# Public Utilities Commission of the City and County of San Francisco

# **Power Enterprise**

Annual Disclosure Report

For Fiscal Year Ending June 30, 2022



Services of the San Francisco Public Utilities Commission



March 27, 2023

VIA: MSRB EMMA

To Whom it May Concern:

Attached hereto is the Fiscal Year 2022 Annual Disclosure Report for the Public Utilities Commission of the City and County of San Francisco ("SFPUC"), Power Enterprise. This filing relates to the following associated base CUSIP number(s):

SFPUC Power Enterprise: 79771K

This Annual Disclosure Report is being provided by the SFPUC in connection with our undertaking entered into in accordance with Rule 15c2-12, promulgated by the U.S. Securities and Exchange Commission. The information provided in this Annual Disclosure Report speaks only as of its date, March 27, 2023. The delivery of this Annual Disclosure Report may not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement. Other than as set forth in the Continuing Disclosure Agreement, SFPUC has not agreed to notify the secondary market of subsequent changes to the information in this Annual Disclosure Report ("Report").

The filing of this Report does not constitute or imply any representation (1) that any or all of the information provided is material to investors, (2) regarding any other financial, operating or other information relating to the security for the referenced securities, (3) that no changes, circumstances or events have occurred which may have a bearing on the security for the referenced securities or an investor's decision to buy, sell, or hold the referenced securities.

Any statements regarding the referenced securities, other than a statement made by the City and County of San Francisco in an official release or subsequent notice or annual report, published in a financial newspaper of general circulation and/or filed with the Municipal Securities Rulemaking Board ("MSRB") or on Electronic Municipal Market Access ("EMMA"), are not authorized by the SFPUC. The SFPUC shall not be responsible for the accuracy, completeness, or fairness of any such unauthorized statement.

If you have any questions regarding this Annual Disclosure Report, please contact Nikolai J. Sklaroff, Capital Finance Director at (415) 551-2973 or by e-mail at <u>capitalfinance@sfwater.org</u>.

Sincerely,

Dennis Herrera General Manager

London N. Breed Mayor Newsha K. Ajami

President
Sophie Maxwell

Vice President Tim Paulson Commissioner

Anthony Rivera Commissioner

Kate H. Stacy Commissioner

Dennis J. Herrera General Manager



**OUR MISSION:** To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.

Enclosure

CC: Nancy L. Hom, SFPUC Chief Financial Officer/ AGM for Business Services José Cisneros, Treasurer Ben Rosenfield, Controller David Chui, City Attorney Anna Van Degna, Director, Office of Public Finance Angela Calvillo, Clerk of the Board of Supervisors

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# SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Newsha Ajami , President Sophie Maxwell , Vice President Tim Paulson, Commissioner Anthony Rivera, Commissioner Kate H. Stacy, Commissioner

# PUBLIC UTILITIES COMMISSION OFFICIALS

Dennis Herrera, General Manager Ron Flynn, Deputy General Manager & Chief Operating Officer Barbara Hale, Assistant General Manager, Power Enterprise Nancy L. Hom, Assistant General Manager, Business Services & Chief Financial Officer Masood Ordikhani, Assistant General Manager, External Affairs and Chief Strategy Officer Stephen Robinson, Assistant General Manager, Infrastructure Division Greg Norby, Assistant General Manager, Wastewater Enterprise Steven Ritchie, Assistant General Manager, Water Enterprise

### **CITY AND COUNTY OF SAN FRANCISCO**

# MAYOR

London Breed

### **BOARD OF SUPERVISORS**

Aaron Peskin, President

Connie Chan Matt Dorsey Joel Engardio Rafael Mandelman Myrna Melgar Dean Preston Hillary Ronen Ahsha Safai Catherine Stephani Shamann Walton

CITY ATTORNEY David Chiu

**CITY TREASURER** José Cisneros

### **OTHER CITY AND COUNTY OFFICIALS**

Ben Rosenfield, Controller Carmen Chu, City Administrator The San Francisco Public Utilities Commission ("SFPUC") hereby provides this Annual Disclosure Report for the fiscal year ending June 30, 2022 in connection with obligations undertaken pursuant to Continuing Disclosure Certificates for revenue bonds issued by SFPUC's Power Enterprise, as provided in the table below. Audited Financial Statements for the years ending June 30, 2022 and June 30, 2021 are attached and submitted separately and may be viewed on EMMA or downloaded from the SFPUC website at: https://sfpuc.org/about-us/reports/audited-financial-statements-reports.

#### SFPUC POWER ENTERPRISE OUTSTANDING PARITY REVENUE BONDS<sup>(1)</sup> (\$000's)<sup>†</sup>

| Series of Bonds  | Purpose   | Date                 | Final<br>CUSIP<br>(79771K) | Original Par | Par Outstanding<br>(June 30, 2022) |
|--|---|----------------------|----------------------------|--------------|------------------------------------|
| Power Revenue<br>Bonds, 2015 Series<br>A (Green Bonds) | Finance rehabilitation<br>of hydropower<br>generation facilities  | May 20, 2015         | AN6                        | \$ 32,025    | \$ 32,025                          |
| Power Revenue<br>Bonds, 2015Series B                   | Finance rehabilitation<br>of transmission &<br>distribution lines | May 20, 2015         | AY2                        | 7,530        | 3,735                              |
| Power Revenue<br>Bonds, 2021 Series A<br>(Green Bonds) | Finance rehabilitation<br>of hydropower<br>generation facilities  | December 21,<br>2021 | CC8                        | 74,280       | 74,280                             |
| Power Revenue<br>Bonds, 2021 Series B                  | Finance rehabilitation<br>of transmission &<br>distribution lines | December 21,<br>2021 | DG8                        | 49,720       | 49,720                             |
| TOTAL <sup>(2)</sup>                                   |   |                      |                            | \$163,555    | \$159,760                          |

<sup>(1)</sup> The SFPUC has not issued or incurred any obligations (other than obligations constituting Operation and Maintenance Expenses) or issued or created additional indebtedness payable from Revenues senior to payment of the 2015 Series AB and 2021 Series AB Bonds,.

For the convenience of bondholders, the following table provides information related to the Power Enterprise's outstanding indebtedness that is subordinate in lien to the Series 2015 and 2021 Power Revenue Bonds.

#### SFPUC POWER ENTERPRISE OUTSTANDING SUBORDINATE OBLIGATIONS (\$000's)<sup>†</sup>

|  |  | (******)            |                            |                 |                                    |
|--|--|---------------------|----------------------------|-----------------|------------------------------------|
| Series of Bonds  | Purpose  | Date                | Final<br>CUSIP<br>(79771K) | Original<br>Par | Par Outstanding<br>(June 30, 2022) |
| 2008 Clean Renewable<br>Energy Bonds<br>("CREBs") <sup>(1)</sup> | Finance installation of<br>solar energy equipment<br>on various City-owned<br>facilities | October 1,<br>2008  | n/a                        | \$ 6,325        | \$ 421                             |
| 2011 Qualified Energy<br>Conservation Bonds<br>("QECBs")         | Fund certain clean,<br>renewable energy<br>facilities                                    | December 1,<br>2011 | n/a                        | 8,291           | 3,138                              |
| 2015 New Clean<br>Renewable Energy<br>Bonds ("NCREBs")           | Finance installation of<br>solar energy equipment<br>on various City-owned<br>facilities | October 1,<br>2015  | n/a                        | 4,100           | 1,635                              |
| TOTAL <sup>(3)</sup>   |  |                     |                            | \$ 18,716       | \$ 5,194                           |

<sup>(1)</sup> Investors receive a tax credit in lieu of interest payment.

<sup>(2)</sup> Total excludes Commercial Paper. The Power Enterprise maintains a \$250 million commercial paper program, which is subordinate to the outstanding 2015 Series AB Bonds. As of June 30, 2022, the SFPUC has \$40.02 million in Power Commercial Paper Notes outstanding. The Commercial Paper Notes are secured by a \$125 million letter of credit from Bank of America, N.A, which expires March 6, 2026 and a \$125 million letter of credit from Sumitomo Mitsui which expires March 6, 2023. See "Subsequent Events" section for more information regarding the Power Enterprise Commercial Paper Program.

<sup>†</sup> Totals may not add due to independent rounding

The following tables are provided pursuant to the Continuing Disclosure Certificates executed in connection with the SFPUC's Power Revenue Bonds.

#### SFPUC POWER ENTERPRISE ELECTRIC SERVICE ACCOUNTS BY CUSTOMER CATEGORY FOR FISCAL YEARS ENDED JUNE 30

|   | 2018  | 2019  | 2020  | 2021  | 2022  |
|---|-------|-------|-------|-------|-------|
| Retail and Other <sup>(1)</sup>         | 1,996 | 2,209 | 2,526 | 3,858 | 3,551 |
| City Agencies                           | 1,511 | 1,499 | 1,512 | 1,489 | 1,522 |
| Moccasin/City of Riverbank              | 38    | 37    | 37    | 36    | 35    |
| Modesto/Turlock Irrigation<br>Districts | 2     | 2     | 2     | 2     | 2     |
| Total Accounts                          | 3,547 | 3,747 | 4,077 | 5,385 | 5,110 |

<sup>(1)</sup> Other customers include electric retail and municipal customers such as Moscone tenants, Exploratorium, and Yerba Buena Gardens SFUSD. Increases from fiscal years 2018 to 2021 are new accounts in various Redevelopment Projects and the Distributed Antenna System.

Source: SFPUC Annual Comprehensive Financial Report, June 30, 2022

### SFPUC POWER ENTERPRISE HISTORICAL MUNICIPAL CUSTOMER AVERAGE RATES

| Municipal Power<br>Service Rates                                    | FY 2018-19  | FY 2019-20 | FY2020-21  | FY2021-22  | FY2022-23  |
|---|-------------|------------|------------|------------|------------|
| General Use Municipal<br>Electricity Service<br>Rate <sup>(1)</sup> | 7.38 ¢/kWh  | 7.88 ¢/kWh | 8.88¢/kWh  | 9.88¢/kWh  | 12.88¢/kWh |
| Enterprise<br>Departments <sup>(2),(3)</sup>                        | 17.01 ¢/kWh | 17.48¢/kWh | 18.46¢/kWh | 18.81¢/kWh | 18.92¢/kWh |

- <sup>(1)</sup> Single approved rate for FY19 through FY22. In FY23 General Use Municipal customers transitioned to respective tariff schedule depending on the classification of the Municipal Customer in which rates charged vary by seasonal periods, energy and demand line items, and other factors similar to retail rate schedules. These rates resulted in an average \$ per kWh effective rate that increases of \$0.03/kWh based on projected load demands of each Municipal Customer.
- <sup>(2)</sup> Charged comparable PG&E rates.

<sup>(3)</sup> Estimated average rate of Enterprise Departments (non-Airport).

Source: SFPUC Financial Services

#### SFPUC POWER ENTERPRISE HISTORICAL OPERATING RESULTS

The Power Enterprise issued its 2015 Series A and B Power Revenue Bonds (the "Series 2015 Bonds") on May 20, 2015, and the 2021 Series A and B Power Revenue Bonds on December 21, 2021. The Series 2015 Bonds represent the first series of senior lien revenue bonds of the Power Enterprise, issued pursuant to the Master Trust Indenture dated May 1, 2015. Prior to issuing the Series 2015 Bonds, the Power Enterprise had issued, from time to time, certain Clean Renewable Energy Bonds ("CREBs" and "NCREBs") and Qualified Energy Conservation Bonds ("QECBs") that are payable from the Net Revenues of the Power Enterprise and are subordinate in lien (the "Subordinate Obligations") to the Series 2015 Bonds. The Subordinate Obligations were privately placed and have no CUSIPs.

Pursuant to the Continuing Disclosure Certificate executed in connection with the Series 2015 Bonds, the table on the following page provides Historical Revenues and Operation and Maintenance Expenses of the Power Enterprise for Fiscal Years Ending June 30, 2018 through June 30, 2022.

#### SFPUC POWER ENTERPRISE HISTORICAL REVENUES AND OPERATION AND MAINTENANCE EXPENSES FOR FISCAL YEARS ENDED JUNE 30 (IN THOUSANDS)<sup>(2)</sup>

|  | 2018      | 2019      | 2020      | 2021      | 2022       |
|--|-----------|-----------|-----------|-----------|------------|
| OPERATING & INVESTMENT REVENUE <sup>(1)</sup>                          |           |           |           |           |            |
| Charges for services <sup>(3)</sup>                                    | \$118,672 | \$143,409 | \$140,680 | \$136,247 | 173,105    |
| Rent & concessions   | 163       | 152       | 191       | 136       | 137        |
| Interest & investment income <sup>(4)</sup>                            | 2,537     | 6,883     | 5,746     | 24        | (4,001)    |
| Other non-operating revenues <sup>(5)</sup>                            | 10,073    | 10,907    | 25,006    | 19,273    | 15,763     |
| Total Revenues   | \$131,445 | \$161,351 | \$171,623 | \$155,680 | \$ 185,004 |
| <b>OPERATING &amp; MAINTENANCE EXPENSE</b>                             |           |           |           |           |            |
| Salary and Fringe Benefits <sup>(6)</sup>                              | \$34,950  | \$37,583  | \$40,712  | \$40,756  | \$34,646   |
| Contractual services   | 5,526     | 6,086     | 7,742     | 8,726     | 9,604      |
| Purchased power & related costs <sup>(7)</sup>                         | 34,435    | 47,437    | 48,831    | 42,693    | 58,252     |
| Materials and supplies   | 1,541     | 672       | 2,260     | 1,990     | 2,270      |
| Depreciation and amortization <sup>(8)</sup>                           | 14,049    | 14,484    | 15,723    | 15,627    | 17,628     |
| Services of Other Departments  | 5,848     | 6,833     | 6,426     | 6,137     | 6,253      |
| General and Administrative <sup>(9)</sup>                              | 4,238     | 3,660     | 4,370     | 6,074     | 4,654      |
| Other  | 18,808    | 5,933     | 22,063    | 23,635    | 23,040     |
| Total Operating Expenses   | \$119,395 | \$122,688 | \$148,127 | \$145,638 | \$ 156,347 |
| OPERATING AND INVESTMENT INCOME  | \$12,050  | \$38,663  | \$23,496  | \$10,042  | \$ 28,657  |
| COVERAGE CALCULATION   |           |           |           |           |            |
| Operating and Investment Income  | \$12,050  | \$38,663  | \$23,496  | \$10,042  | \$28,657   |
| -Revenue/Expenses excluded from<br>coverage calculation <sup>(2)</sup> | (9,194)   | (8,478)   | (12,868)  | (5,731)   | 6,707      |
| +Adjustment to Investing Activities                                    | 419       | (2,606)   | 101       | 1,902     | 3,297      |
| +Depreciation & Non-Cash Expenses                                      | 14,131    | 14,604    | 27,470    | 23,037    | 18,351     |
| +Changes in Working Capital  | 13,281    | (2,386)   | 3,243     | (18,641)  | (2,702)    |
| ="Net Revenues" (10)   | \$30,687  | \$39,798  | \$41,442  | \$10,609  | \$54,310   |
| +Other Available Funds <sup>(2)</sup>                                  | 36,525    | 31,215    | 39,119    | 23,569    | 44,315     |
| Funds Available for Debt Service                                       | \$67,212  | \$71,013  | \$80,561  | \$34,178  | \$98,625   |
| Revenue Bond Debt Service  | \$2,570   | \$2,569   | \$2,568   | \$2,567   | \$2,565    |
| DEBT SERVICE COVERAGE <sup>(12)</sup>                                  |           |           |           |           |            |
| Including "Other Available Funds" (11)(13)                             | 26.15x    | 27.64x    | 31.37x    | 13.31x    | 38.45x     |
| Current Basis <sup>(14)</sup>  | 11.94x    | 15.49x    | 13.44x    | 3.67x     | 20.71x     |

<sup>(1)</sup> Excludes operating results for CleanPowerSF.

<sup>(2)</sup> Operating and Investment Income presented in this table differs from the Change in Net Position presented in the Statement of Revenues, Expenses and Changes in Net Position in the Audited Financial Statements. This table may exclude certain elements of non-operating revenue and expenses included in the Statements of Revenues, Expenses and Changes in Net Position. Revenues associated with Treasure Island Development, Transbay Cable Proceeds, cap and trade allowances, power system impact mitigation, federal subsidies, and other revenues deemed unavailable to pay debt service have been excluded. LCFS (Low Carbon Fuel Standard) Revenue is excluded in Current Basis coverage but included for Indenture Basis coverage calculation.

- <sup>(3)</sup> Increase in Fiscal Year 20221-22mainly due to higher wholesale electricity sales mostly from CAISO credits, increase in sales to City departments, and sales to retail customers due to higher consumption.
- <sup>(4)</sup> Decrease in Fiscal Year 2021-22 mainly due to unrealized loss attributed to decrease in in market value of cash and investments held in the City Treasury.
- <sup>(5)</sup> Decrease in Fiscal Year 2021-22 due to lower Power System Impact Mitigation payments and Cap and Trade revenue received.
- <sup>(6)</sup> Decrease in Fiscal Year 2021-22 mainly due to lower pension obligations based on actuarial reports.
- <sup>(7)</sup> Increase in Fiscal Year 2021-22 mainly due to increased power purchase costs.
- <sup>(8)</sup> Increase in Fiscal Year 2021-22 mainly due to additional buildings, structures, and equipment placed in service.
- <sup>(9)</sup> Decrease in Fiscal Year 2021-22 mainly due to lower litigation expenses.
- <sup>(10)</sup> "Net Revenue" is presented on a cash basis.
- <sup>(11)</sup> Per Indenture, in addition to current year cash flow, coverage calculation includes certain "Other Available Funds," which are not budgeted to be spent in such twelve months and legally available to pay debt service.
- <sup>(12)</sup> Coverage does not include debt service on the Subordinate Obligations, the Power Enterprise's share of lease payments associated with the 2009 Golden Gate COPs and debt service on Commercial Paper Notes.
- <sup>(13)</sup> Unaudited. Calculated as ratio between Net Revenues plus "Other Available Funds" over debt service on all senior lien obligations.
- <sup>(14)</sup> Unaudited. Calculated as ratio between Net Revenues over debt service on all senior lien obligations; excludes"Other Available Funds." LCFS Revenue is excluded in Current Basis coverage; in Fiscal Year 2019-20 this amount was \$6,920, Fiscal Year 2020-21 this amount was \$1,181, and Fiscal Year 2021-22 this amount was \$1,184.

Source: SFPUC Annual Comprehensive Financial Report, June 30, 2022 and SFPUC Financial Services

# SUBSEQUENT EVENTS

(in \$000's)

#### 1. Extension Moratorium on Shutoffs

On September 13, 2022, the Commission approved to extend moratorium on shutoff of electric service for Hetchy Power residential retail customers in the City through June 30, 2023 and granted the General Manager discretion to restart severance and liens process to multi-family residential accounts carrying balances greater than \$25 which are 90 days or more past due.

#### 2. Power Enterprise Commercial Program – Credit Providers

On March 6, 2023, the SFPUC entered into a \$125,000 Reimbursement and Term Loan Agreement with Bank of America N.A. (BANA) (Series A-2), and BANA established its Irrevocable Transferable Letter of Credit (A-2 Letter of Credit), dated March 6, 2023. The Stated Expiration Date (as defined in the A-2 Letter of Credit) of the A-2 Letter of Credit is March 6, 2026.

# GENERATING CLEAN ENERGY FOR VITAL SERVICES. Hetch Hetchy Water and Power and CleanPowerSF

San Francisco

Water Power Sewer Services of the San Francisco Public Utilities Commission

Basic Financial Statements June 30, 2022 and 2021 (With Independent Auditors' Report Thereon)

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KPMG LLP Suite 1400 55 Second Street San Francisco, CA 94105

#### Independent Auditors' Report

The Honorable Mayor and Board of Supervisors City and County of San Francisco:

#### **Report on the Audit of the Financial Statements**

#### Opinions

We have audited the financial statements of the business-type activities and each major fund of Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Hetch Hetchy's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Hetch Hetchy, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hetch Hetchy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in Note 1, the financial statements of Hetch Hetchy are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City and county of San Francisco, California that is attributable to the transactions of the Enterprise. They do not purport to, and do not, present fairly the financial position of the City and County of San Francisco, California, as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always



detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hetch Hetchy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023 on our consideration of Hetch Hetchy'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 Hetch Hetchy'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 Hetch Hetchy's internal control over financial reporting and compliance.



San Francisco, California January 27, 2023

### Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

This section presents management's analysis of San Francisco Hetch Hetchy Water and Power and CleanPowerSF Enterprise's (Hetch Hetchy or the Enterprise) financial condition and activities as of and for fiscal years ended June 30, 2022 and 2021. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Enterprise's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

In May 2016, San Francisco Public Utilities Commission (SFPUC or the Commission) launched CleanPowerSF, a Community Choice Aggregation (CCA) program into operation, pooling the electricity demands of their residents and businesses for the purpose of buying electricity on behalf of those customers. CleanPowerSF provides San Francisco with new clean energy alternatives, with its objectives to reduce greenhouse gas emissions, and to provide the City and County of San Francisco's (the City) energy consumers with renewable electricity supplies at competitive rates. The SFPUC intends CleanPowerSF to be financially independent, with ability to set rates and charges with adequate revenues, and to issue debt to support its operations and future projects. CleanPowerSF is discretely presented as a fund of the Enterprise starting fiscal year 2017.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- COVID-19
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

### Organization and Business

SFPUC is a department of the City that is responsible for the maintenance, operation, and development of three utility enterprises: Water, Wastewater, and Hetch Hetchy. The Enterprise was established as a result of the Raker Act of 1913, which granted water and power resource rights-of-way on the Tuolumne River in Yosemite National Park and the Stanislaus National Forest to the City. The Enterprise operates the Hetch Hetchy project, which provides both electricity generation and upcountry water service; and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity.

In normal rain years, 85% of San Francisco's drinking water starts out as snow falling on 459 square miles of watershed land in Yosemite National Park and the City may supplement water supply from an additional 193 square miles of watershed in Yosemite National Park and the Stanislaus National Forest during extremely dry years. As the snow melts, it collects in the SFPUC's storage reservoirs, then flows by gravity through over 150 miles of pipelines and tunnels, it turns the turbines in three hydroelectric powerhouses, generating approximately 1.2 billion kilowatt hours of electricity per year. The electricity travels over 160 miles of transmission and distribution lines from the upcountry powerhouses to the San Francisco Bay Area.

Approximately 69% of the electricity generated by Hetchy Power was used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, City streetlights, Moscone Convention Center, and the

### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

Water and Wastewater Enterprises). The remaining 31% of electricity generated was sold to CleanPowerSF and the wholesale electric market.

#### **Hetch Hetchy**

Hetch Hetchy provides reliable, high-quality water and electric energy to the City and other customers, protects watershed resources in cooperation with Federal agencies, operates and maintains facilities to a high standard of safety and reliability, and maximizes revenue opportunities within approved levels of risk.

Hetch Hetchy, a stand-alone enterprise is comprised of three funds: 1) Hetch Hetchy Water (Hetchy Water) upcountry operations and water system; 2) Hetch Hetchy Power (Hetchy Power), also referred to as the Power Enterprise, which is wholly contained within the Hetch Hetchy fund; and 3) CleanPowerSF, which is an enterprise fund to aggregate the buying power of customers within San Francisco to purchase renewable energy sources or clean power, is reported as a separate fund of Hetch Hetchy. A number of the facilities are joint assets and used for both water and power generation.

#### Hetchy Water

For efficiency and to streamline the coordination of upcountry water and power operations, Hetchy Water operates upcountry and joint asset facilities, managing resources in an environmentally responsible manner to a high standard of safety and reliability while meeting regulatory requirements. It is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system. Hetchy Water operates, maintains, and improves water and power facilities, smaller dams and reservoirs, water transmission systems, power generation facilities, and power transmission assets, including transmission lines to the Newark substation. Hetchy Water delivers high-quality water from upcountry downhill to the Bay Area while optimizing the resulting generation of clean hydropower as water is transported through the system. It maintains land and properties consistent with public health and neighborhood concerns.

#### **Hetchy Power**

The core business of Hetchy Power, as a municipal department, is to provide adequate and reliable supplies of electric power to meet the electricity needs of City and County of San Francisco's customers, and to offer, when available, power for the municipal loads and agricultural pumping demands consistent with prescribed contractual obligations and federal law.

Hetchy Power's portfolio consists of hydroelectric generation, onsite solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC wastewater treatment facilities, and third-party purchases. Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, Hetchy Power continues to evaluate and expand its existing resource base to include additional renewables, distributed generation, demand management, and energy efficiency programs. As part of its mission and core functions, Hetchy Power provides reliable energy services at reasonable cost to customers, with attention to environmental effects and community concerns.

### Hetch Hetchy Joint

A portion of Hetch Hetchy's operating budget, capital program, and assets, provides benefit to both Hetchy Power and Hetchy Water. This is commonly referred to as joint costs and joint assets. Both operating and capital costs that jointly benefit both funds are allocated 55% to Hetchy Power and 45% to Hetchy Water, as has historically been done by the SFPUC.

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

# CleanPowerSF

CleanPowerSF is a community choice aggregation (CCA) program made possible by the 2002 passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation since May 2016. The core business is to provide greener electricity generation to residential and commercial consumers in San Francisco. Through CleanPowerSF, SFPUC seeks to achieve several complementary goals, including affordable and competitive electricity generation rates, a diverse electricity resource portfolio that is comprised of renewable and other clean sources of supply, and high-quality customer service. The program serves more than 380,000 customer accounts and provides San Francisco with an electricity supply from its default "Green" product that is at least 50% California State Renewables Portfolio Standard (RPS)-eligible. Additionally, CleanPowerSF offers "SuperGreen", a 100% RPS-eligible electricity supply, that is available to customers for a small additional cost. On June 1, 2022, CleanPowerSF opened enrollment for its "SuperGreen Saver" product, which provides eligible low-income ratepayers residing in Disadvantaged Communities with 100% RPS electricity at a 20% bill discount.

### **Overview of the Financial Statements**

Hetch Hetchy's financial statements include the following:

Statements of Net Position present information on Hetch Hetchy's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Hetch Hetchy is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations as of year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of Hetch Hetchy's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which Hetch Hetchy has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not presented on the face of the financial statements.

### COVID-19

On February 25, 2020, the City's Mayor issued a proclamation declaring a local emergency to exist in connection with the imminent spread within the City of the novel coronavirus ("COVID-19"). On March 16, 2020, the City's Health Officer issued a stay safe at home order, Health Officer Order No. C19-07 (the "Stay Safe At Home Order"), requiring most people and City employees to remain in their homes subject to certain exceptions including obtaining essential goods (such as food and necessary supplies), and requiring the

#### Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

closure of nonessential businesses. In addition, Section 2 of the second supplement to the emergency proclamation authorizes the SFPUC to suspend (a) the discontinuation or shutoff of power service for residents and businesses in the City for non-payment of power bills and (b) the imposition of late payment penalties or fees for delinquent power bills through July 11, 2020. The suspension was extended on December 8, 2020 through June 30, 2021, again on April 27, 2021 through March 31, 2022 and then again on February 22, 2022 to July 31, 2022 for shut off of power service for residential customers and to June 30, 2023 for late payment penalties. The suspension of the return of delinquent CleanPowerSF customers to Pacific Gas & Electric Company (PG&E) generation service for failure to pay CleanPowerSF charges was extended to June 30, 2022. This proclamation did not have a material effect on the operations of the Hetch Hetchy Enterprise.

