,914	2,047,549	1,973,689	1,958,154	1,965,664
Other	660,902	797,198	1,028,631	913,247	793,870
Total Revenues	\$51,137,641	\$50,790,790	\$54,221,022	\$55,925,747	\$59,501,406
Peak Demand (kW)	68,100	63,372	64,283	63,738	59,624

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

Through the Fiscal Year Ended June 30,

Description	2014	2015	2016	2017	2018
Electric System Revenues					
Sales of Electricity	\$51,137,641	\$50,790,790	\$54,221,022	\$55,925,748	\$59,501,406
Other Revenues ⁽¹⁾	\$1,355,947	\$1,390,534	\$1,852,516	\$3,159,383	\$1,890,697
REC & LCFS & C&T Sales ⁽⁶⁾	\$6,938,783	\$6,824,069	\$6,363,950	\$5,071,175	\$3,435,082
Total Electric System Revenues	\$59,432,371	\$59,005,393	\$62,437,488	\$64,156,306	\$64,827,185
Operation and Maintenance by FERC categories					
Purchased Power ⁽²⁾	\$28,196,783	\$27,517,599	\$29,781,270	\$28,201,607	\$28,618,484
Energy efficiency, solar and other	\$1,086,966	\$1,605,608	\$1,684,963	\$1,504,629	\$1,172,615
Operations & maintenance	\$4,097,223	\$4,328,813	\$4,573,500	\$4,674,307	\$4,814,122
Customer service, information systems	\$2,074,830	\$2,113,922	\$2,226,364	\$2,170,617	\$2,296,001
Administrative and general	\$6,032,512	\$6,115,467	\$7,732,884	\$7,425,117	\$10,527,575
Customer relations	\$499,294	\$531,550	\$540,214	\$530,544	\$505,711
Jobbing sales expense	\$718,904	\$202,796	\$315,472	\$993,580	\$367,624
Balancing account adjustment	(1,897,439)	(660,241)	1,010,084	1,425,636	2,821,087
Total Operation and Maintenance Costs	\$40,809,073	\$41,755,514	\$47,864,751	\$46,926,037	\$51,123,219
Net Revenues	\$18,623,298	\$17,249,879	\$14,572,737	\$17,230,269	\$13,703,966
Rate Stabilization Fund Transfers	(\$6,938,783)	(\$6,824,069)	(\$6,363,950)	(\$5,071,175)	(\$3,435,082)
Use of Reserves	134,636	1,411,438	2,281,580	1,020,393	5,652,517
Adjusted Annual Net Revenues	\$11,819,151	\$11,837,248	\$10,490,367	\$13,179,487	\$15,921,401
Debt Service (Principal + Interest)	\$2,747,479	\$2,712,637	\$2,640,325	\$2,631,044	\$2,626,368
Debt Service Coverage ⁽³⁾	4.30	4.36	3.97	5.01	6.06
Amount Available After Debt Service	\$9,071,672	\$9,124,611	\$7,850,042	\$10,548,443	\$13,295,033

Selected Balance Sheet

Information:

Unrestricted Cash & Investments ⁽⁴⁾	\$ 45,581	\$ 42,094	\$ 41,909	\$ 39,422	\$ 48,058
Rate Stabilization Fund Balance ⁽⁶⁾	11,222	16,505	20,583	24,633	21,431
Net Plant in Service	38,052	35,669	38,470	36,275	38,333
Construction Work in Progress	46	4,519	1,736	6,452	2,873
Electric Utility Plant-Net	38,097	40,188	40,206	42,727	41,206
Outstanding Electric System Debt ⁽⁵⁾	\$ 28,749	\$ 27,590	\$ 26,460	\$ 25,290	\$ 24,070

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

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

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

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

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

(6) Includes Renewable Energy Sales and Auction Sales for Cap & Trade & Low Carbon Fuel Sales (LCFS) placed into reserve for Rate Stabilization Fund.

PUBLIC UTILITIES BOARD

(as of June 30, 2018)

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Ann McCormick

Vice President

Jerry Serventi

Commissioner

Madeline Deaton

Commissioner

Laura Giuntini

Interim Commissioner and City Manager

Elizabeth Warmerdam

ALAMEDA MUNICIPAL POWER

General Manager

Nicolas Procos

Assistant General Manager, Engineering & Operations

Andre Basler

Assistant General Manager, Customer Resources

Rebecca Irwin

Assistant General Manager, Administration

Robert Orbeta

Assistant General Manager, Energy Resource Planning

Vidhi Chawla



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