#### **Financial Analysis**

### Financial Highlights for Fiscal Year 2022

#### **Hetch Hetchy**

- Total assets of Hetch Hetchy exceeded total liabilities by \$893,577.
- Net position increased by \$43,480 or 5.5% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$117,106 or 17.5% to \$786,643.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$89,276 or 22.8% to \$480,447.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$61,898 or 15.1% to \$470,768.

#### **Hetchy Water**

- Total assets of Hetchy Water exceeded total liabilities by \$276,423.
- Net position increased by \$24,519 or 10.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$23,526 or 13.3% to \$201,007.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$2,222 or 4.7% to \$49,312.
- Operating expenses, excluding other non-operating expenses, increased by \$1,784 or 3.5% to \$52,303.

#### **Hetchy Power**

• Total assets of Hetchy Power exceeded total liabilities by \$527,476.

- Net position increased by \$21,718 or 4.6% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$93,580 or 19.0% to \$585,636.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$36,859 or 27.0% to \$173,242.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$10,707 or 7.4% to \$156,347.

# CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by \$89,678.
- Net position decreased by \$2,757 or 3.2% during the fiscal year.
- CleanPowerSF had no capital assets, net of accumulated depreciation and amortization as of June 30, 2022.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$50,195 or 24.2% to \$257,893.
- Operating expenses, excluding interest expenses increased by \$49,407 or 23.2% to \$262,118.

# Financial Highlights for Fiscal Year 2021

### **Hetch Hetchy**

- Total assets of Hetch Hetchy exceeded total liabilities by \$767,191.
- Net position increased by \$16,429 or 2.1% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$63,326 or 10.4% to \$669,537.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$30,113 or 7.1% to \$391,171.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$19,845 or 5.1% to \$408,871.

### **Hetchy Water**

- Total assets of Hetchy Water exceeded total liabilities by \$216,214.
- Net position increased by \$13,630 or 6.5% during the fiscal year.

- Capital assets, net of accumulated depreciation and amortization, increased by \$16,699 or 10.4% to \$177,481.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$12,137 or 34.7% to \$47,090.
- Operating expenses, excluding other non-operating expenses, increased by \$5,644 or 12.6% to \$50,517.

### **Hetchy Power**

- Total assets of Hetchy Power exceeded total liabilities by \$462,136.
- Net position increased by \$6,857 or 1.5% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$46,627 or 10.5% to \$492,056.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$4,488 or 3.2% to \$136,383.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, decreased by \$2,489 or 1.7% to \$145,638.

# CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by \$88,841.
- Net position decreased by \$4,058 or 4.5% during the fiscal year.
- CleanPowerSF had no capital assets, net of accumulated depreciation and amortization as of June 30, 2021.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$37,762 or 15.4% to \$207,698.
- Operating expenses, excluding interest expense increased by \$16,690 or 8.5% to \$212,716.

# **Financial Position**

The following tables summarize Hetch Hetchy's changes in net position:

# Table 1A - Consolidated Hetch HetchyComparative Condensed Net PositionJune 30, 2022, 2021, and 2020

|                                      |    | 2022      | Restated<br>2021* | 2020 **   | 2022-2021<br>Change | 2021-2020<br>Change |
|--------------------------------------|----|-----------|-------------------|-----------|---------------------|---------------------|
| Total assets:                        |    |           |                   |           |                     |                     |
| Current and other assets             | \$ | 500,159   | 469,507           | 441,635   | 30,652              | 27,872              |
| Capital assets, net of accumulated   |    |           |                   |           |                     |                     |
| depreciation and amortization        |    | 786,643   | 669,537           | 606,211   | 117,106             | 63,326              |
| Total assets                         | -  | 1,286,802 | 1,139,044         | 1,047,846 | 147,758             | 91,198              |
| Deferred outflows of resources:      |    |           |                   |           |                     |                     |
| Pensions                             |    | 15,731    | 18,133            | 18,238    | (2,402)             | (105)               |
| Other post-employment benefits       |    | 8,069     | 8,719             | 5,452     | (650)               | 3,267               |
| Total deferred outflows of resources | -  | 23,800    | 26,852            | 23,690    | (3,052)             | 3,162               |
| Liabilities:                         | -  | ·         |                   |           |                     |                     |
| Current liabilities:                 |    |           |                   |           |                     |                     |
| Bonds                                |    | 1,966     | 1,928             | 2,115     | 38                  | (187)               |
| Certificates of participation        |    | 427       | 405               | 384       | 22                  | 21                  |
| Commercial paper                     |    | 40,019    | 114,671           | 63,535    | (74,652)            | 51,136              |
| Other liabilities                    |    | 94,550    | 83,058            | 63,178    | 11,492              | 19,880              |
| Subtotal current liabilities         |    | 136,962   | 200,062           | 129,212   | (63,100)            | 70,850              |
| Long-term liabilities:               | _  |           |                   |           |                     |                     |
| Bonds                                |    | 192,520   | 44,384            | 47,693    | 148,136             | (3,309)             |
| Certificates of participation        |    | 12,593    | 13,026            | 13,444    | (433)               | (418)               |
| Other liabilities                    |    | 51,150    | 114,392           | 98,697    | (63,242)            | 15,695              |
| Subtotal long-term liabilities       |    | 256,263   | 171,802           | 159,834   | 84,461              | 11,968              |
| Total liabilities:                   | -  |           |                   |           |                     |                     |
| Bonds                                |    | 194,486   | 46,312            | 49,808    | 148,174             | (3,496)             |
| Certificates of participation        |    | 13,020    | 13,431            | 13,828    | (411)               | (397)               |
| Commercial paper                     |    | 40,019    | 114,671           | 63,535    | (74,652)            | 51,136              |
| Other liabilities                    |    | 145,700   | 197,450           | 161,875   | (51,750)            | 35,575              |
| Total liabilities                    |    | 393,225   | 371,864           | 289,046   | 21,361              | 82,818              |
| Deferred inflows of resources:       | _  |           |                   |           |                     |                     |
| Related to pensions                  |    | 82,029    | 3,288             | 10,843    | 78,741              | (7,555)             |
| Other post-employment benefits       |    | 7,670     | 6,546             | 3,867     | 1,124               | 2,679               |
| Total deferred inflows of resources  | _  | 89,699    | 9,834             | 14,710    | 79,865              | (4,876)             |
| Net position:                        | _  |           |                   |           |                     |                     |
| Net investment in capital assets     |    | 553,169   | 500,547           | 482,986   | 52,622              | 17,561              |
| Restricted for debt service          |    | 140       | 99                | 142       | 41                  | (43)                |
| Restricted for capital projects      |    | _         | _                 | 6,513     | _                   | (6,513)             |
| Unrestricted                         |    | 274,369   | 283,552           | 278,139   | (9,183)             | 5,413               |
| Total net position                   | \$ | 827,678   | 784,198           | 767,780   | 43,480              | 16,418              |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

\*\*Eliminated interfund payable and receivable of \$1,800 working capital loan between Hetchy Power and CleanPowerSF in fiscal year 2020.

Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

# Table 1B - Hetchy WaterComparative Condensed Net PositionJune 30, 2022, 2021, and 2020

|                                      |    | 2022    | Restated<br>2021* | 2020    | 2022-2021<br>Change | 2021-2020<br>Change |
|--------------------------------------|----|---------|-------------------|---------|---------------------|---------------------|
| Total assets:                        |    |         |                   |         |                     |                     |
| Current and other assets             | \$ | 109,752 | 98,225            | 92,711  | 11,527              | 5,514               |
| Capital assets, net of accumulated   |    |         |                   |         |                     |                     |
| depreciation and amortization        |    | 201,007 | 177,481           | 160,782 | 23,526              | 16,699              |
| Total assets                         | _  | 310,759 | 275,706           | 253,493 | 35,053              | 22,213              |
| Deferred outflows of resources:      |    |         |                   |         |                     |                     |
| Pensions                             |    | 6,696   | 7,799             | 7,950   | (1,103)             | (151)               |
| Other post-employment benefits       |    | 3,272   | 3,725             | 2,332   | (453)               | 1,393               |
| Total deferred outflows of resources |    | 9,968   | 11,524            | 10,282  | (1,556)             | 1,242               |
| Liabilities:                         |    |         |                   |         |                     |                     |
| Current liabilities                  |    | 17,380  | 15,873            | 6,769   | 1,507               | 9,104               |
| Long-term liabilities                |    | 16,956  | 43,623            | 40,441  | (26,667)            | 3,182               |
| Total liabilities                    |    | 34,336  | 59,496            | 47,210  | (25,160)            | 12,286              |
| Deferred inflows of resources:       |    |         |                   |         |                     |                     |
| Related to pensions                  |    | 34,477  | 988               | 4,335   | 33,489              | (3,347)             |
| Other post-employment benefits       |    | 2,734   | 2,085             | 1,195   | 649                 | 890                 |
| Total deferred inflows of resources  |    | 37,211  | 3,073             | 5,530   | 34,138              | (2,457)             |
| Net position:                        |    |         |                   |         |                     |                     |
| Net investment in capital assets     |    | 201,007 | 177,481           | 160,782 | 23,526              | 16,699              |
| Restricted for capital projects      |    | —       | _                 | 6,513   | —                   | (6,513)             |
| Unrestricted                         | _  | 48,173  | 47,180            | 43,740  | 993                 | 3,440               |
| Total net position                   | \$ | 249,180 | 224,661           | 211,035 | 24,519              | 13,626              |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

#### Table 1C - Hetchy Power Comparative Condensed Net Position June 30, 2022, 2021, and 2020

|   | _  | 2022            | Restated<br>2021* | 2020           | 2022-2021<br>Change | 2021-2020<br>Change |
|---|----|-----------------|-------------------|----------------|---------------------|---------------------|
| Total assets:                                       |    |                 |                   |                |                     |                     |
| Current and other assets                            | \$ | 260,560         | 249,365           | 228,845 **     | 11,195              | 20,520              |
| Capital assets, net of accumulated                  |    |                 |                   |                |                     |                     |
| depreciation and amortization                       | _  | 585,636         | 492,056           | 445,429        | 93,580              | 46,627              |
| Total assets  | _  | 846,196         | 741,421           | 674,274        | 104,775             | 67,147              |
| Deferred outflows of resources:                     |    |                 |                   |                |                     |                     |
| Pensions  |    | 8,183           | 9,531             | 9,716          | (1,348)             | (185)               |
| Other post-employment benefits                      |    | 3,999           | 4,552             | 2,850          | (553)               | 1,702               |
| Total deferred outflows of resources                | _  | 12,182          | 14,083            | 12,566         | (1,901)             | 1,517               |
| Liabilities:  | -  |                 |                   |                |                     |                     |
| Current liabilities:                                |    |                 |                   |                |                     |                     |
| Bonds   |    | 1,966           | 1,928             | 2,115          | 38                  | (187)               |
| Certificates of participation                       |    | 427             | 405               | 384            | 22                  | 21                  |
| Commercial paper                                    |    | 40,019          | 114,671           | 63,535         | (74,652)            | 51,136              |
| Other liabilities                                   | _  | 48,549          | 49,450            | 33,218         | (901)               | 16,232              |
| Subtotal current liabilities                        | _  | 90,961          | 166,454           | 99,252         | (75,493)            | 67,202              |
| Long-term liabilities:                              |    |                 |                   |                |                     |                     |
| Bonds   |    | 192,520         | 44,384            | 47,693         | 148,136             | (3,309)             |
| Certificates of participation                       |    | 12,593          | 13,026            | 13,444         | (433)               | (418)               |
| Other liabilities                                   | _  | 22,646          | 55,425            | 54,085         | (32,779)            | 1,340               |
| Subtotal long-term liabilities                      |    | 227,759         | 112,835           | 115,222        | 114,924             | (2,387)             |
| Total liabilities:                                  |    |                 |                   |                |                     |                     |
| Bonds   |    | 194,486         | 46,312            | 49,808         | 148,174             | (3,496)             |
| Certificates of participation                       |    | 13,020          | 13,431            | 13,828         | (411)               | (397)               |
| Commercial paper                                    |    | 40,019          | 114,671           | 63,535         | (74,652)            | 51,136              |
| Other liabilities                                   | _  | 71,195          | 104,875           | 87,303         | (33,680)            | 17,572              |
| Total liabilities<br>Deferred inflows of resources: | _  | 318,720         | 279,289           | 214,474        | 39,431              | 64,815              |
| Related to pensions                                 |    | 42,138          | 1,207             | 5,298          | 40.931              | (4,091)             |
| Other post-employment benefits                      |    | 42,138<br>3,342 | 2,548             | 5,298<br>1,461 | 40,931<br>794       | 1,087               |
| Total deferred inflows of resources                 | _  | 45,480          | 3,755             | 6,759          | 41,725              | (3,004)             |
| Net position:                                       | -  | 10,100          | 0,100             | 0,100          |                     | (0,001)             |
| Net investment in capital assets                    |    | 352,162         | 323.066           | 322,204        | 29.096              | 862                 |
| Restricted for debt service                         |    | 140             | 99                | 142            | 41                  | (43)                |
| Unrestricted  |    | 141,876         | 149,295           | 143,261        | (7,419)             | 6,034               |
| Total net position                                  | \$ | 494,178         | 472,460           | 465,607        | 21,718              | 6,853               |
|   | Ψ_ | -J-,110         | 712,700           | -00,007        | 21,110              | 0,000               |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

\*\*Included \$1,800 working capital loan to CleanPowerSF in fiscal year 2020.

Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

#### Table 1D - CleanPowerSF Comparative Condensed Net Position June 30, 2022, 2021, and 2020

|                                      |    | 2022    | Restated<br>2021* | 2020      | 2022-2021<br>Change | 2021-2020<br>Change |
|--------------------------------------|----|---------|-------------------|-----------|---------------------|---------------------|
| Total assets:                        |    |         |                   |           |                     |                     |
| Current and other assets             | \$ | 129,847 | 121,917           | 121,879   | 7,930               | 38                  |
| Total assets                         | _  | 129,847 | 121,917           | 121,879   | 7,930               | 38                  |
| Deferred outflows of resources:      | _  |         |                   |           |                     |                     |
| Pensions                             |    | 852     | 803               | 572       | 49                  | 231                 |
| Other post-employment benefits       |    | 798     | 442               | 270       | 356                 | 172                 |
| Total deferred outflows of resources |    | 1,650   | 1,245             | 842       | 405                 | 403                 |
| Liabilities:                         | _  |         |                   |           |                     |                     |
| Current liabilities                  |    | 28,621  | 17,735            | 24,991 ** | 10,886              | (7,256)             |
| Long-term liabilities                | _  | 11,548  | 15,344            | 4,171     | (3,796)             | 11,173              |
| Total liabilities                    |    | 40,169  | 33,079            | 29,162    | 7,090               | 3,917               |
| Deferred inflows of resources:       |    |         |                   |           |                     |                     |
| Related to pensions                  |    | 5,414   | 1,093             | 1,210     | 4,321               | (117)               |
| Other post-employment benefits       |    | 1,594   | 1,913             | 1,211     | (319)               | 702                 |
| Total deferred inflows of resources  | _  | 7,008   | 3,006             | 2,421     | 4,002               | 585                 |
| Net position:                        | _  |         |                   |           |                     |                     |
| Unrestricted                         | _  | 84,320  | 87,077            | 91,138    | (2,757)             | (4,061)             |
| Total net position                   | \$ | 84,320  | 87,077            | 91,138    | (2,757)             | (4,061)             |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

\*\*Included \$1,800 working capital loan from Hetchy Power in fiscal year 2020.

### Net Position, Fiscal Year 2022

#### **Hetch Hetchy**

Hetch Hetchy's net position of \$827,678 increased by \$43,480 or 5.5% from prior year resulting from a net increase of \$144,706 in total assets and deferred outflows of resources, offset by an increase of \$101,226 in total liabilities and deferred inflows of resources (see Table 1A). Current and other assets were \$500,159, a \$30,652 or 6.5% increase from prior year, mainly due to net pension assets recognized in current year based on actuarial reports. Hetch Hetchy adopted GASB Statement No. 87, *Leases* and recognized right-to-use assets net of accumulated amortization of \$364 and \$369 in lease liabilities as of June 30, 2022. See Note 9 for additional information about the leases.

Capital assets, net of accumulated depreciation and amortization, increased by \$117,106 or 17.5% to \$786,643 primarily from construction and capital improvement activities for the Bay Corridor Project and the Mountain Tunnel Improvement Project. Deferred outflows of resources decreased by \$3,052 due to decreases of \$2,402 in pensions and \$650 in other post-employment benefits (OPEB) based on actuarial reports.

Total liabilities increased by \$21,361 or 5.7% to \$393,225. The increases included \$73,111 in outstanding debt mainly from Power 2021 Series AB revenue bonds and commercial paper issuances offset by a decrease of \$51,750 in other liabilities. Deferred inflows of resources increased by \$79,865 due to increases of \$78,741 in relation to pensions and \$1,124 in OPEB based on actuarial reports.

#### **Hetchy Water**

Hetchy Water's net position of \$249,180 increased by \$24,519 or 10.9% resulting from a net increase of \$33,497 in total assets and deferred outflows of resources, offset by a net increase of \$8,978 in total

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liabilities and deferred inflows of resources (see Table 1B). The increase of \$11,527 in current and other assets was attributed to increases of \$13,912 in net pension assets based on actuarial report, \$33 in charges for services receivables due to higher consumption from Lawrence Livermore National Laboratory, \$19 in interest receivables due to higher interest accrual from City's Treasury, and \$8 in inventory due to more purchases than issuances during the fiscal year. The increases were offset by decreases of \$2,173 in cash and investment with City Treasury mainly from higher project spending, \$192 in prepaid charges, advances, and other receivables mainly due to prepayment to Turlock Irrigation District for relicensing studies, \$67 decrease in due from other governments related to State grant reimbursement received for Lower Cherry Aqueduct project, and \$13 decrease in lease right-to-use assets net of accumulated amortization per implementation of GASB Statement No. 87, *Leases*.

Capital assets, net of accumulated depreciation and amortization, increased by \$23,526 or 13.3% to \$201,007 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement Project and San Joaquin Pipeline Valve and Safe Entry Improvement Project. Deferred outflows of resources decreased by \$1,556 due to decreases of \$1,103 in pensions and \$453 in other post-employment benefits (OPEB) based on actuarial reports.

Hetchy Water's total liabilities decreased by \$25,160 or 42.3% to \$34,336, as explained by decreases of \$26,645 in net pension liability based on actuarial estimates, \$2,733 in restricted payables to vendors and contractors mainly due to lower year-end expense accruals for capital projects, \$204 in OPEB obligations based on actuarial assumptions, \$16 in lease liability per implementation of GASB Statement No. 87, *Leases*, and \$6 in grant advance due to recognition of prior year State grant for the Rim Fire project. These decreases were offset by increases of \$4,192 in unrestricted payables mainly for license and permit fees to National Park Service, \$148 in employee related benefits mainly due to increase in workers' compensation, \$102 in general liability based on actuarial estimates, and \$2 increase in rental deposits and prepaid rent.

Deferred inflows of resources increased by \$34,138 due to increases of \$33,489 in relation to pensions and \$649 in OPEB based on actuarial reports.

### **Hetchy Power**

Hetchy Power's net position of \$494,178 increased by \$21,718 or 4.6% resulting from a net increase of \$102,874 in total assets and deferred outflows of resources, offset by an increase of \$81,156 in total liabilities and deferred inflows of resources (see Table 1C). Increase of \$11,195 in current and other assets was attributed to increases of \$17,004 in net pension assets based on actuarial report, \$7,882 in prepaid charges, advances, and other receivables mainly due to collateral paid to satisfy the CAISO's financial security requirements, \$3,295 in cash and investments mainly due to higher collections from billings, \$76 in interest receivables due to higher interest accrual from City's Treasury, and \$31 increase in Federal grants receivable mainly from the Rim Fire Project.

These increases were offset by decreases of \$8,835 in charges for services receivables due to completion of billing system implementation in prior year resulting in more timely billings in current year, \$7,497 in restricted interest and other receivables mainly due to decrease in vendor prepayment to PG&E for the Bay Corridor Project, \$602 in due from other City departments mainly from repayment for Sustainable Energy Account, \$142 in inventory due to more issuances than purchases during the fiscal year, and \$17 decrease in lease right-to-use assets net of accumulated amortization per implementation of GASB Statement No. 87, *Leases*.

Capital assets, net of accumulated depreciation and amortization, increased by \$93,580 or 19.0% to \$585,636 primarily from construction and capital improvement activities for the Bay Corridor Project and

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Mountain Tunnel Improvement Project. Deferred outflows of resources decreased by \$1,901 due to decreases of \$1,348 in pensions and \$553 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of \$318,720 increased by \$39,431 or 14.1%. As of June 30, 2022, outstanding debt increased by \$73.111 due to \$124.000 from 2021 Series AB revenue bond issuances. \$63,058 from commercial paper issuance for Hetchy Power facilities, and \$27,022 in bond premium from 2021 Series AB revenue bonds, offset by \$140,043 in commercial paper, bonds, and certificates of participation principal repayments, and \$926 in amortization of premium and discount. Other liabilities of \$71,195, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, decreased by \$33,680 or 32.1%, mainly due to decreases of \$32,566 in net pension liability based on actuarial estimates, \$6,241 in unrestricted payables mainly from prior year wheeling charges to APX, Inc., \$248 in OPEB obligations based on actuarial assumptions, \$85 in general liability based on actuarial estimates, and \$19 decrease in lease liability per implementation of GASB Statement No. 87, Leases. These decreases were offset by increases of \$3,666 in restricted payables to vendors and contractors due to higher year-end expense accruals for capital projects, \$868 increase in interest payable related to 2021 Series AB revenue bond issuances, \$734 in unearned revenues, refunds, and other, \$200 in employee related benefits mainly due to increase in workers' compensation, and \$11 in due to Department of Public Works for painting of light poles. Increase of \$734 in unearned revenues, refunds, and other was mainly due to increases of \$458 in deposits from custom work projects, \$267 in prepayments from Distributed Antenna System (DAS) program, and \$60 in overpayments received from customers, offset by decreases of \$48 in grant advance due to recognition of Rim Fire State grant revenue and \$3 in deposits received from retail customers.

Deferred inflows of resources increased by \$41,725 due to increases of \$40,931 in relation to pensions and \$794 in OPEB based on actuarial reports.

### CleanPowerSF

CleanPowerSF's net position of \$84,320 decreased by \$2,757 or 3.2%, resulting from an increase of \$11,092 in total liabilities and deferred inflows of resources, offset by an increase of \$8,335 in total assets and deferred outflows of resources (see Table 1D). Increase in total assets of \$7,930 was due to increases of \$20,602 in prepaid expenses included \$12,236 in collateral paid to satisfy the CAISO's financial security requirements, \$5,914 from power purchase credits, and \$2,452 in prepayments to PG&E for electricity purchases. Other increases included \$20,438 in charges for services receivables due to pre-approved rate increases, \$1,833 in net pension assets based on actuarial report, and \$6 in interest receivable due to higher interest accrual from City's Treasury. These increases were offset by decreases of \$34,604 in cash and investments with City Treasury mainly attributed to volatile and increased pricing in power market and \$345 decrease in lease right-to-use assets net of accumulated amortization per implementation of GASB Statement No. 87, *Leases*.

Deferred outflows of resources increased by \$405 due to increases of \$356 in OPEB and \$49 in pensions based on actuarial reports.

Total liabilities increased by \$7,090 or 21.4% to \$40,169, mainly explained by \$7,667 increase in payables to suppliers for power purchases, \$3,168 increase in unearned revenues, refunds, and other due to \$2,676 grants received in advance from California Public Utilities Commission (CPUC) for the new Disadvantaged Communities Programs (DAC) and the Community Food Service Energy Efficiency program, \$503 from net energy metering credits to retail and commercial customers, offset by a decrease of \$11 from customer prepayments. Other increases included \$228 for employee related benefits including vacation sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior

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year and \$26 in general liability based on actuarial estimates. The increases were offset by decreases of \$3,008 in net pension liability based on actuarial estimates, \$645 in OPEB obligations based on actuarial assumptions, and \$346 decrease in lease liability and interest payable per implementation of GASB Statement No. 87, *Leases*.

Deferred inflows of resources increased by \$4,002 due to an increase of \$4,321 in relation to pensions, offset by a decrease of \$319 in OPEB based on actuarial reports.

#### Net Position, Fiscal Year 2021

#### **Hetch Hetchy**

Hetch Hetchy's net position of \$784,209 increased by \$16,429 or 2.1% from prior year resulting from an increase of \$93,621 in total assets and deferred outflows of resources, offset by a net increase of \$77,192 in total liabilities and deferred inflows of resources (see Table 1A). Current and other assets were \$468,768, a \$27,133 or 6.1% increase from prior year, driven by higher charges for services receivables from Hetchy Power. In April 2021, Hetchy Power implemented a new electric utility billing system causing billings from April to June to be delayed.

Capital assets, net of accumulated depreciation and amortization, increased by \$63,326 or 10.4% to \$669,537 primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment for the Bay Corridor Project and Holm Powerhouse Rehabilitation & Kirkwood Powerhouse Oil Containment Upgrades. Deferred outflows of resources increased by \$3,162 due to an increase of \$3,267 in other post-employment benefits (OPEB) based on actuarial reports offset by a decrease of \$105 in pensions.

Total liabilities increased by \$82,068 or 28.4% to \$371,114. The increases included \$47,243 in outstanding debt and \$34,825 in other liabilities. Deferred inflows of resources decreased by \$4,876 due to a decrease of \$7,555 in relation to pensions offset by an increase of \$2,679 in OPEB based on actuarial reports.

### Hetchy Water

Hetchy Water's net position of \$224,665 increased by \$13,630 or 6.5% resulting from an increase of \$23,381 in total assets and deferred outflows of resources, offset by a net increase of \$9,751 in total liabilities and deferred inflows of resources (see Table 1B). The increase of \$5,440 in current and other assets was attributed to increases of \$7,423 in cash and investment with City Treasury mainly due to a \$16,000 transfer from the Water Enterprise to fund upcountry projects, offset by higher project spending, \$413 increase in charges for services receivables due to higher consumption from Lawrence Livermore National Laboratory, and \$4 increase in inventory due to more purchases than issuances during the fiscal year. The increases were offset by decreases of \$1,996 in due from other governments mainly due to prior year reimbursements received for disaster emergency recoveries related to the 2018 Moccasin Storm and \$186 in interest receivables due to lower annualized interest rate. Prepaid charges, advances, and other receivables decreased by \$114 due to \$448 Rim Fire insurance recovery collections and \$4 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage, offset by an increase of \$338 in vendor prepayment to Turlock Irrigation District for Federal Energy Regulatory Commission (FERC) relicensing studies and California Department of Water Resources for annual dam fees. Other decreases include \$104 due from the City Attorney's Office for legal services.

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Capital assets, net of accumulated depreciation and amortization, increased by \$16,699 or 10.4% to \$177,481 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement Project and Repair & Replacement Life Extension Program, and additions of facilities, improvements, machinery, and equipment. Deferred outflows of resources increased by \$1,242 due to an increase of \$1,393 in OPEB based on actuarial reports offset by a decrease of \$151 in pensions.

Hetchy Water's total liabilities increased by \$12,208 or 25.9% to \$59,418, as explained by increases of \$5,778 in restricted payables to vendors and contractors mainly due to higher year-end expense accruals for capital projects, \$5,168 in net pension liability based on actuarial report, \$3,304 in unrestricted payables mainly for license and permit fees to National Park Service, \$626 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior year and a 3% cost of living adjustment increase in December 2020, and \$4 increase in rental deposits. The increases were offset by decreases of \$1,906 in OPEB obligations based on actuarial assumptions, \$493 in grant advance due to recognition of Rim Fire grant revenue, \$240 in payable due to the City Attorney's Office for unbilled legal services, and \$33 in general liability based on actuarial estimates.

Deferred inflows of resources decreased by \$2,457 due to a decrease of \$3,347 in relation to pensions offset by an increase of \$890 in OPEB based on actuarial reports.

### **Hetchy Power**

Hetchy Power's net position of \$472,464 increased by \$6,857 or 1.5% resulting from an increase of \$68,574 in total assets and deferred outflows of resources, offset by a net increase of \$61,717 in total liabilities and deferred inflows of resources (see Table 1C). Increase of \$20,430 in current and other assets was attributed to an increase of \$16,057 in charges for services receivables, of which \$15,673 was attributed to billing delays as a result of transitioning to new billing system implemented in April 2021. In addition, there was an increase of \$1,051 in year-end accrual for California Independent System Operator (CAISO) Congestion Revenue Right (CRR) credits, offset by an increase of \$667 in allowance for doubtful accounts due to increased past due balances as a result of the Mayor's emergency proclamation that Hetchy Power temporarily suspend collection procedures and utility shutoffs for past due accounts to help customers with financial hardship due to COVID-19. Restricted interest and other receivables increased by \$11,632 mainly due to vendor prepayment to PG&E for the Bay Corridor Project.

Prepaid charges, advances, and other receivables increased by \$405 mainly due to \$496 increase in vendor prepayments to PG&E for electric system reliability compliance product offset by decreases of \$61 in receivables for the Distributed Antenna System (DAS) program due to more payments received, \$16 in custom work receivables for Sunnydale Housing Projects, and \$14 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage. Inventory increased by \$211 due to more purchases than issuances during the fiscal year. The increases were offset by \$3,280 decrease in cash and investment with/outside City Treasury due primarily to increase in capital spending. Due from other City departments decreased by \$2,763, attributed to the final repayments of \$1,800 from CleanPowerSF for working capital loan, \$506 for the Sustainable Energy Account, \$331 from City Attorney's Office for legal services, \$109 from Wastewater Enterprise for the Living Machine System, and \$105 from the Recreation and Parks Department for Energy Efficiency Projects, offset by increases of \$46 in interest receivable from Treasure Island Development Authority (TIDA) in connection of an upgraded submarine power cable for the Treasure Island to increase service capacity and \$42 from the Department of Public Works for Hunters Point Shipyard Development and Transbay Folsom Street Improvement custom work projects. Other decreases include \$1,377 in grants receivable due to reimbursement received for disaster emergency recoveries

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related to the Rim Fire and 2018 Moccasin Storm, and \$455 in interest receivables due to lower annualized interest rate.

Capital assets, net of accumulated depreciation and amortization, increased by \$46,627 or 10.5% to \$492,056 primarily due to additions of facilities, improvements, machinery, and equipment for the Bay Corridor Project and Holm Powerhouse Rehabilitation & Kirkwood Powerhouse Oil Containment Upgrades. Deferred outflows of resources increased by \$1,517 due to an increase of \$1,702 in OPEB based on actuarial reports offset by a decrease of \$185 in pensions.

Hetchy Power's total liabilities of \$279,195 increased by \$64,721 or 30.2%. As of June 30, 2021, outstanding debts increased by \$47,243 and was attributable to \$51,136 in commercial paper issuance for Hetchy Power facilities, offset by \$2,402 in bonds and certificates of participation principal repayments, \$1,272 in return of unspent bond proceeds for 2015 NCREBs, and \$219 in amortization of premium and discount. Other liabilities of \$104,781, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by \$17,478 or 20.0%, mainly due to increases of \$8,724 in unrestricted payables mainly for wheeling charges to APX Inc., \$6.934 restricted payables to vendors and contractors due to higher year-end expense accruals for capital projects, \$6,317 in net pension liability based on actuarial report, and \$876 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior year and a 3% cost of living adjustment increase in December 2020. Offsetting decreases include \$2,330 in OPEB obligations based on actuarial assumptions, \$1,649 in unearned revenue, \$1,114 in general liability based on actuarial estimates, \$231 in due to City Attorney's Office for unbilled legal services, and \$49 in interest payable as a result of decreased outstanding debts and lower interest rates for commercial paper. Unearned revenue decreased by \$1,649 due to \$1,208 in remittance of utility tax collected, \$1,193 in power revenue from commercial deposits, \$681 in residential allowance refund for the Alice Griffith Housing Project, and \$609 in recognition of Rim Fire grants revenue received in advance, offset by increases of \$1,707 in deposits from custom work projects, \$200 in prepayments from DAS program, \$117 in overpayments received from customers, and \$18 in deposits received from retail customers and security deposits for cottage rental.

Deferred inflows of resources decreased by \$3,004 due to a decrease of \$4,091 in relation to pensions offset by an increase of \$1,087 in OPEB based on actuarial reports.

### CleanPowerSF

CleanPowerSF's net position of \$87,080 decreased by \$4,058 or 4.5%, resulting from a net decrease of \$134 in total assets and deferred outflows of resources and a net increase of \$3,924 in total liabilities and deferred inflows of resources (see Table 1D). Total assets decreased by \$537 due to a \$6,447 decrease in charges for services receivables attributed to an increase of \$3,675 in allowance for doubtful accounts due to higher past due balances in customer power utility accounts after the Mayor's proclamation to extend the moratorium on utility shutoffs and bill collections to help customers experiencing financial hardship as a result of COVID-19. Other decreases include \$2,772 in receivables mainly due to one-time customer assistance bill credits related to COVID-19 relief, \$576 in prepaid charges, advances, and other receivables mainly due to lower vendor prepayments for purchased electricity and \$160 in interest receivables due to lower annualized interest rate. The decreases were offset by an increase of \$6,646 in cash and investment with City Treasury mainly from cash collateral received for power purchase agreement.

Deferred outflows of resources increased by \$403 due to increases of \$231 in pensions and \$172 in OPEB based on actuarial reports.

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Total liabilities of \$32,501 increased by \$3,339 or 11.4%, which was mainly explained by \$9,000 in cash collateral received for power purchase agreement (see Note 14(a)), \$1,203 in net pension liability based on actuarial report, \$712 in OPEB obligations based on actuarial assumptions, and an increase of \$200 in employee related benefits including vacation, sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior year, and a 3% cost of living adjustment increase in December 2020. Other increases in unearned revenues, refunds, and other, include \$90 from net energy metering credits to retail and commercial customers, \$86 from customer prepayments, and \$4 from utility and electric energy surcharge tax payable. These increases were offset by decreases of \$6,047 in payables to vendors and contractors mainly from lower power purchases, \$1,809 due to other City departments (\$1,800 final working capital loan repayment to Hetchy Power and \$9 to City Attorney's Office for unbilled legal services), and \$100 in general liability based on actuarial estimates.

Deferred inflows of resources increased by \$585 due to an increase of \$702 in OPEB based on actuarial reports offset by a decrease of \$117 in relation to pensions.

#### **Results of Operations**

The following tables summarize Hetch Hetchy's revenues, expenses, and changes in net position:

#### Table 2A - Consolidated Hetch Hetchy Comparative Condensed Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2022, 2021, and 2020

|   | •       |                |         |                     |                     |
|---|---------|----------------|---------|---------------------|---------------------|
|   | 2022    | Restated 2021* | 2020    | 2022-2021<br>Change | 2021-2020<br>Change |
| Revenues:   |         |                |         |                     |                     |
| Charges for services \$                               | 480,198 | 390,924        | 420,937 | 89,274              | (30,013)            |
| Rents and concessions                                 | 249     | 247            | 347     | 2                   | (100)               |
| Interest and investment income (loss)                 | (8,219) | (157)          | 9,449   | (8,062)             | (9,606)             |
| Other non-operating revenues                          | 19,001  | 21,552         | 28,868  | (2,551)             | (7,316)             |
| Total revenues  | 491,229 | 412,566        | 459,601 | 78,663              | (47,035)            |
| Expenses:   |         |                |         |                     |                     |
| Operating expenses                                    | 470,768 | 408,870        | 389,026 | 61,898              | 19,844              |
| Interest expenses                                     | 5,630   | 2,000          | 2,809   | 3,630               | (809)               |
| Amortization of premium, discount, and issuance costs | 192     | (219)          | (228)   | 411                 | 9                   |
| Non-operating expenses                                | 628     | 965            | 1,071   | (337)               | (106)               |
| Total expenses  | 477,218 | 411,616        | 392,678 | 65,602              | 18,938              |
| -<br>Change in net position before transfers          | 14,011  | 950            | 66,923  | 13,061              | (65,973)            |
| Transfers from the City and County of San Francisco   | 30,001  | 16,000         | 14,000  | 14,001              | 2,000               |
| Transfers to the City and County of San Francisco     | (532)   | (532)          | (32)    |                     | (500)               |
| Net transfers   | 29,469  | 15,468         | 13,968  | 14,001              | 1,500               |
| Change in net position                                | 43,480  | 16,418         | 80,891  | 27,062              | (64,473)            |
| Net position at beginning of year                     | 784,198 | 767,780        | 686,889 | 16,418              | 80,891              |
| Net position at end of year \$                        | 827,678 | 784,198        | 767,780 | 43,480              | 16,418              |
|   |         |                |         |                     |                     |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

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# Table 2B - Hetchy WaterComparative Condensed Revenues, Expenses, and Changes in Net PositionYears Ended June 30, 2022, 2021, and 2020

|   | _  | 2022    | Restated<br>2021* | 2020    | 2022-2021<br>Change | 2021-2020<br>Change |
|---|----|---------|-------------------|---------|---------------------|---------------------|
| Revenues:   |    |         |                   |         |                     |                     |
| Charges for services                                | \$ | 49,200  | 46,979            | 34,797  | 2,221               | 12,182              |
| Rents and concessions                               |    | 112     | 111               | 156     | 1                   | (45)                |
| Interest and investment income (loss)               |    | (2,932) | (232)             | 1,932   | (2,700)             | (2,164)             |
| Other non-operating revenues                        | _  | 479     | 1,352             | 3,861   | (873)               | (2,509)             |
| Total revenues                                      | _  | 46,859  | 48,210            | 40,746  | (1,351)             | 7,464               |
| Expenses:   | _  |         |                   |         |                     |                     |
| Operating expenses                                  |    | 52,303  | 50,519            | 44,873  | 1,784               | 5,646               |
| Interest expenses                                   |    | 1       | 2                 | _       | (1)                 | 2                   |
| Non-operating expenses                              |    | 37      | 63                | 11      | (26)                | 52                  |
| Total expenses                                      | _  | 52,341  | 50,584            | 44,884  | 1,757               | 5,700               |
| Change in net position before transfers             | _  | (5,482) | (2,374)           | (4,138) | (3,108)             | 1,764               |
| Transfers from the City and County of San Francisco |    | 30,001  | 16,000            | 14,000  | 14,001              | 2,000               |
| Change in net position                              |    | 24,519  | 13,626            | 9,862   | 10,893              | 3,764               |
| Net position at beginning of year                   |    | 224,661 | 211,035           | 201,173 | 13,626              | 9,862               |
| Net position at end of year                         | \$ | 249,180 | 224,661           | 211,035 | 24,519              | 13,626              |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

#### Table 2C - Hetchy Power Comparative Condensed Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2022, 2021, and 2020

|   | 2022    | Restated<br>2021* | 2020    | 2022-2021<br>Change | 2021-2020<br>Change |
|---|---------|-------------------|---------|---------------------|---------------------|
| Revenues:   |         |                   |         |                     |                     |
| Charges for services \$                               | 173,105 | 136,247           | 140,680 | 36,858              | (4,433)             |
| Rents and concessions                                 | 137     | 136               | 191     | 1                   | (55)                |
| Interest and investment income (loss)                 | (4,001) | 24                | 5,746   | (4,025)             | (5,722)             |
| Other non-operating revenues                          | 15,763  | 19,273            | 25,006  | (3,510)             | (5,733)             |
| Total revenues  | 185,004 | 155,680           | 171,623 | 29,324              | (15,943)            |
| Expenses:   |         |                   |         |                     |                     |
| Operating expenses                                    | 156,347 | 145,640           | 148,127 | 10,707              | (2,487)             |
| Interest expenses                                     | 5,624   | 1,972             | 2,740   | 3,652               | (768)               |
| Amortization of premium, discount, and issuance costs | 192     | (219)             | (228)   | 411                 | 9                   |
| Non-operating expenses                                | 591     | 902               | 1,060   | (311)               | (158)               |
| Total expenses  | 162,754 | 148,295           | 151,699 | 14,459              | (3,404)             |
| Change in net position before transfers               | 22,250  | 7,385             | 19,924  | 14,865              | (12,539)            |
| Transfers to the City and County of San Francisco     | (532)   | (532)             | (32)    |                     | (500)               |
| Change in net position                                | 21,718  | 6,853             | 19,892  | 14,865              | (13,039)            |
| Net position at beginning of year                     | 472,460 | 465,607           | 445,715 | 6,853               | 19,892              |
| Net position at end of year \$                        | 494,178 | 472,460           | 465,607 | 21,718              | 6,853               |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

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#### Table 2D - CleanPowerSF Comparative Condensed Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2022, 2021, and 2020

|                                       |    | 2022    | Restated<br>2021* | 2020    | 2022-2021<br>Change | 2021-2020<br>Change |
|---------------------------------------|----|---------|-------------------|---------|---------------------|---------------------|
| Revenues:                             | -  |         |                   |         |                     |                     |
| Charges for services                  | \$ | 257,893 | 207,698           | 245,460 | 50,195              | (37,762)            |
| Interest and investment income (loss) |    | (1,286) | 51                | 1,771   | (1,337)             | (1,720)             |
| Other non-operating revenues          |    | 2,759   | 927               | 1       | 1,832               | 926                 |
| Total revenues                        | -  | 259,366 | 208,676           | 247,232 | 50,690              | (38,556)            |
| Expenses:                             | -  |         |                   |         |                     |                     |
| Operating expenses                    |    | 262,118 | 212,711           | 196,026 | 49,407              | 16,685              |
| Interest expenses                     |    | 5       | 26                | 69      | (21)                | (43)                |
| Total expenses                        | -  | 262,123 | 212,737           | 196,095 | 49,386              | 16,642              |
| Change in net position                | -  | (2,757) | (4,061)           | 51,137  | 1,304               | (55,198)            |
| Net position at beginning of year     | -  | 87,077  | 91,138            | 40,001  | (4,061)             | 51,137              |
| Net position at end of year           | \$ | 84,320  | 87,077            | 91,138  | (2,757)             | (4,061)             |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

# Result of Operations, Fiscal Year 2022

#### **Hetch Hetchy**

Hetch Hetchy's total revenues were \$491,229, an increase of \$78,663 or 19.1% over prior year (see Table 2A). Charges for services increased by \$89,274 or 22.8% from prior year's revenues mainly due to higher billings from CleanPowerSF and Hetchy Power. Total expenses increased by \$65,602 or 15.9% primarily from higher energy purchases due to volatile and increased pricing in power market. (See Table 2A).

#### **Hetchy Water**

Hetchy Water's total revenues were \$46,859, a decrease of \$1,351 or 2.8% from prior year's revenues (see Table 2B). Decrease was due to \$2,700 in investment loss and a decrease of \$873 from other non-operating revenues, offset by increases of \$2,221 from charges for services and \$1 from rents and concessions.

Charges for services were \$49,200, an increase of \$2,221 or 4.7% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs and higher consumption from Lawrence Livermore National Laboratory. Rents were \$112, an increase of \$1 or 0.9% mainly due to consumer price index adjustment. Interest and investment loss was \$2,932 mainly due to unrealized losses as a result of the decline in market value of investments related to rising interest rates. Other non-operating revenues were \$479, a decrease of \$873 or 64.6% mainly due to \$899 lower Federal and State grants revenue from the Rim Fire Projects, offset by increases of \$19 in overhead charges and \$7 in net gain from sale of fixed assets.

Total operating expenses, excluding interest expenses and other non-operating expenses, were \$52,303, an increase of \$1,784 or 3.5%. The increase was primarily due to increases of \$4,275 in other operating expenses mainly due to higher capital spending, \$612 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office, \$456 in contractual services mainly from increased engineering and management consulting services, \$309 in general and administrative expenses mainly due to higher fees, licenses, and permit expenses, \$277 in depreciation and amortization mainly related to additional building, structure and equipment placed in service, and \$90 in material and supplies

#### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

mainly from fuel and water treatment supplies. These increases were offset by a decrease of \$4,235 in personnel services due to lower pension obligations based on actuarial reports.

Other non-operating expenses were \$37, a decrease of \$26 due to lower payments to community-based organization programs. Interest expenses were \$1, a decrease of \$1 due to implementation of GASB Statement No. 87, *Leases*. A transfer in of \$30,001 was received from the Water Enterprise to fund various Mountain Tunnel projects.

As a result of the above activities, net position for the year ended June 30, 2022 increased by \$24,519 or 10.9% compared to prior year.

#### **Hetchy Power**

Hetchy Power's total revenues were \$185,004, an increase of \$29,324 or 18.8% from prior year's revenues (see Table 2C). Increases included \$36,858 from charges for services and \$1 from rents and concessions, offset by decreases of \$4,025 from interest and investment income and \$3,510 from other non-operating revenues.

Charges for services were \$173,105, an increase of \$36,858 or 27.1%, due to \$22,537 in billings from City departments such as San Francisco International Airport, Municipal Transportation Agency, and Port of San Francisco as a result of increased operation due to easing of COVID-19 restrictions and \$14,980 in Congestion Revenue Right (CRR) credits from California Independent System Operator (CAISO), offset by a decrease of \$659 in resale of capacity to CleanPowerSF. Rents increased slightly by \$1 or 0.7% to \$137 mainly due to consumer price index adjustment. Interest and investment loss was \$4,001, a decrease of \$4,025, mainly due to unrealized losses as a result of the decline in market value of investments related to rising interest rates.

Other non-operating revenues were \$15,763, a decrease of \$3,510 or 18.2%, mainly due to lower collections of \$3,254 from the Power System Mitigation Project, \$1,371 in Cap and Trade revenue due to decrease of 97,000 allowances or 80% sold, \$1,194 in revenue from Alice Griffith Housing Project due to prior year recognition of commercial deposits, \$797 in settlement revenue from prior year litigation settlement, and \$335 in overhead charges, offset by an increase of \$3,441 in State and Federal grants revenue from Rim Fire Project and California Utility Arrearages Relief Payment Program for unpaid bills.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$10,707 or 7.4%, to \$156,347. The increase was primarily due to increases of \$15,559 in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, \$1,978 in depreciation and amortization mainly for buildings, facilities, machinery, and equipment related to higher capitalization of assets, \$899 in contractual services mainly for management consulting and engineering services, \$280 in materials and supplies mainly for electrical supplies and tools, and \$116 in services provided by other departments mainly due to higher risk management costs. The increases were offset by decreases of \$6,110 in personnel services due to lower pension obligations based on actuarial reports, \$1,420 in general and administrative expenses mainly due to lower judgements and claims expenses, and \$595 decrease in other operating expenses mainly due to higher capitalized project expenses.

Interest expenses increased by \$3,652 or 185.2% mainly due to no bond interest capitalization recognized in current year resulting from the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Amortization of premium and discount increased by \$411 or 187.7% mainly due to costs of issuance for 2021 Series AB revenue bond.

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Other non-operating expenses were \$591, a decrease of \$311 or 34.5% mainly due to lower payments for GoSolarSF Incentive Program. Transfer out of \$532 includes \$500 to General Fund for repayment of Educational Revenue Augmentation Funds and \$32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2022 increased by \$21,718 or 4.6% compared to prior year.

# CleanPowerSF

CleanPowerSF's total revenues were \$259,366, a \$50,690 or 24.3% increase over prior year (see Table 2D). Charges for services increased by \$50,195 or 24.2% mainly due to increases of \$44,215 in electricity sales to retail and commercial customers resulting from a 16% average rate increase, \$2,831 reduction in allowance for doubtful accounts attributed to assistance received from California Utility Arrearages Relief Payment Program (CAPP) for eligible customer account arrearages, \$2,817 in one-time customer assistance bill credit related to COVID-19 in prior year, and \$332 from higher capacity sales to Hetchy Power. Other non-operating revenue increased by \$1,832 mainly due to \$2,424 Federal grants received from CAPP, offset by a decrease of \$592 liquidated damage compensation received from supplier for delay of the Renewable Energy Project in prior year. Interest and investment loss was \$1,286 as a result of the decline in market value of investments related to rising interest rates.

Total operating expenses, excluding interest expenses were \$262,118, an increase of \$49,407 or 23.2% from prior year. The increase was due to \$48,749 in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the California Public Utilities Commission. Other operating expenses increased by \$2,895 due to \$2,424 grant expense recognized for CAPP when applied to customer account arrearages and \$471 in operating expenses mainly for the Neighborhood Steward Program and the new Local Renewable Energy. Other increases included \$1,394 in general and administrative expenses mainly due to higher judgements and claims expenses, \$143 in professional and contractual services mainly from higher software licensing fee, and \$7 in material and supplies mainly for data processing equipment. These increases were offset by decreases of \$3,474 in personnel services due to lower pension obligations based on actuarial reports, \$307 in services provided by other departments mainly due to lower labor support from Hetchy Power. Interest expenses decreased by \$21 mainly due to repayment of working capital loan to Hetchy Power completed in prior year.

As a result of the above activities, net position for the year ended June 30, 2022 decreased by \$2,757 or 3.2% compared to prior year.

# Result of Operations, Fiscal Year 2021

### Hetch Hetchy

Hetch Hetchy's total revenues were \$412,566, a decrease of \$47,035 or 10.2% over prior year (see Table 2A). Charges for services decreased by \$30,013 or 7.1% from prior year's revenues mainly due to lower billings from CleanPowerSF and Hetchy Power. Total expenses increased by \$18,927 or 4.8% primarily due to increase in California Independent System Operator (CAISO) charges for CleanPowerSF market energy purchases (See Table 2A).

#### **Hetchy Water**

Hetchy Water's total revenues were \$48,210, an increase of \$7,464 or 18.3% from prior year's revenues (see Table 2B). Increase was due to \$12,182 from charges for services, offset by decreases of \$2,509 from other non-operating revenues, \$2,164 in interest and investment income, and \$45 from rents and concessions.

Charges for services were \$46,979, an increase of \$12,182 or 35.0% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs and higher consumption from Lawrence Livermore National Laboratory. Rents were \$111, a decrease of \$45 or 28.8% mainly from lower cottage rental revenue. Other non-operating revenues were \$1,352, a decrease of \$2,509 or 65.0% mainly due to decreases of \$1,510 in Federal and State grants revenue resulting from lower collections from State grants related to 2018 Moccasin Storm, \$995 from prior year Rim Fire recoveries, and \$4 in net gain from sale of fixed assets. Interest and investment loss was \$232 mainly due to unrealized loss attributed to decrease in market value in cash and investments with City Treasury and lower interest rates.

Total operating expenses, excluding other non-operating expenses, were \$50,517, an increase of \$5,644 or 12.6%. The increase was attributed to \$3,567 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, and increased personnel and fringe benefit costs. Other increases include \$773 in contractual services mainly from increased engineering and management consulting services, \$733 in depreciation and amortization related to additional building, structure and equipment placed in service, \$664 in services provided by other departments mainly due to higher bureau support costs and legal service charges from City Attorney's Office, and \$162 in other operating expenses mainly due to higher capital spending. These increases were offset by decreases of \$190 in general and administrative expenses mainly due to lower judgements and claims expenses and \$65 decrease in materials and supplies mainly for water and sewage treatment supplies.

Other non-operating expenses were \$63, an increase of \$52 due to payments to community-based organization programs. A transfer in of \$16,000 was received from the Water Enterprise to fund upcountry projects.

As a result of the above activities, net position for the year ended June 30, 2021 increased by \$13,630 or 6.5% compared to prior year.

#### Hetchy Power

Hetchy Power's total revenues were \$155,680, a decrease of \$15,943 or 9.3% from prior year's revenues (see Table 2C). Decreases included \$5,733 from other non-operating revenues, \$5,722 from interest and investment income, \$4,433 from charges for services, and \$55 from rents and concessions.

Charges for services were \$136,247, a decrease of \$4,433 or 3.2% was attributed to a decrease of \$8,362 in sales to City departments, wholesale, and Treasure Island customers due to COVID-19 related impacts and \$667 increase in allowance for doubtful accounts. Receivables aging over 120 days increased significantly due to the suspension of collection efforts and moratorium on utility shutoffs in response to the COVID-19 emergency proclamation issued by the Mayor. The decrease was offset by increases of \$2,537 in sales to retail customers mainly due to new affordable redevelopment housing accounts and \$2,059 in resale of capacity to CleanPowerSF due to excess capacity of electric system reliability compliance product. Rents were \$136, a decrease of \$55 or 28.8% mainly due to lower cottage rental revenue. Interest and investment income were \$24, a decrease of \$5,722 or 99.6% mainly due to decreases of \$4,691 in interest

earned from lower interest rates and cash balance, unrealized loss, and \$1,031 from interest accrued for Treasure Island submarine power cable in prior year.

Other non-operating revenues were \$19,273, a decrease of \$5,733, or 22.9%, mainly due to decreases of \$5,739 from Low Carbon Fuel Standard (LCFS) credit sales revenue, attributed to less carbon fuel credit generated by San Francisco Municipal Transportation Agency, \$2,574 in license fee from Transbay Cable Project due to final payment received in prior year, \$1,139 in Cap and Trade revenue due to decrease of 23,000 or 16% allowance sold, and \$654 decrease in fees collected from DAS program. Other decreases include \$402 in State and Federal grants revenue resulting from lower collections from State grants related to 2018 Moccasin Storm and Federal grants related to Hazard Mitigation grant, \$70 in Federal interest subsidy due to lower debt outstanding, \$37 in damage claims revenue, and \$5 in net gain from sale of fixed assets. These decreases were offset by increases of \$2,921 in collection for Power System Impact Mitigation Project, \$797 in settlement revenue related to litigation, \$736 in commercial deposits from Alice Griffith Housing Project recognized as revenue, \$259 in overhead charges, and \$174 in miscellaneous revenue mainly from generation interconnection study and refunds from vendor.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, decreased by \$2,489 or 1.7%, to \$145,638. The decrease was primarily due to \$6,138 in purchased electricity and transmission, distribution, and other power costs due to lower electricity sales, \$289 in services provided by other departments mainly due to lower bureau support costs, \$270 in material and supplies due to lower equipment maintenance, and \$96 decrease in depreciation and amortization for machinery and equipment. The decreases were offset by increases of \$1,704 in general and administrative expenses mainly due to higher litigation expenses, \$1,572 in other operating expenses mainly due to higher capital spending, \$984 in contractual services mainly from new incity inventory warehouse rental at Pier 23 in San Francisco, and \$44 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, higher pension obligations based on actuarial reports, and increased personnel and fringe benefit costs.

Interest expenses were \$1,970, a decrease of \$770 or 28.1% due to decrease in outstanding debt and lower interest rates for commercial paper. Amortization of premium and discount slightly decreased by \$9 or 3.9% to \$219.

Other non-operating expenses were \$902, a decrease of \$158 or 14.9% mainly due to decrease in payments for GoSolarSF Incentive Program. Transfer out of \$532 includes \$500 to General Fund for repayment of Educational Revenue Augmentation Funds and \$32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2021 increased by \$6,857 or 1.5% compared to prior year.

# CleanPowerSF

CleanPowerSF's total revenues were \$208,676, a \$38,556 or 15.6% decrease over prior year (see Table 2D). Charges for services decreased by \$37,762 or 15.4% mainly due to a decrease of \$32,077 in electricity sales to retail and commercial customers resulting from consumption decrease of 92,503 MWh or 3%, a one-time customer assistance bill credit of \$2,817 related to COVID-19 utility bill relief, an increase of \$2,451 in allowance for doubtful accounts, and \$417 lower capacity sales to other entities. Receivables aging over 120 days increased significantly due to the suspension of collection efforts and moratorium on utility shutoffs in response to the COVID-19 emergency proclamation issued by the Mayor. Interest and investment income decreased by \$1,720 or 97.1% due to unrealized loss and lower interest rates on pooled

cash and investments. Other non-operating revenue increased by \$926 due to liquidated damage compensation from vendor for the delay of Renewable Energy Project.

Total operating expenses, excluding interest expenses were \$212,716, an increase of \$16,690 or 8.5% from prior year. The increase was due to \$16,219 in purchased electricity and transmission, distribution and other power costs as a result of higher prices in the CAISO market and increase in resource adequacy capacity purchases related to new compliance requirements from the California Public Utilities Commission. Other increases include \$1,200 in services provided by other departments due to increased labor support from Hetchy Power and legal service charges from City Attorney's Office, and \$305 increase in other operating expenses mainly from the Neighborhood Steward Program and the new Local Renewable Energy Program. These increases were offset by decreases of \$529 in professional and contractual services mainly from lower management consulting services, \$279 in personnel services mainly due to lower pension obligations and OPEB based on actuarial reports, \$195 in general and administrative expenses mainly due to lower pension expenses. Interest expenses were \$18, a decrease of \$51 or 73.9% due to lower principal outstanding from Hetchy Power working capital loan.

As a result of the above activities, net position for the year ended June 30, 2021 decreased by \$4,058 or 4.5% compared to prior year.

#### **Capital Assets**

The following tables summarize Hetch Hetchy's changes in capital assets.

| Table SA - Capital Asse | is, Net of Accumula | ateu Deprecia |      | ortization |           |  |
|-------------------------|---------------------|---------------|------|------------|-----------|--|
| As o                    | of June 30, 2022, 2 | 2021, and 202 | 20   |            |           |  |
|                         |                     |               |      | 2022-2021  | 2021-2020 |  |
|                         | 2022                | 2021          | 2020 | Change     | Change    |  |

Table 34 - Capital Assets Net of Accumulated Depreciation and Amortization

|   | 2022    | 2021    | 2020    | Change  | Change |
|---|---------|---------|---------|---------|--------|
| Hetch Hetchy  |         |         |         |         |        |
| Facilities, improvements, machinery, and equipment \$ | 440,460 | 432,916 | 386,560 | 7,544   | 46,356 |
| Intangible assets                                     | 24,472  | 24,932  | 25,393  | (460)   | (461)  |
| Land and rights-of-way                                | 5,181   | 5,181   | 5,181   | _       | _      |
| Construction work in progress                         | 316,530 | 206,508 | 189,077 | 110,022 | 17,431 |
| Total   | 786,643 | 669,537 | 606,211 | 117,106 | 63,326 |
| Hetchy Water  |         |         |         |         |        |
| Facilities, improvements, machinery, and equipment    | 133,263 | 128,335 | 122,433 | 4,928   | 5,902  |
| Intangible assets                                     | 10,374  | 10,581  | 10,789  | (207)   | (208)  |
| Land and rights-of-way                                | 3,232   | 3,232   | 3,232   | _       | _      |
| Construction work in progress                         | 54,138  | 35,333  | 24,328  | 18,805  | 11,005 |
| Total   | 201,007 | 177,481 | 160,782 | 23,526  | 16,699 |
| Hetchy Power  |         |         |         |         |        |
| Facilities, improvements, machinery, and equipment    | 307,197 | 304,581 | 264,127 | 2,616   | 40,454 |
| Intangible assets                                     | 14,098  | 14,351  | 14,604  | (253)   | (253)  |
| Land and rights-of-way                                | 1,949   | 1,949   | 1,949   | _       | _      |
| Construction work in progress                         | 262,392 | 171,175 | 164,749 | 91,217  | 6,426  |
| Total \$  | 585,636 | 492,056 | 445,429 | 93,580  | 46,627 |

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021

(Dollars in thousands, unless otherwise stated)

# Capital Assets, Fiscal Year 2022

# **Hetch Hetchy**

Hetch Hetchy has capital assets of \$786,643, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2022 (see Table 3A). This amount represents an increase of \$117,106 or 17.5%, resulting from increases of \$110,022 in construction work in progress and \$7,544 in facilities, improvements, machinery and equipment, offset by a decrease of \$460 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment.

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2022 include the following:

#### Table 3B - Hetch Hetchy Major Additions to Construction Work in Progress and Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service Year ended June 30, 2022

|  |    | Hetchy<br>Water | Hetchy<br>Power | 2022 Total |
|--|----|-----------------|-----------------|------------|
| Bay Corridor Project   | \$ | _               | 46,608          | 46,608     |
| Mountain Tunnel Improvement Project  |    | 16,638          | 20,335          | 36,973     |
| Moccasin Powerhouse Rewind   |    | _               | 12,368          | 12,368     |
| O'Shaughnessy Dam Access & Drainage Improvements and<br>Outlet Works             |    | 1,733           | 2,118           | 3,851      |
| San Joaquin Pipeline Valve & Safe Entry Improvement                              |    | 2,952           | _               | 2,952      |
| Repair and Replacement Life Extension Program                                    |    | 2,776           | _               | 2,776      |
| Intervening Facilities   |    | _               | 2,758           | 2,758      |
| Pier 70  |    | _               | 2,739           | 2,739      |
| Van Ness - Bus Rapid Transit   |    | _               | 2,423           | 2,423      |
| Transmission Line Clearance Mitigation   |    | _               | 1,711           | 1,711      |
| Other project additions individually below \$1,500                               | _  | 5,555           | 19,799          | 25,354     |
| Additions to Construction Work in Progress                                       | \$ | 29,654          | 110,859         | 140,513    |
| San Joaquin Pipeline Tesla Valves and Installation                               | \$ | 4,410           | _               | 4,410      |
| O'Shaughnessy Dam Access & Drainage Improvements - Stairs<br>and Fall Protection |    | 1,931           | 2,360           | 4,291      |
| Pier 70  |    | _               | 1,720           | 1,720      |
| Transmission Line Clearance Mitigation   |    | _               | 1,508           | 1,508      |
| Other project additions individually below \$1,500                               |    | 4,672           | 14,386          | 19,058     |
| Facilities, Improvements, Intangible Assets, Machinery,                          | _  |                 |                 |            |
| and Equipment Placed in Service  | \$ | 11,013          | 19,974          | 30,987     |

# Hetchy Water

Hetchy Water has capital assets of \$201,007, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2022 (see Table 3A). This amount represents an increase of \$23,526 or 13.3%, primarily due to increases of \$18,805 in construction work in progress and \$4,928 in facilities, improvements, machinery, and equipment, offset by a decrease of \$207 in amortization of intangible assets.

#### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2022, Hetchy Water's major additions to construction work in progress totaled \$29,654. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$11,013 (see Table 3B).

# Hetchy Power

Hetchy Power has capital assets of \$585,636, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2022 (see Table 3A). This amount represents an increase of \$93,580 or 19.0%, primarily due to increases of \$91,217 in construction work in progress and \$2,616 in facilities, improvements, machinery, and equipment, offset by a decrease of \$253 in amortization of intangible assets.

For the year ended June 30, 2022, Hetchy Power's major additions to construction work in progress totaled \$110,859. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$19,974 (see Table 3B).

# CleanPowerSF

CleanPowerSF had no capital assets as of June 30, 2022 and 2021.

See Note 4 for additional information about capital assets.

# Capital Assets, Fiscal Year 2021

# **Hetch Hetchy**

Hetch Hetchy has capital assets of \$669,537, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2021 (see Table 3A). This amount represents an increase of \$63,326 or 10.4%, resulting from increases of \$46,356 in facilities, improvements, machinery and equipment and \$17,431 in construction work in progress, offset by a decrease of \$461 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment.

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Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2021 include the following:

#### Table 3C - Hetch Hetchy Major Additions to Construction Work in Progress and Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service Year ended June 30, 2021

|  |    | Hetchy<br>Water | Hetchy<br>Power | 2021 Total |
|--|----|-----------------|-----------------|------------|
| Bay Corridor Project   | \$ | _               | 31,556          | 31,556     |
| Mountain Tunnel Improvement Project  |    | 7,744           | 9,465           | 17,209     |
| Transmission Line Clearance Mitigation & Upgrade   |    | _               | 6,176           | 6,176      |
| Repair & Replacement Life Extension Program  |    | 5,188           | _               | 5,188      |
| Moccasin Penstock Rehabilitation and Powerhouse Rewind                                     |    | _               | 4,374           | 4,374      |
| Van Ness - Bus Rapid Transit   |    | _               | 2,742           | 2,742      |
| Moccasin Reservoir Security Fence  |    | 2,723           | _               | 2,723      |
| San Joaquin Pipeline Valve & Safe Entry Improvement  |    | 2,115           | -               | 2,115      |
| Treasure Island Capital Improvements   |    | _               | 2,025           | 2,025      |
| Other project additions individually below \$2,000   |    | 4,816           | 13,721          | 18,537     |
| Additions to Construction Work in Progress   | \$ | 22,586          | 70,059          | 92,645     |
| Holm Powerhouse Rehabilitation & Kirkwood Powerhouse Oil<br>Containment Upgrades           | \$ | -               | 21,920          | 21,920     |
| Electrical Underground Duct Bank 23rd & Illinois South Street                              |    | _               | 18,133          | 18,133     |
| Moccasin Reservoir Security Fence  |    | 3,549           | _               | 3,549      |
| Switch Yard Asset  |    | _               | 3,533           | 3,533      |
| San Joaquin Pipeline Rehabilitation  |    | 3,243           | _               | 3,243      |
| San Francisco Academy Solar Carport  |    | _               | 2,657           | 2,657      |
| Other project additions individually below \$2,000   | _  | 4,911           | 9,585           | 14,496     |
| Facilities, Improvements, Intangible Assets, Machinery,<br>and Equipment Placed in Service | \$ | 11,703          | 55,828          | 67,531     |

#### **Hetchy Water**

Hetchy Water has capital assets of \$177,481, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2021 (see Table 3A). This amount represents an increase of \$16,699 or 10.4%, primarily due to increases of \$11,005 in construction work in progress and \$5,902 in facilities, improvements, machinery, and equipment, offset by a decrease of \$208 in amortization of intangible assets.

For the year ended June 30, 2021, Hetchy Water's major additions to construction work in progress totaled \$22,586. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$11,703 (see Table 3C).

#### **Hetchy Power**

Hetchy Power has capital assets of \$492,056, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2021 (see Table 3A). This amount represents an increase of \$46,627 or 10.5%, primarily due to increases of \$40,454 in facilities, improvements, machinery, and equipment and \$6,426 in construction work in progress, offset by a decrease of \$253 in amortization of intangible assets.

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For the year ended June 30, 2021, Hetchy Power's major additions to construction work in progress totaled \$70,059. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$55,828 (see Table 3C).

#### CleanPowerSF

CleanPowerSF had no capital assets as of June 30, 2021 and 2020.

See Note 4 for additional information about capital assets.

#### Debt Administration

#### Hetch Hetchy

As of June 30, 2022, Hetch Hetchy has outstanding Certificates of Participation, Clean Renewable Energy Bonds (CREBs), Qualified Energy Conservation Bonds (QECBs), New Clean Renewable Energy Bonds (NCREBs), 2015 Series AB revenue bonds, 2021 Series AB revenue bonds, and commercial paper. The aforementioned debts are obligations of the Power Enterprise. See Hetchy Power section below for more details.

#### Hetchy Water

Hetchy Water did not have debt outstanding as of June 30, 2022 and 2021. Debt, including bond issuances, associated with the funding of water-related, upcountry infrastructure capital improvements is issued through the Water Enterprise, and is reflected in the Water Enterprise's financial statements.

#### Hetchy Power

As of June 30, 2022 and 2021, Hetchy Power had outstanding debt of \$247,525 and \$174,414, respectively, as shown in Table 4. More detailed information about the Hetchy Power's debt activity is presented in Notes 6, 7 and 8 to the financial statements.

#### CleanPowerSF

CleanPowerSF did not have any debt outstanding as of June 30, 2022 and 2021.

#### Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

#### Table 4 - Hetchy Power Outstanding Debt, Net of Unamortized Costs As of June 30, 2022, 2021, and 2020

|  | 2022    | 2021    | 2020    | 2022-2021<br>Change | 2021-2020<br>Change |
|--|---------|---------|---------|---------------------|---------------------|
| Clean Renewable Energy Bonds 2008 \$               | 415     | 823     | 1,231   | (408)               | (408)               |
| Certificates of Participation 2009 Series C        | 427     | 838     | 1,235   | (411)               | (397)               |
| Certificates of Participation 2009 Series D (BABs) | 12,593  | 12,593  | 12,593  | _                   | _                   |
| Qualified Energy Conservation Bonds 2011           | 3,138   | 3,687   | 4,229   | (549)               | (542)               |
| New Clean Renewable Energy Bonds 2012              | _       | _       | 130     | —                   | (130)               |
| New Clean Renewable Energy Bonds 2015              | 1,637   | 1,779   | 3,190   | (142)               | (1,411)             |
| 2015 Series A Revenue Bonds                        | 35,144  | 35,297  | 35,444  | (153)               | (147)               |
| 2015 Series B Revenue Bonds                        | 3,849   | 4,726   | 5,584   | (877)               | (858)               |
| 2021 Series A Revenue Bonds                        | 90,213  | _       | _       | 90,213              | —                   |
| 2021 Series B Revenue Bonds                        | 60,090  | _       | _       | 60,090              | —                   |
| Commercial Paper                                   | 40,019  | 114,671 | 63,535  | (74,652)            | 51,136              |
| Total \$   | 247,525 | 174,414 | 127,171 | 73,111              | 47,243              |

The increase of \$73,111 was mainly due to \$124,000 in 2021 Series AB revenue bond issuances, \$63,058 in commercial paper issuance for Hetchy Power facilities, and \$27,022 in bond premium for 2021 Series AB revenue bonds, offset by \$140,043 in commercial paper, bonds, and certificates of participation principal repayments, and \$926 in amortization of premium and discount.

*Credit Ratings and Bond Insurance* – The Power Enterprise's Power Revenue Bonds have been rated "AA-" by Fitch Inc and "AA" by Standard and Poor's (S&P) as of June 30, 2022 and 2021, respectively.

In December 2020, Moody's Investors Service, ("Moody's") assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook. Hetch Hetchy Water and Power contains the Power Enterprise as a separate enterprise fund, with CleanPowerSF a component unit of the Power Enterprise. CleanPowerSF is tracked and audited as a standalone fund, with financial statements, including revenues and expenses, separate and discrete from the Power Enterprise. As such, CleanPowerSF is deemed to be a separate credit from the Power Enterprise, with its own credit rating.

**Debt Service Coverage** – Pursuant to the Indenture, the Power Enterprise is required to collect sufficient net revenues each fiscal year, together with any Available Funds (except Bond Reserve Funds) which include unappropriated fund balances and reserves, and cash and book value of investments held by the Treasurer for the Hetchy Power, that the SFPUC reasonably expects would be available, to pay principal and interest becoming due and payable on all outstanding bonds as provided in the Indenture, less any refundable credits, at least equal to 1.25 times annual debt service for said fiscal year. The Series 2015 AB power revenue bonds represent the first series of senior lien revenue bonds of Hetchy Power. Pursuant to Power's Master Trust Indenture, senior lien debt service coverage excludes debt service on subordinate obligations, such as Hetchy Power's existing CREBS, NCREBs, and QECBs. During fiscal year 2022, the Power Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Power Enterprise's Indenture (see Note 8).

**Debt Authorization** – Pursuant to Charter Section 9.107(6), the Power Enterprise can incur indebtedness upon three-fourths vote of the Board of Supervisors, for the purpose of the reconstruction or replacement of existing water facilities and electric power facilities, or combinations thereof, under the jurisdiction of the Public Utilities Commission. Pursuant to Charter Section 9.107(8), the Power Enterprise can issue revenue bonds, without voter approval, upon an affirmative vote of the Board of Supervisors, for the purpose of the acquisition, construction, installation, equipping, improvement, or rehabilitation of equipment or facilities for

Management's Discussion and Analysis (Unaudited) June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

renewable energy and energy conservation. Pursuant to Proposition A, approved by the San Francisco voters on June 5, 2018, City Charter Section 8B.124 is amended to authorize the Power Enterprise to enter into indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors to reconstruct, replace, expand, repair, improve or construct new power facilities under the jurisdiction of SFPUC or for any other purpose of the Power Enterprise, and in compliance with City Charter Section 8B.124. Proposition A expressly prohibits the SFPUC from issuing bonds to finance the construction of power plants that generate electricity using fossil fuels or nuclear energy. As of June 30, 2022 and 2021, \$163,555 and \$39,555 of Hetchy Power revenue bonds were issued against existing authorization of \$555,043 and \$535,699, respectively.

*Cost of Debt Capital* – The Power Enterprise's outstanding long-term senior lien debt consists of the 2015 Series AB and 2021 Series AB Power Revenue Bonds issued in May 2015 and December 2021, respectively, which are issued under the Master Indenture and are senior in lien to all the other Enterprise's outstanding debt obligations. Coupon interest rates range from 3.0% to 5.0%. The Power Enterprise has previously issued and incurred debt service on Tax Credit Bonds and certificates of participation, which constitute subordinate obligations. Interest rates on the Tax Credit Bonds, which include QECBs and NCREBs, ranging from 1.2% to 1.5% (net of the federal tax subsidy). Certificates of participation carried interest rates ranging from 2.0% to 6.5%. The Power Enterprise's short-term debt issued under its commercial paper program has interest rates ranging from 0.1% to 1.1% and 0.1% to 0.2% during fiscal years 2022 and 2021, respectively.

#### **Rates and Charges**

#### **Hetchy Water**

Hetchy Water charges for services relates to the storage and delivery of water. Assessment fees from the Water Enterprise, which cover the water-related upcountry costs, were \$45,815 and \$44,149 for the years ended June 30, 2022 and 2021, respectively. In fiscal year 2023, the assessment fees will be \$49,636, an increase of \$3,821 or 8.3% as reflected in the fiscal year 2023 adopted budget.

# Hetchy Power

# Municipal Rates

Hetchy Power charges for services relates to power generation and electricity delivery to contractual and municipal customers. For municipal power services, customers are typically charged a General Use rate or Enterprise rate. Enterprise rates are charged based on projected PG&E equivalent rates by customer class. General fund department customers are mostly charged a General Use rate, a rate that is currently below cost of service. These General Use rates, however, are moving closer towards cost of service and increasing by \$0.01 per kWh on an annual basis beginning July 1, 2020. The General Use rates have been adopted every two years.

On May 10, 2020, the Commission adopted two years of General Use rates effective July 1, 2020 through June 30, 2022. The adopted General Use rate for fiscal years 2022 and 2021 are \$0.09877/kWh and \$0.08877/kWh, respectively. The Power Enterprise has developed rates under the cost of service analysis model and completed the 2022 Power Rates Study in spring of 2022, in which General Use rates have been modernized to standard customer classes and incrementally increased to cost of service over the next few years. New rates effective fiscal year 2023 have been adopted in May 2022. The SFPUC Rates Schedules and Fees is available at <a href="https://sfpuc.org/accounts-services/water-power-and-sewer-rates">https://sfpuc.org/accounts-services/water-power-and-sewer-rates</a>.

# Retail Rates

The Commission approved a new schedule of retail electric rates, fees, and charges for residential, commercial, and industrial customers where Hetch Hetchy has been designated as the power provider for retail customers to be applied to meter readings on or after July 1, 2016. Total bundled service charges for residential service rates and low-income residential service rates are calculated using the total rates, monthly, based on monthly meter reading, plus any applicable taxes.

To date, Hetchy Power has prepared service standards, developed system plans and specifications, acquired materials and equipment, and initiated construction of primary distribution facilities.

Pursuant to City and County of San Francisco Charter Section 8B.125, an independent rate study is performed at least once every five years. The rate study is undertaken to examine future revenue requirements and cost-of-service of the Power Enterprise. In fall of 2020, SFPUC engaged a consultant to perform a cost-of-service study. The informed rate setting from this study resulted in recommendation and approval by the Commission in the spring of 2022 for rates to be effective July 1, 2023. The SFPUC Rates Schedules and Fees is available at <a href="https://sfpuc.org/accounts-services/water-power-and-sewer-rates">https://sfpuc.org/accounts-services/water-power-and-sewer-rates</a>.

# CleanPowerSF

CleanPowerSF began offering services in May 2016, giving residential and commercial electricity consumers in San Francisco a choice of having their electricity supplied from clean renewable sources, such as solar and wind, at competitive rates. CleanPowerSF offers two products: a "Green" product comprised of at least 50% renewable energy and a "SuperGreen" product comprised of 100% renewable energy. Most customers take service under the "Green" product rates and remaining customers have opted to upgrade to "SuperGreen" product rates. On May 25, 2021, the Commission approved a CleanPowerSF rate adjustment formula. Through Resolution 21-0085, CleanPowerSF rates formulaically adjusted, when PG&E rates changed to the lesser of no more than 5% higher than PG&E generation rates or rates that recover program costs. On September 28, 2021, the Commission approved a subsequent CleanPowerSF rate adjustment formula. Through Resolution 21-0152, CleanPowerSF rates formulaically adjusted when PG&E rates changed to the lesser of no more than 15% higher than PG&E generation rates or rates that recover program costs from November 1, 2021 to June 30, 2022.

CleanPowerSF revenues are adequate to support its own operations. CleanPowerSF is subject to Section 8B.125 of the City Charter, which requires an independent rate study to be performed at least once every five years, and the Commission sets rates and charges for the program. CleanPowerSF rates have been included in the 2022 Power Rates Study, which is completed in the spring of 2022 for rates to be effective July 1, 2023. The CleanPowerSF Rates Schedules are available at <a href="http://cleanpowersf.org/residential">http://cleanpowersf.org/residential</a> for residential customers and <a href="http://cleanpowersf.org/commercial">http://cleanpowersf.org/commercial</a> for commercial customers.

# **Request for Information**

This report is designed to provide our citizens, customers, investors, and creditors with an overview of Hetch Hetchy's finances and to demonstrate Hetch Hetchy's respective accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102.

This report is available at <u>https://sfpuc.org/about-us/reports/audited-financial-statements-reports</u>.

Statements of Net Position June 30, 2022 and 2021 (In thousands)

| Accord<br>Constraint and inconstructs with Chy Treasury 1 (1) 100,054 (1) 100,054 (1) 100,073 (1) 100,173 (1) 00,058 (1) 00 |   | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2022<br>Total | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Restated<br>2021<br>Total* |
|--|---|-----------------|-----------------|--------------|---------------|-----------------|-----------------|--------------|----------------------------|
| Constructions with Op Treeury         1         10         -         -         1         0.119         0.0.338         370.530           Charge for exclusive castel CV preserves insolute CV and tables out an too construct and tables out and tabl  | Assets  |                 |                 |              |               |                 |                 |              |                            |
| Celah and Investments coulds CD) Treasury         1         126         -         17         1         611         -         612           Charge bor services inst of absonant for doubting acounts from<br>Hetch Prever of 12/97 and Charrison Ger 40, 403         -         -         1         0.019         4510         -         7         1.019         20.225         47,731           Due from other governments         512         2026         -         8607         -         7.413         -         1.731           Due from other governments         512         2026         -         8607         -         7.413         -         1.800         -         1.201         -         1.201         -         1.201         -         1.201         -  |   |                 |                 |              |               |                 |                 |              |                            |
| Encontrols:         Diagram of surveys of tot of shownes for of SL330 as of Jules 30.         2022 and Human Standard CarePower ST of SL330 as of Jules 30.         2022 and Human Standard CarePower ST of SL330 as of Jules 30.         2022 and Human Standard CarePower ST of SL330 as of Jules 30.         2022 and Human Standard CarePower ST of SL330 as of Jules 30.         2022 and Human Standard CarePower ST of SL330 as of Jules 30.         2023 and Human Standard CarePower Standard CarePower Standard Stand   |   |                 |                 | 56,234       |               |                 | / -             | 90,838       |                            |
| Drage for services (set of advances for abuella accounts from Heatry Twee of 21,252 and Leadon Week of 12,358 and Count-Powerf of 453 also 30 also 30, 2022; and Heatry Power of 21,255 and Count-Powerf of 453 also 30 also 30, 2023; and Heatry Power                          |   | 1               | 16              | -            | 17            | 1               | 611             | -            | 612                        |
| Hear Prover of 12.297 and Clear Prover 5 (12.53 as of clear Prover 5 (12.59 and Clear Prove 5 (12.                          |   |                 |                 |              |               |                 |                 |              |                            |
| 2022 junch Headery Flower of \$2,258 and Clean PowerS of \$5,485 as         47.5         10.109, 30,201         20.226         47.711           Due from other City dipatiments, current portion         -         667         -         867         -         7.413         -         7.413           Due from other City dipatiments, current portion         -         667         -         887         -         7.413         -         -         6.43         2120         55         20.1         1.120         1.55         20.1         1.120         55         20.1         1.120         1.55         20.1         1.120         1.55         20.1         1.120         1.55         20.1         1.120         1.55         1.120         1.   |   |                 |                 |              |               |                 |                 |              |                            |
| of June 30, 2021)         Due from other (by optimited): current portion         - <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>   |   |                 |                 |              |               |                 |                 |              |                            |
| $ \begin{array}{c c c c c c c c c c c c c c c c c c c $  |   | 475             | 10,189          | 48,703       | 59,367        | 442             | 19,024          | 28,265       | 47,731                     |
| Due from other generalises         512         228         -         8.10         6.79         2.57         -         8.80         4.20           Restricted interset and other receivables         -         -         4.303         -         4.303         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         -         11.800         - </td <td></td> <td></td> <td>007</td> <td></td> <td>007</td> <td></td> <td>7 440</td> <td></td> <td>7 442</td>  |   |                 | 007             |              | 007           |                 | 7 440           |              | 7 442                      |
| Interest         40         201         61         302         21         125         50         201           Total current receivables         -0.07         55.888         448,764         65.649         1.042         38.629         28.330         61.981           Preaded chargs, advences, and other receivables, current portion         1.99         1.078         -         1.807         1.91         1.800         -         2.011           Total current receivables         -         5.22         -         1.827         1.91         1.820         -         2.011           Total current receivables         -         -         5.228         -         1.837         1.918         1.820         -         2.011           Total current receivables         -         -         5.228         -         1.837         4.408         4.809         -         2.011         1.838         4.875.71         -         -         -         -         -         -         -         -         -         -         2.3186         8.810         3.170.701         -         4.963.71         1.4555         -         2.21.820         1.640.61         1.810.91         3.770         7.57         7.35         -         2.   |   |                 |                 | -            |               |                 |                 | _            |                            |
| Restriction interest and other receivables, current porton         -         4,303         -         4,305         -         11,800         -         -         11,800           Prepaid charges, and oncer receivables, current porton         126         1,811         10,550         12,677         1581         10,550         12,677         151         1820         -         2,011           Restricted rates and investments outside City Treasury, current porton         -         5,228         -         5,228         -         1,533         121,324         44,654.34           Non-current assets         -         1,525         -         1,525         -         1,525         -         1,525         -         1,525         -         2,524         -         8,543         1,512,55         -         2,12,51         5,524         -         2,525         1,52         1,52         1,52         1,52         1,523,11         5,56<  | 6   |                 |                 | -            |               |                 |                 |              |                            |
| Total current receivables         1.027         15.859         44.764         65.640         1.042         36.659         28.320         67.961           Pread Orages, advances, and other excivables, current portion<br>Total current souths         199         1.678         -         1.267         402         2.668         2.2143         1.165         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         -         1.53         1.54         425.513         9.100         2.34.56         3.56         -         1.52         -         1.55         6.52.81         -         1.52         -         1.55         6.52         -         1.55         6.56         1.53         1.57         1.55         1.53         -         1.55         1.55         1.55         1.55         1.55         1.55         1.55         1.55         1.55         1.55         1.55         1.55  |   |                 |                 | 61           |               |                 |                 |              |                            |
| Progeo drages, advances, and other nonivables, current portion<br>Inventory         121         10.550         12.677         101         1.820         -         2.011           Restricted cash and investments outside Oily Tressury, current portion<br>Toda current assets         5.228         -         5.228         -         1.830         -         2.011           Non current assets         5.238         -         5.228         -         -         1.53         -         1.53           Non current assets         13.912         17.044         1.833         2.12.642         44.64.94           Non current assets         13.912         17.044         1.833         3.2.749         -         -         -         -         -         1.2.831           Restricted cash and investments outside Oily Tressury         -         -         -         3.2.44         9.8.24         -         4.8.24         -         3.8.971         1.74.555         -         2.2.3.186         Capital assets, not being deprocition and amortization         6.16         7.3         2.2.30         3.6.41         1.9.99         1.6.93         -         4.093         1.5.01         -         4.093         -         4.093         -         4.093         -         4.093         -         4.093  |   |                 |                 | 40.704       |               |                 |                 |              |                            |
| Invertery         199         1678         -         187         -         183         -         103         -         103           Total current assets         95.633         214.332         115.564         425.513         91.009         234.598         121.342         445.649           Non-current assets         13.912         17.004         1.833         32.749         -         11.55  |   |                 |                 |              |               |                 |                 |              |                            |
| Prestore dash and investments outside City Tressury, current portion $-$ 5.228 $-$ 15.3   |   |                 |                 |              |               |                 |                 |              |                            |
| Total current essets         95.633         214.332         115.546         225.13         91.002         234.538         121.342         446.549           Net protion asset         13.912         17.004         1.833         32.749         - <td>-</td> <td>199</td> <td></td> <td>-</td> <td></td> <td></td> <td></td> <td></td> <td></td>  | -   | 199             |                 | -            |               |                 |                 |              |                            |
| Non-current assets         -   |   | -               |                 |              |               |                 |                 |              |                            |
| NME previous asset         13.9.2         17.004         1.833         32.709         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         1.231           Restricted cash and inestmets studie CDP Tresury, less current portion         -         8.824         -         3.824         3.9         3.7         -         4.664         11         Loss clipping c   |   | 90,033          | ∠14,332         | 115,548      | 420,013       | 91,009          | ∠34,598         | 121,342      | 440,949                    |
| Rearricate cash and investments outloit (b) Trossay is courrent profile         -         -         -         6.990         -         3.690           Capital assets, not being deprociated and amortization         173.76         265.772         -         28.214         3.651         174.555         -         213.126           Capital assets, not being deprociated and amortization         61         73         220         344         74         90         5.75         733           Provaid charges, advances, and other exolutios, loss courrent portion         166         730         12.20         344         74         90         5.75         733         -         905           Due from other CDV departments, less current portion         -         10.937         - <t< td=""><td></td><td>12.040</td><td>17.004</td><td>4 000</td><td>20.740</td><td></td><td></td><td></td><td></td></t<>   |   | 12.040          | 17.004          | 4 000        | 20.740        |                 |                 |              |                            |
| Restricted cash and investments outside City Tressury, less current portion         -         8.824         -         -         3.680         -         3.680           Capital assets, net of accumulated and anortization         143.831         319.864         -         463.495         13.810         317.501         -         455.41           Lesser gifth-town assets, net of accumulated anortization         146         9.300         12.236         21.772         152         753         -         905           Due from other (cy departments, lass current portion         146         9.300         12.236         21.772         152         753         -         905           Total assets         310.790         466.196         12.9847         12.9828         18.4697         505.623         57.7         692.095           Total assets         310.790         466.196         12.9847         12.98.602         77.57.06         741.421         12.917         1.139.044           Deferrationalities of resources         310.790         466.196         3.227         3.52.5         4.24         2.7.90         75.65         741.421         12.917         1.139.044           Def post-implyment benefits         3.227         3.999         798         8.090         1.53.75  |   | 13,912          | 17,004          | 1,833        |               | -               | -               |              | -                          |
| Capital assets, not being depreciated and amortization         F7.376         265,772         -         202,144         38,571         174,555         -         212,156           Copital assets, not of accumulated denositation         143,631         313,964         -         463,449         38,571         174,555         -         455,411           Lass cight to use assets, not of accumulated amortization         164         930         12,226         21,772         152         755         690         -         4933         11124         1124.1124         1124.1124         121.1241         121.124         121.124  |   | -               | -               | _            |               |                 |                 |              |                            |
| Captol seets, net of accumulated appreciation and amortization         143.631         319.664         -         48.496         138.210         317.501         -         456.411           Lease night-cue assets, et al commutated amortization         16         9.300         12.236         74         993         -         4.993         -         5.51         5.51         5.51         5.51         5.51         5.51         5.51         5.51         5.51         5.52         4.92  |   |                 |                 |              |               |                 |                 |              |                            |
| Less right-to-de assets, net of accumated amortization         61         73         230         74         90         575         739           Prepaid charges, advances, and other receivables, ses current portion         -         10.937         -         4.993         -         4.993           Total anourner tassets         215.12.6         631.864         142.99         861.289         194.687         506.823         575         692.065           Persions         6.696         6.183         892         15.713         7.799         9.531         803         8.133           Other post-singloyment benefits         3.272         3.999         798         6.266         3.1524         4.452         24.522         4.42         8.719           Total defered outflows of resources         9.998         12.182         1.650         2.3300         11.524         14.043         1.245         2.552           Labilities         Current fabilities         -         -         3.060         1.524         4.046         4.362         2.999         7.8         -         5.75           Damage claims liability, current portion         1.034         1.747         2.05         3.041         -         3.040         4.165         1.042         2.556<  |   |                 | ,               |              |               |                 |                 |              |                            |
| Preparaticinarges, advances, and other necevables, less current portion         146         9.300         12.28         21.772         152         753         -         905           Due from other Giv departments, less current portion         215.126         631.884         14.299         844.697         506.823         575         692.085           Total assets         320.756         846.196         12.846.07         226.502         275.06         741.421         121.917         1130.044           Defered outflows of resources:         9.966         12.82         1.650         23.800         11.524         14.083         1.245         26.582           Libbilities:         0.0000         9.966         12.182         1.650         23.800         11.524         14.083         1.245         26.582           Libbilities:         0.0000         1.094         2.4747         279         3.603         1.573         7.799         9.531         8.030           Accured waterian and skie leve, current portion         1.034         1.747         279         3.603         1.777         2.05         3.041           Acured waterian and skie leve, current portion         2.13         3         3.22         2.289         1.929         4.939         4.939 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>  |   |                 |                 |              |               |                 |                 |              |                            |
| Due from other City departments, less current portion         -         10.937         -         4.993         -         4.993           Total assets         310,756         846.196         12.9847         1.286.802         275.706         741.421         121.197         1.130.044           Deferred outflows of resources:         -         -         9.968         12.182         1.660         3.725         4.552         4.424         8.719           Pensions         0.968         12.182         1.660         3.2380         1.725         4.552         4.424         8.719           Total defered outflows of resources         9.968         12.182         1.660         3.272         4.552         4.424         8.719           Accourts payable         8.454         15.668         2.3526         48.648         4.262         2.909         15.859         4.3030           Accourts payable         8.454         15.668         2.3526         48.648         4.262         2.909         15.859         4.3030           Accourts payable         8.454         16.68         2.3526         48.648         4.262         2.909         15.859         4.3030           Accourts payable         8.451         16.68         1.777   | -   |                 |                 |              |               |                 |                 |              |                            |
| Total non-current assets         215,126         61,884         14,299         84,687         506,823         575         602,085           Deferred cuttlows of resources:         Pensions         6,696         8,183         852         15,731         7,799         9,531         803         18,133           Other post-employment benefits         3,272         3.999         798         8,696         3,725         4,552         442         8,719           Total defered outflows of resources         9,968         12,182         1,650         23,800         11,524         14,063         1,245         26,852           Liabilities         Current liabilities:         Accrued payrole         8,454         16,668         23,526         45,648         4,262         2,909         15,859         43,030           Accrued vacation and sck leave, current portion         1,034         1,747         279         3,060         1,053         1,777         205         3,041           Due to ther City departments, current portion         2,18         3,232         2,288         16         19         3,45         350           Lease liabilities         -         1,327         -         1,327         -         4,59         -         4,59 <t< td=""><td></td><td>146</td><td></td><td>12,236</td><td></td><td>152</td><td></td><td>-</td><td></td></t<>   |   | 146             |                 | 12,236       |               | 152             |                 | -            |                            |
| Total assets         310.759         846.196         129.647         1.286.802         275.766         741.421         121.917         1.139.044           Defered outflows of resources:         Pensions         6.696         8.183         852         15.731         7.799         9.531         803         16.133           Other post-employment benefits         3.272         3.999         798         8.0690         3.725         4.552         442         8.719           Accounts psysble         9.968         12.182         1.650         23.800         11.524         14.083         12.425         26.852           Labilities         Current labilities:         Accounts psysble         8.454         16.668         23.526         48.648         4.262         22.909         15.859         43.030           Accounds psysble         8.454         16.668         23.526         48.648         4.262         22.909         15.869         43.030           Accounds psysble         8.454         16.668         23.526         48.648         4.262         2.909         5.83         3.041           Damage claims lability.current portion         1.038         1.727         7.93         3.041         3.041         3.041         3.041 <t< td=""><td>• • • •</td><td>-</td><td>·</td><td></td><td></td><td>-</td><td></td><td></td><td></td></t<>   | • • • •   | -               | ·               |              |               | -               |                 |              |                            |
| Deferred outflows of resources:         6.696         8.183         852         15.731         7.799         9.531         803         18.133           Other post-employment benefits         3.272         3.999         788         8.069         3.722         4.552         4.424         6.719           Total deferred outflows of resources         9.968         12.182         1.650         23.800         11.524         14.083         1.245         26.852           Liabilities:         Accured synphile         8.454         16.668         23.526         48.048         4.262         22.909         15.859         43.030           Accured worker's compensation, current portion         1.034         1.747         279         3.060         1.059         1.777         205         3.041           Due to other Oty departments, current portion         215         400         -6         615         197         378         -         675           Due and ter Oty departments, current portion         228         388         15         601         218         409         6         633           Due and ter Oty departments, current portion         24         5.923         1.432         2         5.141         1.028         6.191         405   |   |                 |                 |              |               |                 | -               |              |                            |
| Pensions         6,686         8,183         322         15,731         7,799         9,531         803         18,133           Other post-employment benefits         3,272         3,999         798         8,069         3,725         4,552         4,424         8,719           Liabilities         1,524         14,063         1,245         2,6852           Accound payable         8,454         1,656         23,800         11,524         14,063         1,245         2,859           Accound payable         8,454         1,668         23,526         48,548         4,262         22,909         1,5,859         43,030           Accound vacation and six leave, current portion         1,034         1,747         279         3,060         1,059         1,777         205         3,041           Accound vacation and six leave, current portion         228         358         15         601         218         409         6         633           Due to other Oxide patients, current portion         24         5,223         4,196         1,013         22         5,141         1,028         6,191           Bond, current portion         -1,327         -1,327         -459         1         460           Bonds,   | lotal assets  | 310,759         | 846,196         | 129,847      | 1,286,802     | 275,706         | 741,421         | 121,917      | 1,139,044                  |
| Other post-employment benefits         3.272         3.999         798         8.069         3.725         4.552         4.42         8.719           Total defered outflows of resources         9,968         12.182         1.650         23.800         11.524         14.083         1.245         26.852           Lishilities:         Accounts payable         8.454         16.668         23.564         48.648         4.262         22.909         15.859         43.030           Accounds payable         1.093         1.747         273         4.155         1.042         2.536         221         3.039           Accound vacation and sick have, current portion         218         400         -         1.077         205         3.049           Damage cells lishbility, current portion         228         358         1.5         1.014         21.8         409         -         535           Due to other CPU departments, current portion         228         35         1.5         1.014         1.028         6.191           Bond, loan, and lease interest payable         -         1.327         -         459         1         4005           Certificates op paticipation, current portion         -         4.277         -         405   | Deferred outflows of resources:                             |                 |                 |              |               |                 |                 |              |                            |
| Total deferred outflows of resources         9.966         12.182         1.650         23.800         11.524         14.083         1.245         26.852           Liabilities         Current liabilities         8.454         16.68         23.526         48.648         2.22.909         15.859         43.030           Accrued vacation and sick leave, current portion         1.034         1.747         277         3.060         1.057         2.596         291         3.929           Accrued vacation and sick leave, current portion         2.15         400         -         6.01         2.18         1.977         3.050         1.057         3.76         -         5.55           Damage calimination (urrent portion         2.8         3.83         1.5         601         2.18         4.039         -         469         -         6.393           Lease liability, current portion         2.4         3.627         -         1.327         -         4.450         2.6.84         3.77         -         4.60         Bond, son, and lease interest payable         -         1.327         -         4.61         1.028         6.321         1.028         6.321         1.028         6.321         1.028         -         1.028         -         1.028   | Pensions  | 6,696           | 8,183           | 852          | 15,731        | 7,799           | 9,531           | 803          | 18,133                     |
| Labilities         Accounts payable         8.454         16.668         23.526         48.648         4.262         22.909         15.859         43.030           Accounts payable         1.098         2.684         373         4.155         1.042         2.596         291         3.029           Accrued vacation and sick leave, current portion         2.15         400         -         615         1.97         377         205         3.041           Accrued vacation and sick leave, current portion         2.15         400         -         615         1.97         377         205         3.041           Accrued vacation and sick leave, current portion         2.21         358         15         601         2.18         409         6         633           Due to dire City departments, current portion         -         3.3         2.32         2.28         16         19         345         380           Bonds, current portion         -         1.327         -         4.59         -         4.928         -         4.928         -         4.928         -         4.928         -         4.928         -         4.928         -         4.928         -         4.928         -         4.928         -   | Other post-employment benefits                              | -               | - <u> </u>      |              |               | ·               |                 | 442          |                            |
| Current liabilities:         8.454         16.668         23.526         48.648         4.262         22.909         15.859         23.329           Accourds payoll         1.098         2.684         373         4.155         1.042         2.596         29.11         3.329           Accrued vorkers' compensation, current portion         215         40.04         -         615         197         378         -         633           Due to other Ory departments, current portion         28         358         15         601         218         409         6         633           Due to other Ory departments, current portion         3         3         232         238         16         19         345         380           Lease liability, current portion         24         5.923         4.166         -         1.928         -         1.428           Bond, kan, and lease interest payable         -         1.327         -         459         1         4600           Commercial paper         -         4.019         -         40019         -         114.671           Current liabilities payable from restricted assets         6.324         19.059         -         2.5.383         9.057         15.393   | Total deferred outflows of resources                        | 9,968           | 12,182          | 1,650        | 23,800        | 11,524          | 14,083          | 1,245        | 26,852                     |
| Accrued yayroll       1,088       2,684       373       4,155       1,042       2,596       291       3,329         Accrued vacation and sick leave, current portion       215       400       -       615       197       378       -       575         Damage claims lability, current portion       228       338       15       601       218       4009       6       633         Due to other CRV departments, current portion       -       330       -       380       -       369       -       460       Bonds, current portion       -       1,028       6.1171       10.028       -       1,028       -       1,028       -       1,028       1.124       1,7405   |   |                 |                 |              |               |                 |                 |              |                            |
| Accured vacation and sick leave, current portion       1.034       1.747       279       3.060       1.059       1.777       205       3.041         Accured vackers' compensation, current portion       215       400       -       615       197       378       -       575         Damage claims liability, current portion       3       322       228       316       19       345       380         Lease liability, current portion       24       5.923       4.196       10.143       22       5.141       1.028       6.191         Bond, Lean, and Lease interest payable       -       1.327       -       459       1       460         Bonds, current portion       -       4.071       -       427       -       405       -       405         Certificates of participation, current portion       -       40.019       -       40.019       -       114.671       -       114.671       -       114.671       -       144.641         Current liabilities       10.369       -       226.383       9.0951       15.393       -       24.050       -       40.019       -       14.641       17.653       2.099       35.006       Net persion liability       -       -       - <td></td> <td>8,454</td> <td>16,668</td> <td>23,526</td> <td>48,648</td> <td>4,262</td> <td>22,909</td> <td>15,859</td> <td>43,030</td>   |   | 8,454           | 16,668          | 23,526       | 48,648        | 4,262           | 22,909          | 15,859       | 43,030                     |
| Accrued workers' compensation, current portion         215         400         -         615         197         378         -         575           Damage clashility, current portion         -         380         -         380         -         389         -         369         -         140         -         369         -         142         5,123         16,61         197         376         -         146         171         146         171         -         146         171         146         171         146         171         146         171         153         18,50         15         161         371         166,454         17,735         200,062         128,51         136,962         15,83         16,93   | Accrued payroll   | 1,098           | 2,684           |              | 4,155         | 1,042           | 2,596           | 291          | 3,929                      |
| Darage claims liability, current portion         228         358         15         601         218         409         6         633           Due to other City departments, current portion         3         3         232         238         16         19         345         380           Lease liability, current portion         24         5,923         4,196         10,143         22         5,141         1,028         6,191           Bond, loan, and lease interest payable         -         1,327         -         1,327         -         459         1         460           Bonds, current portion         -         1,966         -         1,928         -         1,928           Certificates of participation, current portion         -         427         -         405         -         405           Current liabilities payable from restricted assets         6,324         19,059         -         25,383         9,057         15,393         -         24,450           Total current liabilities         17,406         32,066         17,452         2,909         35,006           Net pension liability         -         -         -         2,862         1,840         195         3,161           Accrued   |   |                 |                 | 279          |               |                 |                 |              |                            |
| Due to other City departments, current portion         -         380         -         389         -         369         -         369         -         369         Lease liability, current portion         24         5.923         4.196         10.143         22         5.141         1.028         6.191         345         380           Bond, loan, and lease interest payable         -         1.327         -         1.327         -         459         1         460           Bonds, current portion         -         1.966         -         1.966         -         1.928         -         1.928           Certificates of participation, current portion         -         427         -         427         -         4019         -         114.671         -         114.671           Current liabilities         6.324         19.059         -         25.383         9.057         15.933         -         24.450           Current liabilities         17.380         90.961         2.8621         136.962         15.873         166.454         17.735         20.062           Long-term liability         -         -         -         -         -         2.6645         32.566         3.0.08         3.1.61   |   |                 |                 | 45           |               |                 |                 |              |                            |
| Lease liability, current portion         3         3         232         238         16         19         345         380           Unearned revenues, refunds, and other, current portion         24         5.923         4.196         10.143         22         5.141         1,028         6.191           Bond, loan, and lease interest payable         -         1.327         -         1.327         -         459         1         460           Certificates of participation, current portion         -         427         -         405         -         405           Current liabilities payable from restricted assets         6.324         19.059         -         25.383         9.057         15.393         -         24.450           Current liabilities         17.380         90.961         28.621         136.962         15.873         166.454         17.735         200.062           Long term liabilities         17.380         90.961         28.621         136.962         15.873         166.454         17.735         200.062           Long term liabilities         17.380         90.961         28.621         136.962         15.873         166.454         17.735         200.062           Long term liabilities         14.240  |   |                 |                 | 15           |               | 218             |                 | 0            |                            |
| Uneared revenues, refunds, and other, current portion         24         5.923         4.196         10.143         22         5.141         1.028         6.191           Bond, loan, and lease interest payable         -         1.327         -         1.457         -         459         1         460           Bonds, current portion         -         1.966         -         1.966         -         1.928         -         1.928           Certificates of participation, current portion         -         427         -         405         -         405           Current liabilities         6.324         19.059         -         25.383         9.067         15.393         -         24.450           Total current liabilities         17.380         90.961         28.621         136.962         15.873         166.454         25.666         3.008         62.219           Accrued vacation and sick leave, less current portion         1.135         1.850         -         2.264         32.909         14.444         17.653         2.909         3.606           Damage claims liabilit, less current portion         1.013         1.850         -         2.863         923         1.740         -         2.663         3.008         62.219   |   |                 |                 | 232          |               | 16              |                 | 345          |                            |
| Bonds, current portion         -         1.966         -         1.928         -         1.928           Certificates of participation, current portion         -         427         -         405         -         405           Commercial paper         -         40,019         -         114,671         -         114,671           Current liabilities payable from restricted assets         6.324         19,059         -         25,333         9,067         15,393         -         24,450           Long-term liabilities         17,380         90,961         28,621         136,962         15,873         166,454         17,735         20,062           Long-term liabilities         17,405         2,264         33,909         14,444         17,653         2,909         35,006           Net pension liability         -         -         -         -         -         2,664         3,209         9         -         2,663         3,023         1,740         -         2,663         3,23         1,740         -         2,663         923         1,740         -         2,663         923         1,740         -         2,663         923         1,740         -         2,663         923         1,740   |   | 24              | 5,923           | 4,196        | 10,143        | 22              | 5,141           | 1,028        | 6,191                      |
| Certificates of participation, current portion       -       427       -       405       -       405         Commercial paper       -       40,019       -       40,019       -       114,671       -       114,671         Current liabilities payable from restricted assets       6,324       19,059       -       25,383       9,057       15,873       166,454       17,735       200,062         Long-term liabilities       17,380       90,961       28,621       136,962       15,873       166,454       17,735       200,062         Long-term liabilities       17,380       90,961       28,621       136,962       15,873       166,454       17,735       200,062         Conter post-employment benefits obligations       14,240       17,405       2,264       33,909       14,444       17,653       2,009       35,006         Net pension liability       -       -       -       -       -       2,645       32,566       3,008       62,219         Accrued workers' compensation, less current portion       1,013       1,850       -       2,863       923       1,740       -       2,663         Deage lability, less current portion       1,013       1,850       -       130,26       75  |   | -               |                 | -            |               |                 |                 |              |                            |
| $\begin{array}{cccccccccccccccccccccccccccccccccccc$   |   | -               |                 | -            |               |                 |                 |              |                            |
| Current liabilities payable from restricted assets         6,324         19,059         -         25,383         9,057         15,393         -         24,450           Total current liabilities         17,800         90,961         28,621         136,962         15,873         166,454         17,735         200,062           Long-term liabilities         -         26,645         32,566         3,008         62,219         33,61           Accrued workers' compensation, less current portion         1,013         1,850         -         2,863         923         1,740         -         2,663           Bonds, less current portion         -         192,520         -         44,384         -         44,384           Lease liability, less current portion         59         72         -         131         62         75         232         369           Unearmed revenues, refunds, and other, less current portion         -         12,593         -         13,026   |   | _               |                 |              |               |                 |                 |              |                            |
| Total current liabilities         17,380         90,961         28,621         136,962         15,873         166,454         17,735         200,062           Long-term liabilities:         0ther post-employment benefits obligations         14,240         17,405         2,264         33,909         14,444         17,653         2,909         35,006           Net pension liability         -         -         -         26,645         32,566         3,008         62,219           Accrued vacation and sick leave, less current portion         1,135         1,850         -         2,863         923         1,740         -         2,663           Damage claims liability, less current portion         399         665         17         1,081         307         699         -         1,006           Bonds, less current portion         59         72         -         131         62         75         232         369           Unearmed revenues, refunds, and other, less current portion         110         804         9,000         9,914         116         852         9,000         9,968           Certificates of participation, less current portion         -         12,593         -         13,026         -         13,026         -         13,026   |   | 6.324           |                 | _            |               |                 |                 |              |                            |
| Other post-employment benefits obligations         14,240         17,405         2,264         33,909         14,444         17,653         2,909         35,006           Net pension liability         -         -         -         -         26,645         32,566         3,008         62,219           Accrued vacation and sick leave, less current portion         1,135         1,850         267         3,252         1,126         1,840         195         3,161           Accrued workers' compensation, less current portion         1,013         1,850         -         2,863         923         1,740         -         2,663           Damage claims liability, less current portion         1,013         1,850         -         192,520         -         44,384         -         44,384           Lease liability, less current portion         59         72         -         131         62         75         232         369           Unearned revenues, refunds, and other, less current portion         110         804         9,000         9,914         116         852         9,000         9,968           Certificates of participation, less current portion         -         12,593         -         13,026         -         13,026           Total long  |   | 17,380          | 90,961          | 28,621       | 136,962       | 15,873          | 166,454         | 17,735       | 200,062                    |
| Net pension liability         -         -         -         -         -         26,645         32,566         3,008         62,219           Accrued vacation and sick leave, less current portion         1,135         1,850         267         3,252         1,126         1,840         195         3,161           Accrued workers' compensation, less current portion         1,013         1,850         -         2,863         923         1,740         -         2,663           Bonds, less current portion         399         665         17         1,081         307         699         -         1,006           Bonds, less current portion         -         192,520         -         192,520         -         44,384         -         44,384           Lease liability, less current portion         59         72         -         131         62         75         232         369           Unearned revenues, refunds, and other, less current portion         110         804         9,000         9,914         116         852         9,000         9,668           Certificates of participation, less current portion         -         12,593         -         13,026         -         13,026           Total long-term liabilities         16  | Long-term liabilities:                                      |                 |                 |              |               | ·               |                 |              |                            |
| Accrued vacation and sick leave, less current portion $1,135$ $1,850$ $267$ $3,252$ $1,126$ $1,840$ $195$ $3,161$ Accrued workers' compensation, less current portion $1,013$ $1,850$ $ 2,863$ $923$ $1,740$ $ 2,663$ Damage claims liability, less current portion $399$ $665$ $17$ $1,081$ $307$ $699$ $ 1,006$ Bonds, less current portion $ 192,520$ $ 192,520$ $ 44,384$ $ 44,384$ Lease liability, less current portion $59$ $72$ $ 131$ $62$ $75$ $232$ $369$ Unearned revenues, refunds, and other, less current portion $110$ $804$ $9,000$ $9,914$ $116$ $852$ $9,000$ $9,968$ Certificates of participation, less current portion $ 12,593$ $ 13,026$ $ 13,026$ Total long term liabilities $16,956$ $227,759$ $11,548$ $256,263$ $43,623$ $112,835$ $15,344$ $171,802$ Total liabilities $34,336$ $318,720$ $40,169$ $393,225$ $59,496$ $279,289$ $33,079$ $371,864$ Deferred inflows of resources: $2,734$ $3,342$ $1,594$ $7,670$ $2,085$ $2,548$ $1,913$ $6,546$ Total deferred inflows of resources $37,211$ $45,480$ $7,008$ $89,699$ $3,073$ $3,755$ $3,006$ $9,834$ Net investment in capital assets $201,007$ $352,162$ <  |   | 14,240          | 17,405          | 2,264        | 33,909        | ,               |                 |              |                            |
| Accrued workers' compensation, less current portion $1,013$ $1,850$ $ 2,863$ $923$ $1,740$ $ 2,663$ Damage claims liability, less current portion $399$ $665$ $17$ $1,081$ $307$ $699$ $ 1,006$ Bonds, less current portion $ 192,520$ $ 192,520$ $ 44,384$ $ 44,384$ Lease liability, less current portion $59$ $72$ $ 131$ $62$ $75$ $232$ $369$ Unearned revenues, refunds, and other, less current portion $110$ $804$ $9,000$ $9,914$ $116$ $852$ $9,000$ $9,968$ Certificates of participation, less current portion $ 12,593$ $ 12,593$ $ 13,026$ $ 13,026$ Total long-term liabilities $16,956$ $227,759$ $11,548$ $256,263$ $43,623$ $112,835$ $15,344$ $171,802$ Total liabilities $34,336$ $318,720$ $40,169$ $393,225$ $59,496$ $279,289$ $33,079$ $371,864$ Deferred inflows of resources: $7,34$ $3,342$ $1,594$ $7,670$ $2,085$ $2,548$ $1,913$ $6,546$ Total deferred inflows of resources $37,211$ $45,480$ $7,008$ $89,699$ $3,073$ $3,755$ $3,006$ $9,834$ Net position: $ 140$ $ 140$ $ 99$ $ 99$ $ 99$ Unrestricted for debt service $ 140$ $ 140$ </td <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td></td> <td></td> <td></td> <td></td>   |   | _               |                 | _            |               |                 |                 |              |                            |
| $\begin{array}{c c c c c c c c c c c c c c c c c c c $   |   |                 |                 | 267          |               |                 |                 |              |                            |
| $\begin{array}{cccccccccccccccccccccccccccccccccccc$   |   |                 |                 | 17           |               |                 |                 |              |                            |
| Lease liability, less current portion5972 $-$ 1316275232369Unearned revenues, refunds, and other, less current portion1108049,0009,9141168529,0009,968Certificates of participation, less current portion $-$ 12,593 $-$ 13,026 $-$ 13,026Total long-term liabilities16,956227,75911,548256,26343,623112,83515,344171,802Total liabilities34,336318,72040,169393,22559,496279,28933,079371,864Deferred inflows of resources:34,47742,1385,41482,0299881,2071,0933,288Other post-employment benefits2,7343,3421,5947,6702,0852,5481,9136,546Total deferred inflows of resources37,21145,4807,00889,6993,0733,7553,0069,834Net investment in capital assets201,007352,162 $-$ 553,169177,481323,066 $-$ 500,547Restricted for debt service $-$ 140 $-$ 140 $-$ 99 $-$ 99Unrestricted48,173141,87684,320274,36947,180149,29587,077283,552   |   |                 |                 | <u> </u>     |               |                 |                 | _            |                            |
| $\begin{array}{c ccccccccccccccccccccccccccccccccccc$  |   | 59              |                 | _            |               |                 |                 |              |                            |
| Total long-term liabilities         16,956         227,759         11,548         256,263         43,623         112,835         15,344         171,802           Total liabilities         34,336         318,720         40,169         393,225         59,496         279,289         33,079         371,864           Deferred inflows of resources:         Related to pensions         34,477         42,138         5,414         82,029         988         1,207         1,093         3,288           Other post-employment benefits         2,734         3,342         1,594         7,670         2,085         2,548         1,913         6,546           Total deferred inflows of resources         37,211         45,480         7,008         89,699         3,073         3,755         3,006         9,834           Net position:         Net investment in capital assets         201,007         352,162         –         553,169         177,481         323,066         –         500,547           Net investment in capital assets         201,007         352,162         –         1440         –         99         –         99         –         99         –         99         –         99         –         99         –         99         –  | Unearned revenues, refunds, and other, less current portion |                 | 804             | 9,000        | 9,914         |                 | 852             |              | 9,968                      |
| Total liabilities         34,336         318,720         40,169         393,225         59,496         279,289         33,079         371,864           Deferred inflows of resources:         Related to pensions         34,477         42,138         5,414         82,029         988         1,207         1,093         3,288           Other post-employment benefits         2,734         3,342         1,594         7,670         2,085         2,548         1,913         6,546           Total deferred inflows of resources         37,211         45,480         7,008         89,699         3,073         3,755         3,006         9,834           Net position:         Net investment in capital assets         201,007         352,162         -         553,169         177,481         323,066         -         500,547           Restricted for debt service         -         140         -         140         -         99         -         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552  |   |                 |                 |              |               |                 |                 |              |                            |
| Deferred inflows of resources:         34,477         42,138         5,414         82,029         988         1,207         1,093         3,288           Other post-employment benefits         2,734         3,342         1,594         7,670         2,085         2,548         1,913         6,546           Total deferred inflows of resources         37,211         45,480         7,008         89,699         3,073         3,755         3,006         9,834           Net position:         Net investment in capital assets         201,007         352,162         -         553,169         177,481         323,066         -         500,547           Restricted for debt service         -         140         -         140         -         99         -         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552  | -   |                 |                 |              |               |                 | -               |              |                            |
| Related to pensions         34,477         42,138         5,414         82,029         988         1,207         1,093         3,288           Other post-employment benefits         2,734         3,342         1,594         7,670         2,085         2,548         1,913         6,546           Total deferred inflows of resources         37,211         45,480         7,008         89,699         3,073         3,755         3,006         9,834           Net position:         Net investment in capital assets         201,007         352,162         -         553,169         177,481         323,066         -         500,547           Restricted for debt service         -         140         -         140         -         99         -         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552   |   | 34,336          | 318,720         | 40,169       | 393,225       | 59,496          | 279,289         | 33,079       | 371,864                    |
| Other post-employment benefits         2,734         3,342         1,594         7,670         2,085         2,548         1,913         6,546           Total deferred inflows of resources         37,211         45,480         7,008         89,699         3,073         3,755         3,006         9,834           Net position:         201,007         352,162         -         553,169         177,481         323,066         -         500,547           Restricted for debt service         -         140         -         140         -         99         -         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552   |   | 04              | 10 10-          |              | 00.000        |                 |                 |              | c                          |
| Total deferred inflows of resources         37,211         45,480         7,008         89,699         3,073         3,755         3,006         9,834           Net position:         Net investment in capital assets         201,007         352,162         –         553,169         177,481         323,066         –         500,547           Restricted for debt service         –         140         –         140         –         99         –         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552   |   |                 |                 |              |               |                 |                 |              |                            |
| Net position:         201,007         352,162         -         553,169         177,481         323,066         -         500,547           Restricted for debt service         -         140         -         140         -         99         -         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552   |   |                 |                 |              |               |                 |                 |              |                            |
| Net investment in capital assets         201,007         352,162         -         553,169         177,481         323,066         -         500,547           Restricted for debt service         -         140         -         140         -         99         -         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552  |   | 31,211          | 40,460          | 7,008        | 03,033        | 3,073           | 3,100           | 3,000        | 9,034                      |
| Restricted for debt service         -         140         -         99         -         99           Unrestricted         48,173         141,876         84,320         274,369         47,180         149,295         87,077         283,552   |   | 201.007         | 352,162         | _            | 553,169       | 177.481         | 323.066         | _            | 500.547                    |
|  |   |                 |                 | _            |               |                 |                 | _            |                            |
| Total net position \$ 249,180 494,178 84,320 827,678 224,661 472,460 87,077 784,198  |   | -               |                 |              |               |                 |                 |              |                            |
|  | Total net position \$                                       | 249,180         | 494,178         | 84,320       | 827,678       | 224,661         | 472,460         | 87,077       | 784,198                    |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

See accompanying notes to financial statements.

#### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(In thousands)

|   | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2022<br>Total | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Restated<br>2021<br>Total* |
|---|-----------------|-----------------|--------------|---------------|-----------------|-----------------|--------------|----------------------------|
| Operating revenues:                                   |                 |                 |              |               |                 |                 |              |                            |
| Charges for services                                  | 49,200          | 173,105         | 257,893      | 480,198       | 46,979          | 136,247         | 207,698      | 390,924                    |
| Rents and concessions                                 | 112             | 137             |              | 249           | 111             | 136             |              | 247                        |
| Total operating revenues                              | 49,312          | 173,242         | 257,893      | 480,447       | 47,090          | 136,383         | 207,698      | 391,171                    |
| Operating expenses:                                   |                 |                 |              |               |                 |                 |              |                            |
| Personnel services                                    | 15,636          | 34,646          | 4,167        | 54,449        | 19,871          | 40,756          | 7,641        | 68,268                     |
| Contractual services                                  | 2,854           | 9,604           | 6,821        | 19,279        | 2,398           | 8,705           | 6,678        | 17,781                     |
| Transmission/distribution and other power costs       | _               | 51,521          | 192          | 51,713        | _               | 36,711          | 1,012        | 37,723                     |
| Purchased electricity                                 | -               | 6,731           | 239,546      | 246,277       | -               | 5,982           | 189,977      | 195,959                    |
| Materials and supplies                                | 1,362           | 2,270           | 33           | 3,665         | 1,272           | 1,990           | 26           | 3,288                      |
| Depreciation and amortization                         | 6,305           | 17,628          | 345          | 24,278        | 6,028           | 15,650          | 345          | 22,023                     |
| Services provided by other departments                | 3,129           | 6,253           | 3,621        | 13,003        | 2,517           | 6,137           | 3,928        | 12,582                     |
| General and administrative and other                  | 23,017          | 27,694          | 7,393        | 58,104        | 18,433          | 29,709          | 3,104        | 51,246                     |
| Total operating expenses                              | 52,303          | 156,347         | 262,118      | 470,768       | 50,519          | 145,640         | 212,711      | 408,870                    |
| Operating income (loss)                               | (2,991)         | 16,895          | (4,225)      | 9,679         | (3,429)         | (9,257)         | (5,013)      | (17,699)                   |
| Non-operating revenues (expenses):                    |                 |                 |              |               |                 |                 |              |                            |
| Federal and state grants                              | 450             | 4,924           | 2,424        | 7,798         | 1,349           | 1,483           | -            | 2,832                      |
| Interest and investment (loss) income                 | (2,932)         | (4,001)         | (1,286)      | (8,219)       | (232)           | 24              | 51           | (157)                      |
| Interest expenses                                     | (1)             | (5,624)         | (5)          | (5,630)       | (2)             | (1,972)         | (26)         | (2,000)                    |
| Amortization of premium, discount, and issuance costs | _               | (192)           | -            | (192)         | -               | 219             | -            | 219                        |
| Net gain from sale of assets                          | 7               | 9               | _            | 16            | -               | -               | -            | _                          |
| Other non-operating revenues                          | 22              | 10,830          | 335          | 11,187        | 3               | 17,790          | 927          | 18,720                     |
| Other non-operating expenses                          | (37)            | (591)           |              | (628)         | (63)            | (902)           |              | (965)                      |
| Net non-operating revenues (loss)                     | (2,491)         | 5,355           | 1,468        | 4,332         | 1,055           | 16,642          | 952          | 18,649                     |
| Change in net position before transfers               | (5,482)         | 22,250          | (2,757)      | 14,011        | (2,374)         | 7,385           | (4,061)      | 950                        |
| Transfers from the City and County of San Francisco   | 30,001          | -               | -            | 30,001        | 16,000          | -               | _            | 16,000                     |
| Transfers to the City and County of San Francisco     | -               | (532)           | _            | (532)         | -               | (532)           | -            | (532)                      |
| Net transfers   | 30,001          | (532)           |              | 29,469        | 16,000          | (532)           |              | 15,468                     |
| Change in net position                                | 24,519          | 21,718          | (2,757)      | 43,480        | 13,626          | 6,853           | (4,061)      | 16,418                     |
| Net position at beginning of year                     | 224,661         | 472,460         | 87,077       | 784,198       | 211,035         | 465,607         | 91,138       | 767,780                    |
| Net position at end of year                           | \$ 249,180      | 494,178         | 84,320       | 827,678       | 224,661         | 472,460         | 87,077       | 784,198                    |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

See accompanying notes to financial statements.

#### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Statements of Cash Flows

Years ended June 30, 2022 and 2021 (In thousands)

| Cash Incomo paraling advivables         9         49.161         193.203         237.447         470.311         46.176         120.981         223.255         300.482           Cash neceword from neutrations relevance menues         22         7.271         9.33         7.594         13.142         -         228           Cash neceword from menutations relevance         22         7.213         (13.238)         (16.01.239)         (15.298)         (16.01.239)         (15.291)         (15.293)  |   | Hetchy<br>Water | Hetchy<br>Power                       | CleanPowerSF | 2022<br>Total | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Restated<br>2021<br>Total*            |
|---|---|-----------------|---------------------------------------|--------------|---------------|-----------------|-----------------|--------------|---------------------------------------|
| Cash near-length form tending or multiple set in the constraint of the set in tending | Cash flows from operating activities:                                   |                 |                                       |              |               |                 |                 |              |                                       |
| Cash note enclosed revenues         22         7.237         335         7.594         3         13.427         997         H.4357           Cash paid te melyages for services         (20.430)         (60.440)         (60.476)         (60.458)         (60.766)         (20.950)         (81.722)         (21.736)         (31.4407)           Cash paid of updements and diams         (276)         (2.153)         (1.259)         (3.968)         (4.051)         (4.051)         (4.071)         (3.984)         (4.981)         (4.98  |   | - / -           | ,                                     | 237,947      |               | - / -           | - /             | 223,325      |                                       |
| Cash paid to employees for services         (20, 430)         (40, 448)         (15, 828)         (12, 657)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 627)         (12, 628)         (13, 627)         (14, 628)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627)         (13, 627) <th< td=""><td></td><td></td><td></td><td>-</td><td></td><td></td><td></td><td></td><td></td></th<>   |   |                 |                                       | -            |               |                 |                 |              |                                       |
| Cash paid to supplies for goods and services         (25, 26)         (137, 496)         (26, 86, 86)         (20, 950)         (81, 722)         (21, 735)         (34, 407)           Cash paid of updements and clasmes         2.665         (25, 20)         (39, 08)         (433)         (513)         (433)         (513)         (433)         (533)         (433)         (513)         (433)         (513)         (433)         (513)         (433)         (513)         (433)         (513)         (433)         (513)         (433)         (510)         (10, 510)         (34, 64)         (513)         (63)         (610) </td <td>Cash received from miscellaneous revenues</td> <td></td> <td>7,237</td> <td>335</td> <td>7,594</td> <td>3</td> <td>13,427</td> <td>927</td> <td>14,357</td>   | Cash received from miscellaneous revenues                               |                 | 7,237                                 | 335          | 7,594         | 3               | 13,427          | 927          | 14,357                                |
| Cash point for judgments and claims         (276)         (2.163)         (1.529)         (3.983)         (4.361)         (133)         (5.071)           Cash moving for provided by used in operating activities         2.865         39.999         (38.033)         4.831         5.185         6.231         7.020         20.437           Cash moving form grants         5.17         4.833         5.100         10.510         3.445         2.860         -         6.205           Cash moving form settlements         -         3.333         -         3.151         -         3.151           Cash moving form settlements         -         7.020         2.047         (625)         (63)         (902)         -         (955)           Cash provide for increations movements         -         -         3.001         -         -         15.000           Transfers from the City and County of San Francisco         30.401         -         -         15.021         -         15.02         -         15.02         -         15.02         -         -         15.02         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -<   | Cash paid to employees for services                                     | (20,430)        | (40,448)                              | (5,828)      | (66,706)      | (19,597)        | (40,236)        | (5,344)      | (65,177)                              |
| Net cash provided by (used in) operating activities:         2,865         39.999         (18.033)         4,831         5.185         6.231         7,020         20.43E           Cash freexiden from parts         5.17         4,863         5.100         10.510         3,345         2,660         -         6,005           Cash received from settlements         -         -         3,333         -         3,151         -         3,151           Cash pace for locanse frees         -         -         -         -         -         -         6,205         -         1,652         -         -         6,35         9627         -         1,852         -         -         -         -         -         -         -         -         1,852         -         1,852         -         1,852         -         1,852         -         1,852         -         1,852         -         1,853         1,853         1,853         -         1,853         -         1,853         -         1,853         -         1,853         -         -         -         1,853         1,853         1,853         1,853         1,853         1,853         1,853         1,853         1,853         1,853         1,853  | Cash paid to suppliers for goods and services                           | (25,726)        | (107,969)                             | (268,958)    | (402,653)     | (20,950)        | (81,722)        | (211,735)    | (314,407)                             |
| Cash Rows from non-capital and related financing activities:         5.7         4.883         5.100         10.610         3.34         2.860         -         6.205           Cash received for long settiments         -         -         -         -         -         797           Cash precived for long settiments         -         -         -         -         797         -         797           Cash precived from settlements         -         -         -         -         -         797         -         797           Cash precived from settlements         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         2333         -         33151         -   | Cash paid for judgments and claims                                      | (276)           | (2,163)                               | (1,529)      | (3,968)       | (563)           | (4,361)         | (153)        | (5,077)                               |
| Cash received from giants         5.17         4.893         5.100         10.510         3.345         2.860         -         6.205           Cash received from settements         -         -         -         797         -         797           Cash provided from settements         -         -         -         797         -         797           Cash provided for hetchy Power toon interest         -         -         -         -         -         797         -         797           Transfers from the City and Courty of San Francisco         3.001         -         -         30.001         16.000         -         -         16.520           Transfers from the City and Courty of San Francisco         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         (532)         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         - <t< td=""><td>Net cash provided by (used in) operating activities</td><td>2,865</td><td>39,999</td><td>(38,033)</td><td>4,831</td><td>5,185</td><td>8,231</td><td>7,020</td><td>20,436</td></t<>  | Net cash provided by (used in) operating activities                     | 2,865           | 39,999                                | (38,033)     | 4,831         | 5,185           | 8,231           | 7,020        | 20,436                                |
| Cash received for loanse fees         -         -         3.33         -         3.151         -         9.151           Cash received from settlements         -         -         -         -         797           Cash received from settlements         -         -         -         -         -         797           Cash paid for hebets, program incentives, and other         (37)         (591)         -         (628)         (63)         (902)         -         (965)           Cash provide by non-capital financing activities         30.41         7.103         5.100         42.644         19.222         5.374         (225)         -         (552)         -         (552)         -         (562)         -         (79.42)           The case provides by non-capital and related financing activities         30.41         7.102         (351)         (390)         (17)         (21)         (380)           Proceeds from bodi tessets         (7)         9         -         16         -<  | Cash flows from non-capital and related financing activities:           |                 |                                       |              |               |                 |                 |              |                                       |
| Cash provided from settlements       -       -       -       -       797         Cash paid for Hetchy Power loan incertes, and other       (37)       (591)       -       -       (623)       (63)       (902)       -       (965)         Transfers from the City and County of San Francisco       -       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (542)       -       (532)       -       (542)       -       (79)       -       16       - <td>Cash received from grants</td> <td>517</td> <td>4,893</td> <td>5,100</td> <td>10,510</td> <td>3,345</td> <td>2,860</td> <td>_</td> <td>6,205</td>  | Cash received from grants   | 517             | 4,893                                 | 5,100        | 10,510        | 3,345           | 2,860           | _            | 6,205                                 |
| Cash paid for rebates, pargram incentives, and other       (37)       (931)       -       (633)       (902)       -       (965)         Cash paid for rebates, pargram incentives, and other       -       -       -       -       (235)       (235)         Transfers form the City and County of San Francisco       -       -       (332)       -       (530)       (17)       (11)       (530)       (17)       (11)       (530)       (17)       (11)       (530)       (530)       (11)   | Cash received for license fees  | _               | 3,333                                 | _            | 3,333         | _               | 3,151           | _            | 3,151                                 |
| Cash plaid for Hetchy Prover loan interest       -       -       -       -       -       -       -       (235)         Transfers from the City and County of San Francisco       -       -       (532)       -       (532)       -       16,000       -       -       16,000         Transfers from the City and County of San Francisco       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (532)       -       (79,42)       -  | Cash received from settlements  | -               | _                                     | _            | _             | _               | 797             | _            | 797                                   |
| Transfers from the City and County of San Francisco       30,001       -       -       30,001       16,000       -       -       16,000         Transfers to the City and County of San Francisco       -       (532)       -       (7542)       -  | Cash paid for rebates, program incentives, and other                    | (37)            | (591)                                 | _            | (628)         | (63)            | (902)           | _            | (965)                                 |
| Transfers to the City and County of San Francisco       -       (532)       -       (53)       -       (513)       -       (511)       -  | Cash paid for Hetchy Power loan interest                                | -               | _                                     | _            | _             | _               | -               | (235)        | (235)                                 |
| Net cash provided by non-capital financing activities         30.481         7.103         5.100         42.684         19.282         5.374         (235)         24.421           Cash flows from capital and related financing activities         (32,558)         (108,062)         -         (140,620)         (16,981)         (62,461)         -         (79,442)           Proceeds from sale of capital assets         7         9         -         16         -  | Transfers from the City and County of San Francisco                     | 30,001          | _                                     | _            | 30,001        | 16,000          | -               | _            | 16,000                                |
| Cash flows from capital and related financing activities:       (32,558)       (108,062)       -       (140,620)       (16,981)       (62,461)       -       (79,42)         Proceeds from sale of applital sasets       7       9       -       16       -   | Transfers to the City and County of San Francisco                       | _               | (532)                                 | _            | (532)         |                 | (532)           |              | (532)                                 |
| Aquisition and construction of capital assets       (32,558)       (108,062)       -       (140,620)       (16,981)       (62,461)       -       (79,442)         Proceeds from sale of capital assets       7       9       -       16       -   | Net cash provided by non-capital financing activities                   | 30,481          | 7,103                                 | 5,100        | 42,684        | 19,282          | 5,374           | (235)        | 24,421                                |
| Proceeds from sale of capital assets         7         9         -         16         -   | Cash flows from capital and related financing activities:               |                 |                                       |              |               |                 |                 |              |                                       |
| Less payments       (17)       (22)       (351)       (390)       (17)       (21)       (350)       (388)         Proceeds from bond issuance, net of premium, discount, refunding loss, and issuance costs       -       151,022       -   | Acquisition and construction of capital assets                          | (32,558)        | (108,062)                             | _            | (140,620)     | (16,981)        | (62,461)        | _            | (79,442)                              |
| Proceeds from bond issuance, net of premium, discount, refunding loss, and issuance costs       -       151,022       -   | Proceeds from sale of capital assets                                    | 7               | 9                                     | _            | 16            | _               | -               | -            | -                                     |
| and issuance costs       -       (2,333)       -       (3,674)       -       (3,674)         Principal paid on long-term debt       -       (137,710)       -       1.136       -       (3,674)         Principal paid on commercial paper borrowings       -       (137,710)       - <td>Lease payments</td> <td>(17)</td> <td></td> <td>(351)</td> <td>(390)</td> <td>(17)</td> <td>(21)</td> <td>(350)</td> <td>(388)</td>   | Lease payments  | (17)            |                                       | (351)        | (390)         | (17)            | (21)            | (350)        | (388)                                 |
| Proceeds from commercial paper borrowings $63,058$ $63,058$ $ 51,136$ $ 51,136$ Principal paid on commercial paper $ (137,710)$ $ (137,710)$ $   -$   |   | -               | 151,022                               | -            | 151,022       | -               | -               | -            | -                                     |
| Principal paid on commercial paper       -       (137,710)       -  | Principal paid on long-term debt  | -               | (2,333)                               | -            | (2,333)       | -               | (3,674)         | -            | (3,674)                               |
| $\begin{array}{cccccccccccccccccccccccccccccccccccc$  |   |                 | ,                                     |              | ,             |                 | 51,136          | -            | 51,136                                |
| $\begin{array}{c ccccccccccccccccccccccccccccccccccc$   |   | -               |                                       |              |               | -               | -               | -            |                                       |
| Issuance costs paid on long-term debt       -       (1,118)       -   |   | -               |                                       | -            |               | -               | ,               | -            | · · · · · · · · · · · · · · · · · · · |
| Federal interest income subsidy $ 397$ $ 397$ $ 511$ $ 511$ Net cash used in capital and related financing activities $(32.568)$ $(39.513)$ $(351)$ $(72.432)$ $(16.998)$ $(17.611)$ $(350)$ $(34.959)$ Cash flows from investing activities:Interest income $329$ $1.003$ $407$ $1.739$ $739$ $1.986$ $802$ $3.527$ Proceeds from sale of investments outside City Treasury $ 7.118$ $ (7.118)$ $ (3.968)$ $ (3.968)$ Purchases of investments outside City Treasury $ (7.118)$ $ (7.118)$ $ (3.968)$ $ (3.968)$ Net cash provided by investing activities $329$ $1.003$ $407$ $1.739$ $739$ $1.986$ $802$ $3.527$ Cash and cash equivalents $1.107$ $8.592$ $(32.877)$ $(23.178)$ $8.208$ $(2.020)$ $7.237$ $13.425$ Cash and cash equivalents $1.107$ $8.592$ $(32.857)$ $57.887$ $364.127$ $96.276$ $200.265$ $90.764$ $387.305$ $88.068$ $202.2.85$ $83.527$ $373.880$ End of year $96.276$ $200.265$ $90.764$ $387.305$ $88.068$ $202.2.85$ $83.73$ $390.719$ $90.838$ $370.930$ Restricted $         12.231$ Add: Unrealized loss (gain) on investments with City Treasury: $3.192$ $5.148$ <  |   | -               |                                       |              |               | -               | (132)           | -            | (132)                                 |
| Net cash used in capital and related financing activities         (32,568)         (39,513)         (351)         (72,432)         (16,998)         (17,611)         (350)         (34,959)           Cash flows from investing activities:         329         1,003         407         1,739         739         1,986         802         3,527           Proceeds from sale of investments outside City Treasury         -         7,118         -         7,118         -         3,968         -         3,968           Purchases of investments outside City Treasury         -         (7,118)         -         (7,118)         -         (3,968)         -         (3,968)           Net cash provided by investing activities         329         1,003         407         1,739         739         1,986         802         3,527           Increase (decrease) in cash and cash equivalents         1,107         8,592         (32,877)         (23,178)         8,208         (2,020)         7,237         13,425           Cash and cash equivalents:         96,276         200,265         90,764         387,305         88,068         202,285         83,527         373,880           End of year         \$ 97,383         208,857         57,887         364,127         96,276         200,265   |   | -               | ,                                     | -            |               | -               | -               | -            |                                       |
| Cash flows from investing activities:       (10,10)   |   |                 |                                       |              |               |                 |                 |              |                                       |
| Interest Income       329       1,003       407       1,739       739       1,986       802       3,527         Proceeds from sale of investments outside City Treasury       -       7,118       -       7,118       -       3,968       -       3,968         Purchases of investments outside City Treasury       -       (7,118)       -       (7,118)       -       (3,968)       -       (3,968)         Net cash provided by investing activities       329       1,003       407       1,739       739       1,986       802       3,527         Increase (decrease) in cash and cash equivalents       1,107       8,592       (32,877)       (23,178)       8,208       (2,020)       7,237       13,425         Cash and cash equivalents:       -       -       96,276       200,265       90,764       387,305       88,068       202,285       83,527       37,380         End of year       96,276       200,265       90,764       387,305       88,068       202,285       83,527       37,380         Reconciliation of cash and cash equivalents to the statements of net position:       -       -       7,783       208,857       57,887       364,127       96,276       200,265       90,764       387,305         R   | · · · ·   | (32,568)        | (39,513)                              | (351)        | (72,432)      | (16,998)        | (17,611)        | (350)        | (34,959)                              |
| Inclusion   | -   |                 |                                       |              |               |                 |                 |              |                                       |
| Purchases of investments outside City Treasury       -       (7,118)       -       (7,118)       -       (3,968)       -       (3,968)         Net cash provided by investing activities       329       1,003       407       1,739       739       1,986       802       3,527         Increase (decrease) in cash and cash equivalents       1,107       8,592       (32,877)       (23,178)       8,208       (2,020)       7,237       13,425         Cash and cash equivalents:       96,276       200,265       90,764       387,305       88,068       202,285       83,527       373,880         End of year       96,276       200,265       90,764       387,305       88,068       202,285       83,527       373,880         Reconciliation of cash and cash equivalents to the statements of net position:       208,857       57,887       364,127       96,276       200,265       90,764       387,305         Restricted       -       -       -       -       6,990       5,241       -       12,231         Add: Unrealized loss (gain) on investments with City Treasury:       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       1       16   |   | 329             |                                       | 407          |               | 739             |                 | 802          |                                       |
| Net cash provided by investing activities         329         1,003         407         1,739         739         1,986         802         3,527           Increase (decrease) in cash and cash equivalents         1,107         8,592         (32,877)         (23,178)         8,208         (2,020)         7,237         13,425           Cash and cash equivalents:         96,276         200,265         90,764         387,305         88,068         202,285         83,527         373,880           End of year         96,276         200,265         90,764         387,305         88,068         202,285         83,527         373,880           Reconciliation of cash and cash equivalents to the statements of net position:         \$97,383         208,857         57,887         364,127         96,276         200,265         90,764         387,305           Reconciliation of cash and cash equivalents to the statements of net position:         Cash and investments with City Treasury:         0         189,641         56,234         340,065         89,373         190,719         90,838         370,930           Restricted         -         -         -         -         6,990         5,241         -         12,231           Add: Unrealized loss (gain) on investments with City Treasury:         3,192         <   | Proceeds from sale of investments outside City Treasury                 | -               | ,                                     | -            |               | -               | ,               | -            | · · · · · · · · · · · · · · · · · · · |
| Increase (decrease) in cash and cash equivalents       1,107       8,592       (32,877)       (23,178)       8,208       (2,020)       7,237       13,425         Cash and cash equivalents:       Beginning of year       96,276       200,265       90,764       387,305       88,068       202,285       83,527       373,880         End of year       96,276       200,265       90,764       387,305       88,068       202,285       83,527       373,880         Reconciliation of cash and cash equivalents to the statements of net position:       Cash and investments with City Treasury:       94,190       189,641       56,234       340,065       89,373       190,719       90,838       370,930         Restricted       -       -       -       -       -       6,990       5,241       -       12,231         Add: Unrealized loss (gain) on investments with City Treasury:       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       1       16       -       17       1       611       -       612         Restricted       -       14,052       -       14,052       -       3,843       -       3,843  | Purchases of investments outside City Treasury                          |                 | · · · · · · · · · · · · · · · · · · · |              |               |                 |                 |              | <u>`</u>                              |
| Cash and cash equivalents:       96,276       200,265       90,764       387,305       88,068       202,285       83,527       373,880         End of year       \$ 97,383       208,857       57,887       364,127       96,276       200,265       90,764       387,305         Reconciliation of cash and cash equivalents to the statements of net position:       Cash and investments with City Treasury:       94,190       189,641       56,234       340,065       89,373       190,719       90,838       370,930         Restricted       -       -       -       -       6,990       5,241       -       12,231         Add: Unrealized loss (gain) on investments with City Treasury:       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       1       16       -       17       1       611       -       612         Restricted       -       14,052       -       3,843       -       3,843       -       3,843  | Net cash provided by investing activities                               |                 |                                       |              | 1,739         |                 |                 |              |                                       |
| Beginning of year         96,276         200,265         90,764         387,305         88,068         202,285         83,527         373,880           End of year         \$ 97,383         208,857         57,887         364,127         96,276         200,265         90,764         387,305           Reconciliation of cash and cash equivalents to the statements of net position:<br>Cash and investments with City Treasury:<br>Unrestricted         \$ 94,190         189,641         56,234         340,065         89,373         190,719         90,838         370,930           Restricted         -         -         -         -         6,990         5,241         -         12,231           Add: Unrealized loss (gain) on investments with City Treasury:         3,192         5,148         1,653         9,993         (88)         (149)         (74)         (311)           Cash and investments outside City Treasury:         1         16         -         17         1         611         -         612           Restricted         -         14,052         -         14,052         -         3,843         -         3,843  | Increase (decrease) in cash and cash equivalents                        | 1,107           | 8,592                                 | (32,877)     | (23,178)      | 8,208           | (2,020)         | 7,237        | 13,425                                |
| End of year       \$ 97,383       208,857       57,887       364,127       96,276       200,265       90,764       387,305         Reconciliation of cash and cash equivalents to the statements of net position:<br>Cash and investments with City Treasury:<br>Unrestricted       \$ 94,190       189,641       56,234       340,065       89,373       190,719       90,838       370,930         Restricted       -       -       -       6,990       5,241       -       12,231         Add: Unrealized loss (gain) on investments with City Treasury       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       1       16       -       17       1       611       -       612         Restricted       -       14,052       -       14,052       -       3,843       -       3,843   | Cash and cash equivalents:  |                 |                                       |              |               |                 |                 |              |                                       |
| Reconciliation of cash and cash equivalents to the statements of net position:         Value  | Beginning of year   |                 |                                       |              | 387,305       | 88,068          |                 |              |                                       |
| Cash and investments with City Treasury:       \$ 94,190       189,641       56,234       340,065       89,373       190,719       90,838       370,930         Restricted       -       -       -       -       6,990       5,241       -       12,231         Add: Unrealized loss (gain) on investments with City Treasury       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       -       -       1       16       -       17       1       611       -       612         Restricted       -       14,052       -       14,052       -       3,843       -       3,843  | End of year \$  | 97,383          | 208,857                               | 57,887       | 364,127       | 96,276          | 200,265         | 90,764       | 387,305                               |
| Restricted       -       -       -       -       6,990       5,241       -       12,231         Add: Unrealized loss (gain) on investments with City Treasury       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       -       16       -       17       1       611       -       612         Restricted       -       14,052       -       14,052       -       3,843       -       3,843  |   |                 |                                       |              |               |                 |                 |              |                                       |
| Add: Unrealized loss (gain) on investments with City Treasury       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       1       16       -       17       1       611       -       612         Unrestricted       1       16       -       14,052       -       3,843       -       3,843  | Unrestricted \$   | 94,190          | 189,641                               | 56,234       | 340,065       | 89,373          | 190,719         | 90,838       | 370,930                               |
| Add: Unrealized loss (gain) on investments with City Treasury       3,192       5,148       1,653       9,993       (88)       (149)       (74)       (311)         Cash and investments outside City Treasury:       1       16       -       17       1       611       -       612         Unrestricted       1       16       -       14,052       -       3,843       -       3,843  | Restricted  | -               | -                                     | _            | _             | 6,990           | 5,241           | _            | 12,231                                |
| Cash and investments outside City Treasury:         1         16         -         17         1         611         -         612           Unrestricted         -         14,052         -         3,843         -         3,843   | Add: Unrealized loss (gain) on investments with City Treasury           | 3,192           | 5,148                                 | 1,653        | 9,993         |                 | (149)           | (74)         |                                       |
| Unrestricted         1         16         -         17         1         611         -         612           Restricted         -         14,052         -         14,052         -         3,843         -         3,843   |   |                 |                                       |              |               | . ,             |                 | . /          |                                       |
| Restricted <u>- 14,052 - 3,843 - 3,843</u>  |   | 1               | 16                                    | _            | 17            | 1               | 611             | _            | 612                                   |
|   | Restricted  | _               | 14,052                                | _            |               | _               | 3,843           | _            | 3,843                                 |
|   | Cash and cash equivalents at end of year on statements of cash flows \$ | 97,383          |                                       | 57,887       | 364,127       | 96,276          | 200,265         | 90,764       | 387,305                               |

 $* {\sf Restated \ per \ Governmental \ Accounting \ Standards \ Board \ (GASB) \ Statement \ No. \ 87, \ Leases.}$ 

#### Statements of Cash Flows Years ended June 30, 2022 and 2021 (In thousands)

|   |       |                 | (               |              |               |                 |                 |              | Restated       |
|---|-------|-----------------|-----------------|--------------|---------------|-----------------|-----------------|--------------|----------------|
|   |       | letchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2022<br>Total | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2021<br>Total* |
| Reconciliation of operating income (loss) to net cash provided by ( | (used | in)             |                 |              |               |                 | ·               |              |                |
| operating activities:   |       |                 |                 |              |               |                 |                 |              |                |
| Operating income (loss)   | \$    | (2,991)         | 16,895          | (4,225)      | 9,679         | (3,429)         | (9,257)         | (5,013)      | (17,699)       |
| Adjustments to reconcile operating income (loss) to net cash        |       |                 |                 |              |               |                 |                 |              |                |
| provided by (used in) operating activities:                         |       |                 |                 |              |               |                 |                 |              |                |
| Depreciation and amortization                                       |       | 6,305           | 17,628          | 345          | 24,278        | 6,028           | 15,650          | 345          | 22,023         |
| Miscellaneous revenues  |       | 22              | 7,237           | 335          | 7,594         | 3               | 13,427          | 927          | 14,357         |
| Provision for uncollectible accounts                                |       | -               | 39              | 845          | 884           | -               | 667             | 3,675        | 4,342          |
| Write-off of capital assets   |       | 7               | 648             | -            | 655           | 51              | 8,333           | -            | 8,384          |
| Changes in operating assets and liabilities:<br>Receivables:        |       |                 |                 |              |               |                 |                 |              |                |
| Charges for services  |       | (33)            | 8,796           | (21,283)     | (12,520)      | (413)           | (16,724)        | 2,772        | (14,365)       |
| Prepaid charges, advances, and other                                |       | 192             | (344)           | (20,574)     | (20,726)      | 114             | (12,172)        | 576          | (11,482)       |
| Due from other City departments                                     |       | _               | 531             | -            | 531           | 104             | 2,437           | -            | 2,541          |
| Inventory   |       | (8)             | 142             | -            | 134           | (4)             | (211)           | -            | (215)          |
| Accounts payable  |       | 4,192           | (6,241)         | 7,667        | 5,618         | 3,304           | 8,724           | (6,047)      | 5,981          |
| Accrued payroll   |       | 56              | 88              | 82           | 226           | 154             | 298             | 91           | 543            |
| Other post-employment benefits obligations                          |       | 898             | 1,099           | (1,320)      | 677           | (2,409)         | (2,945)         | 1,242        | (4,112)        |
| Pension obligations   |       | (5,965)         | (7,291)         | (569)        | (13,825)      | 1,972           | 2,411           | 855          | 5,238          |
| Accrued vacation and sick leave                                     |       | (16)            | (20)            | 146          | 110           | 539             | 660             | 109          | 1,308          |
| Accrued workers' compensation                                       |       | 108             | 132             | -            | 240           | (67)            | (82)            | -            | (149)          |
| Damage claims liability   |       | 102             | (85)            | 26           | 43            | (33)            | (1,114)         | (100)        | (1,247)        |
| Due to other City departments                                       |       | -               | 11              | -            | 11            | (240)           | (231)           | (1,592)      | (2,063)        |
| Unearned revenues, refunds, and other liabilities                   |       | (4)             | 734             | 492          | 1,222         | (489)           | (1,640)         | 9,180        | 7,051          |
| Total adjustments   |       | 5,856           | 23,104          | (33,808)     | (4,848)       | 8,614           | 17,488          | 12,033       | 38,135         |
| Net cash provided by (used in) operating activities                 | \$    | 2,865           | 39,999          | (38,033)     | 4,831         | 5,185           | 8,231           | 7,020        | 20,436         |
| Noncash transactions:   |       |                 |                 |              |               |                 |                 |              |                |
| Accrued capital asset costs   | \$    | 6,324           | 19,059          | _            | 25,383        | 9,057           | 15,393          | -            | 24,450         |
| Receivables from Wastewater   |       | _               | 629             | _            | 629           | _               | 739             | _            | 739            |
| Unrealized loss (gain) on investments                               |       | 3,192           | 5,148           | 1,653        | 9,993         | (88)            | (149)           | (74)         | (311)          |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

See accompanying notes to financial statements.

# (1) Description of Reporting Entity

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 69% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 31% balance of electricity is sold to CleanPowerSF and the wholesale electric market. As a result of the 1913 Raker Act, energy produced above the City's municipal load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the CAISO. Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Until August 1, 2008, the San Francisco Public Utilities Commission (SFPUC) consisted of five members, all appointed by the Mayor. Proposition E, a City and County of San Francisco Charter Section 4.112 amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the SFPUC, changed the process for appointing new members, and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the SFPUC, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four-year terms for SFPUC members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have expertise in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

#### Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

The SFPUC is a department of the City, and as such, the financial operations of Hetch Hetchy, Wastewater, and the Water Enterprises are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of Hetch Hetchy. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022 and 2021, and the changes in its financial position, or, where applicable, the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles (GAAP).

#### (2) Significant Accounting Policies

#### (a) Basis of Accounting and Measurement Focus

The accounts of Hetch Hetchy are organized on the basis of proprietary fund types and are included as enterprise funds of the City. The activities of Hetch Hetchy and each fund are accounted for with a separate set of self-balancing accounts that comprise Hetch Hetchy's and each fund's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of Hetch Hetchy are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with operations are included on the Statements of Net Position, revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Operating revenues are defined as charges to customers and rental income.

Hetch Hetchy applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

# (b) Cash and Cash Equivalents

Hetch Hetchy considers its pooled deposits and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the Enterprise. Non-pooled restricted deposits and restricted deposits and investments held outside the City Treasury with original maturities of three months or less are considered to be cash equivalents.

#### (c) *Investments*

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based upon quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

#### (d) Inventory

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

# (e) Capital Assets

Capital assets are defined as assets with an initial individual cost of more than \$5 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been recorded at cost. All donated capital assets are valued at estimated fair value at the time of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 1 to 100 years for equipment and 1 to 200 years for buildings, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

# (f) Intangible Assets

Under GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, licenses, and permits. The accounting pronouncement also provides guidance on the capitalization of internally generated intangible assets, such as the development and installation of computer software by or on behalf of the reporting entity.

According to the standard, Hetch Hetchy is required to capitalize intangible assets with a useful life extending beyond one reporting period. Hetch Hetchy has established a capitalization threshold of \$100. GASB Statement No. 51 also requires amortization of intangible assets over the benefit period, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor and, therefore, are not amortized (see Note 4).

# (g) Construction Work in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of construction projects that are discontinued are recorded as expenses in the year in which the decision is made to discontinue such projects.

# (h) Capitalization of Interest

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets (see Note 4). Per the implementation of GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, no interest was capitalized to capital assets in fiscal year 2022.

# (i) Bond Discount, Premium, and Issuance Costs

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method.

#### (j) Accrued Vacation and Sick Leave

Accrued vacation pay, which may be accumulated up to 10 weeks per employee, is charged to expense as earned. Sick leave earned subsequent to December 6, 1978 is non-vesting and may be accumulated up to six months per employee.

#### (k) Workers' Compensation

The Enterprise is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 13(b)).

#### (I) General Liability

The Enterprise is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development and estimated incurred but not reported claims (see Note 13(a)).

#### (m) Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements of the Clean Renewable Energy Bonds (CREBs), the Qualified Energy Conservation Bonds (QECBs), and the New Clean Renewable Energy Bonds (NCREBs) stipulate that the first payment of excess investment earnings, if any, is required to be rebated to the federal government, no later than 60 days after the end of the fifth bond year of the agreement. Hetch Hetchy did not have any arbitrage liability as of June 30, 2022 and 2021.

# (n) Income Taxes

As a department of a government agency, the Enterprise is exempt from both federal income taxes and California State franchise taxes.

#### (o) *Revenue Recognition*

Water and power revenues are based on water and power consumption and billing rates. Generally, customers are billed monthly. Revenues earned but unbilled are accrued as charges for services receivables on the Statements of Net Position. The unbilled amounts for the fiscal years ending June 30, 2022 and 2021 are as follows:

|      | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Total  |
|------|-----------------|-----------------|--------------|--------|
| 2022 | \$<br>          | 3,806           | 21,878       | 25,684 |
| 2021 | _               | 13,823          | 12,600       | 26,423 |

#### (p) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (q) Eliminations

Eliminations for internal activities between the Hetchy Power and CleanPowerSF are made in the Statements of Net Position. There were no activities requiring eliminations for fiscal years ended June 30, 2022 and 2021.

# (r) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the Design Phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include, but are not limited to, asbestos or lead paint removal; leaking of sewage in underground pipes or neighboring areas; chemical spills; removal and disposal of known toxic waste; harmful biological and chemical pollution of water; or contamination of surrounding soils by underground storage tanks (see Note 14(d)).

#### (s) *Leases*

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. Hetch Hetchy is a lessee for various noncancellable leases of building and radio tower.

Short-term Leases – For leases with a maximum possible term of 12 months or less at commencement, the Enterprise recognizes lease revenue if the Enterprise is the lessor of the lease or lease expense if the Enterprise is the lessee of the lease, based on the provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

*Leases other than Short-term* – For all other leases (i.e. those that are not short-term), Hetch Hetchy recognizes a lease liability and intangible right-to-use lease asset as lessee leases, or lease receivable and deferred inflow of resources as lessor leases.

## Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

Measurement of Lease Amounts (Lessee) – Hetch Hetchy's lease liability is recorded at the present value of future minimum lease payments as of the date of inception. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If Hetch Hetchy is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor) – Hetch Hetchy's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lesse at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources as lease revenue on a straight-line basis over the lease term.

*Key Estimates and Judgements* – Key estimates and judgements include how Hetch Hetchy determines (a) the discount rate it uses to calculate the present value of the expected lease payments, (b) lease terms, (c) lease payments, and (d) materiality threshold for equipment.

- Hetch Hetchy generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate implicit in the lease. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.
- The lease term includes the noncancellable period of the lease, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by Hetch Hetchy to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.
- Equipment and other leases have a capitalization threshold of \$100.70% below market rent and/or ground leases are determined to be below market rent (BMR), excluded from lease capitalization.

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

*Remeasurement of Lease* – Hetch Hetchy monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

*Presentation in Statements of Net Position* – Lease assets are reported with non-current assets, lease liabilities are reported with current and long-term liabilities in the Statements of Net Position.

#### (t) Other Post-employment Benefits (OPEB)

As prescribed under GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value (see Note 11(b)).

#### (u) New Accounting Standards Adopted in Fiscal Year 2022

 In June 2017, the GASB issued Statement No. 87, Leases. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease liabilities that currently are not reported. The new standard is effective for periods beginning after June 15, 2021. The Enterprise adopted the provisions of Statement No. 87 in fiscal year 2022 (see Note 9). As a result of adoption, the cumulative effect of applying this Statement is recorded as beginning balances for the following accounts as of July 1, 2020:

|                                    | Hetchy Wa | ter Hetchy Po | wer CleanPowers | SF Total 2021 |
|------------------------------------|-----------|---------------|-----------------|---------------|
| Beginning balance:                 |           |               |                 |               |
| Right-to-use Assets                | \$        | 93 1          | 920             | 0 1,126       |
| Lease Liability - Current          | (         | 29)           | (35) (37)       | 1) (435)      |
| Lease Liability - Long Term        | (         | 64)           | (78) (549       | 9) (691)      |
| Activities:                        |           |               |                 |               |
| Accumulated Amortization           | (         | 19)           | (23) (345       | 5) (387)      |
| Accrued Interest Payable - Current |           | _             | - (1            | 1) (1)        |
| Lease Liability - Current          |           | 13            | 16 26           | 6 55          |
| Lease Liability - Long Term        |           | 2             | 3 31            | 7 322         |
| Expenses                           |           | 4             | 4 3             | 3 11          |
| Total:                             |           |               |                 |               |
| Right-to-use Assets                |           | 93 1          | 920             | 0 1,126       |
| Accumulated Amortization           | (         | 19)           | (23) (345       | 5) (387)      |
| Accrued Interest Payable - Current |           | _             | - (2            | 1) (1)        |
| Lease Liability - Current          | (         | 16)           | (19) (345       | 5) (380)      |
| Lease Liability - Long Term        | (         | 62)           | (75) (232       | 2) (369)      |
| Expenses                           |           | 4             | 4 3             | 3 11          |
| Change to net position             | \$        | 4             | 4               | 3 11          |

2) In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of construction period. The new

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

standard is effective for periods beginning after December 15, 2020. The Enterprise adopted the provisions of Statement No. 89 in fiscal year 2022.

- 3) In January 2020, the GASB issued Statement No. 92, Omnibus 2020. GASB Statement No. 92 addresses practice issues that have been identified during implementation and application of certain GASB Statements. The new standard is effective for periods beginning after June 15, 2021. The Enterprise adopted the provisions of Statement No. 92 in fiscal year 2022, which did not have significant effect on its financial statements.
- 4) In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The new standard is effective for periods beginning after June 15, 2021. The Enterprise adopted the provisions of Statement No. 93 in fiscal year 2022, which did not have a significant effect on its financial statements.

#### (v) GASB Statements Implemented in Fiscal Year 2021

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for state and local governments to identify fiduciary activities and how those activities should be reported. The new standard is effective for periods beginning after December 15, 2019. The Enterprise adopted the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.
- 2) In August 2018, the GASB issued Statement No. 90, Accounting and Financial Reporting for Majority Equity Interests. GASB Statement No. 90 provides clarification when a government should report a majority equity interest in a legally separate organization as either a component unit or an investment. The new standard is effective for periods beginning after December 15, 2019. The Enterprise adopted the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.
- 3) In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. GASB Statement No. 97 clarifies rules related to reporting of fiduciary activities under Statements No. 14 and No. 84 and enhances the accounting and financial reporting of IRS Code section 457 plans that meet the definition of a pension plan. The new standard is effective for periods beginning after June 15, 2021. The Enterprise adopted early the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.
- 4) In October 2021, the GASB issued Statement No. 98, The Annual Comprehensive Financial Report. GASB Statement No. 98 updates existing accounting standards by changing the name of the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report. The new standard is effective for periods ending after December 15, 2021. The Enterprise adopted the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.

#### (w) Future Implementation of New Accounting Standards

1) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the compatibility and consistency of conduit debt obligation

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

reporting and reporting of related transactions by State and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The Enterprise will implement the provisions of Statement No. 91 in fiscal year 2023.

- 2) In March 2020, the GASB Issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The new standard is effective for periods beginning after June 15, 2022. The Enterprise will implement the provisions of Statement No. 94 in fiscal year 2023.
- 3) In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government. The new standard is effective for periods beginning after June 15, 2022. The Enterprise will implement the provisions of Statement No. 96 in fiscal year 2023.
- 4) In April 2022, the GASB issued Statement No. 99, Omnibus 2022. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The new standard is effective for periods beginning after June 15, 2023. The Enterprise will implement the provisions of Statement No. 99 in fiscal year 2024.
- 5) In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The new standard is effective for periods beginning after June 15, 2023. The Enterprise will implement the provisions of Statement No. 100 in fiscal year 2024.
- 6) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The new standard is effective for periods beginning after December 15, 2023. The Enterprise will implement the provisions of Statement No. 101 in fiscal year 2025.

# (x) *Reclassifications*

The Hetch Hetchy Enterprise has reclassified certain amounts relating to the prior period to conform to its current period presentation. These reclassifications had no effect on previously reported changes in net position.

# (3) Cash, Cash Equivalents, and Investments

Hetch Hetchy's cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the

## Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

portfolio, which may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to Hetch Hetchy's average daily cash balances. The primary objectives of Hetch Hetchy's investment policy are consistent with the City's policy.

Restricted assets are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The balances as of June 30, 2022 and 2021 were \$14,052 and \$3,843, respectively. The Enterprise held all investments in guaranteed investment contracts, treasury and government obligations, commercial paper, corporate bonds, and notes, as well as money market mutual funds consisting of treasury and government obligations. The balance as of June 30, 2022 included 2021 Series AB bond proceeds of \$10,346, 2015 Series A bond proceeds of \$2,194, certificates of participation proceeds of \$981, 2015 Series B bond proceeds of \$516, \$17 held at a commercial bank in a non-interest-bearing checking account that is covered by depository insurance, and commercial paper of \$15. The balance as of June 30, 2021 included 2015 Series A bond proceeds of \$2,193, certificates of participation proceeds of \$10,346, 2015 Series B bond proceeds 2015 Series A bond proceeds of \$2,193, and commercial bank in a non-interest-bearing checking account that is covered by depository insurance, and proceeds of \$2,193, certificates of participation proceeds of \$1,115, \$612 held at a commercial bank in a non-interest-bearing checking account that is covered by depository insurance, 2015 Series B bond proceeds of \$516, and commercial bank in a non-interest-bearing checking account that is covered by depository insurance, 2015 Series B bond proceeds of \$516, and commercial paper of \$19.

Hetch Hetchy did not have any unrealized gain and loss in the restricted cash and investments outside City Treasury as of June 30, 2022 and 2021.

Hetch Hetchy categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

Commercial paper is valued using a variety of techniques such as matrix pricing; market corroborated pricing inputs such as yield curve, indices, and other market related data. Commercial paper, money market investments, and cash and cash equivalents are exempt from fair value treatment under GASB Statement No. 72.

The following is a summary of the Hetch Hetchy restricted and unrestricted cash and investments outside City Treasury and the fair value hierarchy as of June 30, 2022 and 2021.

|                                   |                        |            |    |            |                            | Fair Value Measurements Using                                    |  |                        |  |  |
|-----------------------------------|------------------------|------------|----|------------|----------------------------|--|--|------------------------|--|--|
|                                   | Credit Ratings         | June 3     | 0, | 2022       | Investments<br>exempt from | Quoted prices<br>in active<br>markets for<br>identical<br>assets | Significant<br>other<br>observable<br>inputs | Unobservable<br>Inputs |  |  |
| Investments                       | (S&P/Moody's)          | Maturities |    | Fair Value | fair value                 | (Level 1)  | (Level 2)                                    | (Level 3)              |  |  |
| Hetchy Water                      |                        |            |    |            |                            |  |  |                        |  |  |
| Cash and Cash Equivalents         | N/A                    |            | \$ | 1          | 1                          |  | _  | -                      |  |  |
| Total Cash and Investments ou     | itside City Treasury   |            | \$ | 1          | 1                          |  | _  | _                      |  |  |
| Hetchy Power                      |                        |            |    |            |                            |  |  |                        |  |  |
| U.S. Treasury Money Market Funds  | AAAm/Aaa-mf            | < 90 days  | \$ | 14,037     | 14,037                     | _  | _  | -                      |  |  |
| Cash and Cash Equivalents         | N/A                    |            |    | 15         | 15                         | -  | _  | -                      |  |  |
| Total Restricted Cash and Investm | ents outside City Trea | asury      | \$ | 14,052     | 14,052                     |  | _  | _                      |  |  |
| Cash and Cash Equivalents         | N/A                    |            | \$ | 16         | 16                         | _  | _  | _                      |  |  |
| Total Cash and Investments ou     | itside City Treasury   |            | \$ | 16         | 16                         |  |  | _                      |  |  |

# Notes to Financial Statements

June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

|                                  |                       |            |     |            |                            | Fair Valu                                 | e Measuremer         | nts Using              |
|----------------------------------|-----------------------|------------|-----|------------|----------------------------|---|----------------------|------------------------|
|                                  |                       |            |     |            |                            | Quoted prices<br>in active<br>markets for | Significant<br>other |                        |
|                                  | Credit Ratings        | June       | 30, | 2021       | Investments<br>exempt from | identical<br>assets                       | observable<br>inputs | Unobservable<br>Inputs |
| Investments                      | (S&P/Moody's)         | Maturities |     | Fair Value | fair value                 | (Level 1)                                 | (Level 2)            | (Level 3)              |
| Hetchy Water                     |                       |            |     |            |                            |   |                      |                        |
| Cash and Cash Equivalents        | N/A                   |            | \$  | 1          | 1                          | _   | _                    | -                      |
| Total Cash and Cash Equivalen    | ts outside City Treas | sury       | \$  | 1          | 1                          |   |                      |                        |
| Hetchy Power                     |                       |            |     |            |                            |   |                      |                        |
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf           | < 90 days  | \$  | 3,824      | 3,824                      | -   | _                    | _                      |
| Cash and Cash Equivalents        | N/A                   |            |     | 19         | 19                         | -   | _                    | -                      |
| Total Restricted Cash and Inve   | stments outside City  | rreasury   | \$  | 3,843      | 3,843                      | _   | _                    | _                      |
| Cash and Cash Equivalents        | N/A                   |            | \$  | 611        | 611                        | -   | _                    | -                      |
| Total Cash and Cash Equivalen    | ts outside City Treas | sury       | \$  | 611        | 611                        | -   |                      |                        |

For fiscal year 2022, proceeds from 2021 Series AB and 2015 Series AB bonds held as restricted cash and investments outside City Treasury in the amount of \$13,056 were invested in U.S. Treasury Money Market with maturity date less than 90 days. For fiscal year 2021, proceeds from 2015 Series A and B bonds held as restricted cash and investments outside City Treasury in the amount of \$2,709 were invested in U.S. Treasury Money Market with maturity date less than 90 days. The credit ratings of the U.S. Treasury Money Market as of June 30, 2022 and 2021 were "AAAm" by S&P and "Aaa-mf" by Moody's.

Hetch Hetchy's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as of June 30, 2022 and 2021:

|   | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Total 2022 |
|---|-----------------|-----------------|--------------|------------|
| Current assets:                                       |                 |                 |              |            |
| Cash and investments with City Treasury \$            | 94,190          | 189,641         | 56,234       | 340,065    |
| Cash and investments outside City Treasury            | 1               | 16              | _            | 17         |
| Restricted cash and investments outside City Treasury | —               | 5,228           | _            | 5,228      |
| Non-current assets:                                   |                 |                 |              |            |
| Restricted cash and investments outside City Treasury | _               | 8,824           | _            | 8,824      |
| Total cash, cash equivalents, and investments \$      | 94,191          | 203,709         | 56,234       | 354,134    |
|   |                 |                 |              |            |
|   | Hetchy          | Hetchy          |              |            |
|   | Water           | Power           | CleanPowerSF | Total 2021 |
| Current assets:                                       |                 |                 |              |            |
| Cash and investments with City Treasury \$            | 89,373          | 190,719         | 90,838       | 370,930    |
| Cash and investments outside City Treasury            | 1               | 611             | _            | 612        |
| Restricted cash and investments outside City Treasury | -               | 153             | —            | 153        |
| Non-current assets:                                   |                 |                 |              |            |
| Restricted cash and investments with City Treasury    | 6,990           | 5,241           | _            | 12,231     |
| Destricted each and investments sutside City Treesury |                 |                 |              | 2 000      |
| Restricted cash and investments outside City Treasury | -               | 3,690           | —            | 3,690      |

The following table shows the percentage distribution of the City's pooled investment by maturity:

|               | Investment maturities (in months) |                  |                   |          |  |  |  |  |
|---------------|-----------------------------------|------------------|-------------------|----------|--|--|--|--|
| Fiscal years  |                                   |                  |                   |          |  |  |  |  |
| ended June 30 | Under 1                           | 1 to less than 6 | 6 to less than 12 | 12 to 60 |  |  |  |  |
| 2022          | 20.2%                             | 14.0%            | 14.9%             | 50.9%    |  |  |  |  |
| 2021          | 14.5%                             | 27.6%            | 29.7%             | 28.2%    |  |  |  |  |

# (4) Capital Assets

Capital assets with a useful life of 50 years or greater include buildings and structures, reservoirs, dams, power stations, certain water mains and pipelines, transmission and distribution systems, tunnels, and bridges.

a) Hetch Hetchy capital assets as of June 30, 2022 and 2021 consist of the following:

|   |    | 2021      | Increases | Decreases  | 2022      |
|---|----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:       |    |           |           |            |           |
| Land and rights-of-way                                    | \$ | 5,181     | _         | _          | 5,181     |
| Intangible assets   |    | 1,437     | _         | _          | 1,437     |
| Construction work in progress                             |    | 206,508   | 140,513   | (30,491) * | 316,530   |
| Total capital assets not being depreciated and amortized  | _  | 213,126   | 140,513   | (30,491)   | 323,148   |
| Capital assets being depreciated and amortized:           |    |           |           |            |           |
| Facilities and improvements                               |    | 782,963   | 26,982    | —          | 809,945   |
| Intangible assets   |    | 45,715    | _         | _          | 45,715    |
| Machinery and equipment                                   |    | 144,323   | 4,005     | (87)       | 148,241   |
| Total capital assets being depreciated and amortized      | _  | 973,001   | 30,987    | * (87)     | 1,003,901 |
| Less accumulated depreciation and amortization for:       |    |           |           |            |           |
| Facilities and improvements                               |    | (405,446) | (18,285)  | —          | (423,731) |
| Intangible assets   |    | (22,220)  | (460)     | —          | (22,680)  |
| Machinery and equipment                                   |    | (88,924)  | (5,158)   | 87         | (93,995)  |
| Total accumulated depreciation and amortization           |    | (516,590) | (23,903)  | 87         | (540,406) |
| Total capital assets being depreciated and amortized, net |    | 456,411   | 7,084     |            | 463,495   |
| Total capital assets, net                                 | \$ | 669,537   | 147,597   | (30,491)   | 786,643   |

\* Decrease in construction in progress included \$655 in capital project write-offs, mainly related to Hope San Francisco Project in Sunnydale and Potrero. The remaining difference of \$1,151 was offset by direct additions to machinery and equipment.

|   |    | 2020      | Increases | Decreases  | 2021      |
|---|----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:       | _  |           |           |            |           |
| Land and rights-of-way                                    | \$ | 5,181     | _         | _          | 5,181     |
| Intangible assets   |    | 1,437     | -         | _          | 1,437     |
| Construction work in progress                             |    | 189,077   | 92,645    | (75,214) * | 206,508   |
| Total capital assets not being depreciated and amortized  |    | 195,695   | 92,645    | (75,214)   | 213,126   |
| Capital assets being depreciated and amortized:           |    |           |           |            |           |
| Facilities and improvements                               |    | 723,182   | 59,781    | _          | 782,963   |
| Intangible assets   |    | 45,715    | -         | _          | 45,715    |
| Machinery and equipment                                   | _  | 136,573   | 7,750     |            | 144,323   |
| Total capital assets being depreciated and amortized      | _  | 905,470   | 67,531    | *          | 973,001   |
| Less accumulated depreciation and amortization for:       |    |           |           |            |           |
| Facilities and improvements                               |    | (389,294) | (16,152)  | _          | (405,446) |
| Intangible assets   |    | (21,759)  | (461)     | _          | (22,220)  |
| Machinery and equipment                                   | _  | (83,901)  | (5,023)   |            | (88,924)  |
| Total accumulated depreciation and amortization           |    | (494,954) | (21,636)  |            | (516,590) |
| Total capital assets being depreciated and amortized, net |    | 410,516   | 45,895    |            | 456,411   |
| Total capital assets, net                                 | \$ | 606,211   | 138,540   | (75,214)   | 669,537   |

\* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by \$8,384 in capital project write-offs, mainly related to Bay Corridor Project, Transmission and Distribution System Project, and Treasure Island Capital Improvement Project. The remaining difference of \$701 was offset by direct additions to machinery and equipment.

# b) Hetchy Water capital assets as of June 30, 2022 and 2021 consist of the following:

|  |     | 2021      | Increases | Decreases  | 2022      |
|--|-----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:      | _   |           |           |            |           |
| Land and rights-of-way                                   | \$  | 3,232     | _         | _          | 3,232     |
| Intangible assets  |     | 6         | _         | _          | 6         |
| Construction work in progress                            |     | 35,333    | 29,654    | (10,849) * | 54,138    |
| Total capital assets not being depreciated and amortized | _   | 38,571    | 29,654    | (10,849)   | 57,376    |
| Capital assets being depreciated and amortized:          | _   |           |           |            |           |
| Facilities and improvements                              |     | 295,968   | 10,148    | —          | 306,116   |
| Intangible assets  |     | 20,522    | _         | _          | 20,522    |
| Machinery and equipment                                  |     | 27,518    | 865       | —          | 28,383    |
| Total capital assets being depreciated and amortized     |     | 344,008   | 11,013    | *          | 355,021   |
| Less accumulated depreciation and amortization for:      | _   |           |           |            |           |
| Facilities and improvements                              |     | (174,695) | (5,144)   | —          | (179,839) |
| Intangible assets  |     | (9,947)   | (207)     | —          | (10,154)  |
| Machinery and equipment                                  |     | (20,456)  | (941)     |            | (21,397)  |
| Total accumulated depreciation and amortization          |     | (205,098) | (6,292)   |            | (211,390) |
| Total capital assets being depreciated and amortized, ne | t _ | 138,910   | 4,721     |            | 143,631   |
| Total capital assets, net                                | \$  | 177,481   | 34,375    | (10,849)   | 201,007   |

\* Decrease in construction in progress included \$7 in capital project write-offs, mainly related to Hetchy Water's share of road improvement projects. The remaining difference of \$171 was offset by direct additions to machinery and equipment.

|   |     | 2020      | Increases | Decreases  | 2021      |
|---|-----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:       | _   |           |           |            |           |
| Land and rights-of-way                                    | \$  | 3,232     | —         | —          | 3,232     |
| Intangible assets   |     | 6         | -         | _          | 6         |
| Construction work in progress                             |     | 24,328    | 22,586    | (11,581) * | 35,333    |
| Total capital assets not being depreciated and amortized  | _   | 27,566    | 22,586    | (11,581)   | 38,571    |
| Capital assets being depreciated and amortized:           |     |           |           |            |           |
| Facilities and improvements                               |     | 284,480   | 11,488    | _          | 295,968   |
| Intangible assets   |     | 20,522    | -         | _          | 20,522    |
| Machinery and equipment                                   | _   | 27,303    | 215       |            | 27,518    |
| Total capital assets being depreciated and amortized      | _   | 332,305   | 11,703    | *          | 344,008   |
| Less accumulated depreciation and amortization for:       |     |           |           |            |           |
| Facilities and improvements                               |     | (169,874) | (4,821)   | _          | (174,695) |
| Intangible assets   |     | (9,739)   | (208)     | _          | (9,947)   |
| Machinery and equipment                                   | _   | (19,476)  | (980)     |            | (20,456)  |
| Total accumulated depreciation and amortization           | _   | (199,089) | (6,009)   |            | (205,098) |
| Total capital assets being depreciated and amortized, net | : _ | 133,216   | 5,694     |            | 138,910   |
| Total capital assets, net                                 | \$_ | 160,782   | 28,280    | (11,581)   | 177,481   |

\* Decrease in construction in progress included \$51 in capital project write-offs, mainly related to Hetchy Water's share of road improvement projects and 2018 Moccasin Strom project. The remaining difference of \$173 was offset by direct additions to machinery and equipment.

#### c) Hetchy Power capital assets as of June 30, 2022 and 2021 consist of the following:

|   |    | 2021      | Increases | Decreases  | 2022      |
|---|----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:       |    |           |           |            |           |
| Land and rights-of-way                                    | \$ | 1,949     | _         | _          | 1,949     |
| Intangible assets   |    | 1,431     | _         | _          | 1,431     |
| Construction work in progress                             |    | 171,175   | 110,859   | (19,642) * | 262,392   |
| Total capital assets not being depreciated and amortized  |    | 174,555   | 110,859   | (19,642)   | 265,772   |
| Capital assets being depreciated and amortized:           | _  |           |           |            |           |
| Facilities and improvements                               |    | 486,995   | 16,834    | —          | 503,829   |
| Intangible assets   |    | 25,193    | _         | _          | 25,193    |
| Machinery and equipment                                   |    | 116,805   | 3,140     | (87)       | 119,858   |
| Total capital assets being depreciated and amortized      |    | 628,993   | 19,974    | * (87)     | 648,880   |
| Less accumulated depreciation and amortization for:       |    |           |           |            |           |
| Facilities and improvements                               |    | (230,751) | (13,141)  | —          | (243,892) |
| Intangible assets   |    | (12,273)  | (253)     | —          | (12,526)  |
| Machinery and equipment                                   |    | (68,468)  | (4,217)   | 87         | (72,598)  |
| Total accumulated depreciation and amortization           |    | (311,492) | (17,611)  | 87         | (329,016) |
| Total capital assets being depreciated and amortized, net |    | 317,501   | 2,363     |            | 319,864   |
| Total capital assets, net                                 | \$ | 492,056   | 113,222   | (19,642)   | 585,636   |

\* Decrease in construction in progress included \$648 in capital project write-offs, mainly related to Hope San Francisco Project in Sunnydale and Potrero. The remaining difference of \$980 was offset by direct additions to machinery and equipment.

|   |    | 2020      | Increases | Decreases  | 2021      |
|---|----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:       |    |           |           |            |           |
| Land and rights-of-way                                    | \$ | 1,949     | -         | —          | 1,949     |
| Intangible assets   |    | 1,431     | -         | —          | 1,431     |
| Construction work in progress                             | _  | 164,749   | 70,059    | (63,633) * | 171,175   |
| Total capital assets not being depreciated and amortized  |    | 168,129   | 70,059    | (63,633)   | 174,555   |
| Capital assets being depreciated and amortized:           |    |           |           |            |           |
| Facilities and improvements                               |    | 438,702   | 48,293    | —          | 486,995   |
| Intangible assets   |    | 25,193    | -         | —          | 25,193    |
| Machinery and equipment                                   | _  | 109,270   | 7,535     |            | 116,805   |
| Total capital assets being depreciated and amortized      | _  | 573,165   | 55,828    | *          | 628,993   |
| Less accumulated depreciation and amortization for:       |    |           |           |            |           |
| Facilities and improvements                               |    | (219,420) | (11,331)  | —          | (230,751) |
| Intangible assets   |    | (12,020)  | (253)     | _          | (12,273)  |
| Machinery and equipment                                   | _  | (64,425)  | (4,043)   |            | (68,468)  |
| Total accumulated depreciation and amortization           | _  | (295,865) | (15,627)  |            | (311,492) |
| Total capital assets being depreciated and amortized, net |    | 277,300   | 40,201    |            | 317,501   |
| Total capital assets, net                                 | \$ | 445,429   | 110,260   | (63,633)   | 492,056   |

\* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by \$8,333 in capital project write-offs, mainly related to Bay Corridor Project, Transmission and Distribution System Project, and Treasure Island Capital Improvement Project. The remaining difference of \$528 was offset by direct additions to machinery and equipment.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements,* requires that interest expense incurred during construction of assets be capitalized. Per the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* no interest was capitalized to construction in progress beginning in fiscal year 2022.

Notes to Financial Statements June 30, 2022 and 2021

(Dollars in thousands, unless otherwise stated)

Interest included in the construction work in progress and total interest expense incurred during the years ended June 30, 2022 and 2021 are as follows:

|  |             | Restated |
|--|-------------|----------|
| Hetchy Power                                       | <br>2022    | 2021**   |
| Interest expensed                                  | \$<br>5,624 | 1,972    |
| Interest included in construction work in progress | _ *         | 1,083    |
| Total interest incurred                            | \$<br>5,624 | 3,055    |

\*Per the implementation of GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.

\*\*Restated per the implementation of GASB Statement No. 87, Leases.

#### (5) Restricted Assets

Pursuant to the Hetchy Power Trust Indenture (the "Indenture"), established in fiscal year 2015, net revenues of the Hetchy Power are pledged first to the 2015 Series AB Bonds and 2021 Series AB Bonds, and have a priority lien on the pledge of net revenues to the outstanding CREBs, QECBs, and NCREBs (the "Subordinate Obligations"). The Lease/Purchase Agreements for the Subordinate Obligations pledge the net revenues of the Hetchy Power to these bonds, and such pledge is subordinate in lien to the net revenues pledge for the 2015 Series AB Bonds and 2021 Series AB Bonds (the "Bonds" or "Bond").

In the Indenture, the SFPUC covenants and agrees that it will pay into the Revenue Fund as received all Revenues of Hetchy Power and shall be used and applied, as provided by the Indenture, solely for the purposes of operating and maintaining Hetchy Power and paying all costs, charges, and expenses in connection therewith and for the purpose of making repairs, renewals, and replacements to Hetchy Power and constructing additions, betterments, and extensions thereto.

The Indenture provides that Revenues deposited in the Revenue Fund shall be disbursed in the following order of priority:

- 1. The payment of operation and maintenance expenses;
- 2. Any priority reconstruction and replacement fund deposits;
- 3. Deposit in the interest account of each Bond Fund;
- 4. Deposit in the bond retirement account of each Bond Fund;
- 5. Deposit in the reserve fund;
- 6. (i) Payment of principal and premium, if any, and interest on any Subordinate Obligations; (ii) deposit into a reserve fund securing any Subordinate Obligations; (iii) Swap Agreement payments pursuant to Swap Agreements entered into by the SFPUC with respect to any Subordinate Obligations; and (iv) payment to any financial institution or insurance company providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal or interest on any Subordinate Obligations; in each case in any order of priority within this paragraph which may be hereafter established by the SFPUC resolution;
- 7. Any additional reconstruction and replacement fund deposits into the reconstruction and replacement fund;
- 8. Any necessary or desirable capital additions or improvements to the Hetchy Power;
- 9. Any payment under a Take-or-Pay Power Purchase Agreement that does not constitute an operation and maintenance expense;
- 10. Any payment under a Swap Agreement that does not constitute a Swap Agreement payment; and
- 11. Any other lawful purpose of the SFPUC.

Notes to Financial Statements

June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

In the Indenture, the SFPUC covenants and agrees to transfer to the Trustee for deposit in the Interest Account of each applicable Bond Fund all Refundable Credits received by the SFPUC.

In accordance with the Agreements, Hetch Hetchy maintains certain restricted cash and investment balances in trust.

(a) Hetchy Water has the following restricted assets held in trust as of June 30, 2022 and 2021:

|  | 2022 | 2021  |
|--|------|-------|
| Cash and investments with City Treasury: |      |       |
| Hetch Hetchy bond construction fund      | \$   | 6,990 |
| Total restricted assets                  | \$   | 6,990 |

(b) Hetchy Power has the following restricted assets held in trust as of June 30, 2022 and 2021:

|   |    | 2022   | 2021   |
|---|----|--------|--------|
| Cash and investments with City Treasury:                      | -  |        |        |
| Hetch Hetchy bond construction fund                           | \$ | _      | 5,241  |
| Cash and investments outside City Treasury:                   |    |        |        |
| 2009 Series C Certificates of participation - 525 Golden Gate |    | 223    | 223    |
| 2009 Series D Certificates of participation - 525 Golden Gate |    | 758    | 892    |
| 2015 Series A Revenue Bonds                                   |    | 2,194  | 2,193  |
| 2015 Series B Revenue Bonds                                   |    | 516    | 516    |
| 2021 Series AB Revenue Bonds                                  |    | 10,346 | _      |
| Commercial Paper  |    | 15     | 19     |
| Total restricted cash and investments outside City Treasury   | _  | 14,052 | 3,843  |
| Interest and other receivables:                               |    |        |        |
| Hetch Hetchy bond construction fund                           |    | 4,303  | 11,800 |
| Total restricted assets                                       | \$ | 18,355 | 20,884 |

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetch Hetchy Revenue Fund.

# (6) Short-Term Debt

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the Commission and Board of Supervisors authorized the issuance of up to \$250,000 in commercial paper notes for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the commercial paper ranged from 0.1% to 1.1% and 0.1% to 0.2% in fiscal years 2022 and 2021, respectively. The Enterprise had \$40,019 and \$114,671 commercial paper outstanding as of June 30, 2022 and 2021, respectively. The Enterprise had \$209,981 and \$135,329 in unused authorization as of June 30, 2022 and 2021, respectively.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Significant Events of default as specified in the Reimbursement Agreements include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements and 3) bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2022, there were no such events described herein.

# (7) Changes in Long-Term Liabilities

a) Hetch Hetchy's long-term liability activities for the years ended June 30, 2022 and 2021 are as follows:

|  | Interest                                   | Maturity<br>(Calendar Year)          | Restated<br>2021*  | Additions   | Reductions   | 2022  | Due within   |
|--|--|--------------------------------------|--|---|--|---|--|
| Bonds:   | rate                                       | (Calendar Year)                      | _2021*   | Additions   | Reductions   |   | one year   |
| Clean Renewable Energy Bonds   | 0.00 %                                     | 2022 \$                              | 843  | _   | (422)  | 421   | 421  |
| Qualified Energy Conservation Bonds  | 4.74                                       | 2022 4                               | 3,687  | _   | (549)  | 3.138   | 555  |
| New Clean Renewable Energy Bonds 2015  | 4.62                                       | 2032                                 | 1,779  | _   | (142)  | 1,637   | 146  |
| 2015 Series A Revenue Bonds  | 4.00 - 5.00                                | 2032                                 | 32,025   | _   | (142)  | 32,025  | 140  |
| 2015 Series & Revenue Bonds  | 3.00 - 4.00                                | 2026                                 | 4,550  | _   | (815)  | 32,025  | 850  |
| 2021 Series A Revenue Bonds  | 4.00 - 5.00                                | 2052                                 | 4,000  | 74,280  | (813)  | 74,280  |  |
| 2021 Series & Revenue Bonds  | 4.00 - 5.00                                | 2052                                 | _  | 49,720  | _  | 49,720  | _  |
| Less issuance discount   | 4.00 - 5.00                                | 2052                                 | (20)   | 49,120  | 14   | 49,720  | (6)  |
| Add issuance premiums  |  |                                      | 3,448  | 27,022  | (934)  | 29.536  | (0)  |
| •  |  |                                      | 46,312   | 151,022   | (2,848)  | 194,486   | 1.966  |
| Total bonds payable  | 200 500                                    | 2022                                 | 40,312<br>830  | 151,022   | ,  | 194,480<br>425  | 425  |
| 2009 Series C Certificates of participation (COPs)   | 2.00 - 5.00                                | 2022                                 |  | _   | (405)  | 425   |  |
| 2009 Series C COPs issuance premiums   | 6.26 6.40                                  | 2041                                 | 8<br>10 502  | _   | (6)  |   | 2  |
| 2009 Series D COPs (Build America)   | 6.36 - 6.49                                | 2041                                 | 12,593   |   |  | 12,593<br>33.909  | _  |
| Other post-employment benefits obligations   |  |                                      | 35,006   | ,   | (6,232)  | 33,909  | -  |
| Net pension liability  |  |                                      | 62,219   | _   | (62,219)   | -   | -  |
| Accrued vacation and sick leave  |  |                                      | 6,202  | 2,869   | (2,759)  | 6,312   | 3,060  |
| Accrued workers' compensation  |  |                                      | 3,238  | 555   | (315)  | 3,478   | 615  |
| Damage claims liability  |  |                                      | 1,639  | 3,840   | (3,797)  | 1,682   | 601  |
| Due to other City departments  |  |                                      | 369  | 11  | -  | 380   | 380  |
| Lease liability  |  |                                      | 749  | -   | (380)  | 369   | 238  |
| Unearned revenues, refunds, and other  |  | \$                                   | 16,159   | 23,113  | (19,215)   | 20,057  | 10,143   |
| Total  |  | \$                                   | 185,324  | 186,545   | (98,176)   | 273,693   | 17,430   |
|  | Interest                                   | Maturity                             |  |   |  | Restated  | Due within   |
|  | rate                                       | (Calendar Year)                      | 2020   | Additions   | Reductions   | 2021*   | one year   |
| Bonds:   |  |                                      |  |   |  |   |  |
| Clean Renewable Energy Bonds   | 0.00 %                                     | 2022 \$                              | 5 1,265  | _   | (422)  |   | 422  |
| Qualified Energy Conservation Bonds  |  |                                      | ,  | -   |  | 843   |  |
| New Clean Renewable Energy Bonds 2012  | 4.74                                       | 2027                                 | 4,229  | -   | (542)  | 843<br>3,687  | 422<br>549   |
| New Glean Renewable Energy Durius 2012   | 4.74                                       | 2020                                 | 4,229<br>130   |   | (542)<br>(130)   | 3,687   | 549<br>  |
| New Clean Renewable Energy Bonds 2012<br>New Clean Renewable Energy Bonds 2015   |  |                                      | 4,229  | -   | (542)  |   |  |
|  | 4.74                                       | 2020                                 | 4,229<br>130   | -   | (542)<br>(130)   | 3,687   | 549<br>  |
| New Clean Renewable Energy Bonds 2015  | 4.74<br>4.62                               | 2020<br>2032                         | 4,229<br>130<br>3,190  | -   | (542)<br>(130)   | 3,687<br><br>1,779  | 549<br>  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds   | 4.74<br>4.62<br>4.00 - 5.00                | 2020<br>2032<br>2045                 | 4,229<br>130<br>3,190<br>32,025  | -   | (542)<br>(130)<br>(1,411)<br>—   | 3,687<br>   | 549<br><br>142<br>   |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds  | 4.74<br>4.62<br>4.00 - 5.00                | 2020<br>2032<br>2045                 | 4,229<br>130<br>3,190<br>32,025<br>5,335   | -   | (542)<br>(130)<br>(1,411)<br>-<br>(785)  | 3,687<br>   | 549<br><br>142<br>   |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount  | 4.74<br>4.62<br>4.00 - 5.00                | 2020<br>2032<br>2045                 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)   | -<br>-<br>-<br>-  | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14  | 3,687<br>—<br>1,779<br>32,025<br>4,550<br>(20)  | 549<br><br>142<br>   |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums   | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045                 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br>3,668  | -<br>-<br>-<br>-  | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)   | 3,687<br>—<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448   | 549<br><br>142<br><br>815<br><br>  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable  | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026         | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br>3,668<br>49,808  | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-   | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)<br>(3,496)  | 3,687<br>   | 549<br><br>142<br><br>815<br><br>-<br>1,928  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)  | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026         | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br><u>3,668</u><br>49,808<br>1,214  | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-                               | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)<br>(3,496)<br>(384)   | 3,687<br>   | 549<br><br>142<br><br>815<br><br>-<br>1,928  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums  | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br><u>3,668</u><br>49,808<br>1,214<br>21  | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>- | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)   | 3,687<br>   | 549<br><br>142<br><br>815<br><br>-<br>1,928  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums<br>2009 Series D COPs (Build America)  | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br><u>3,668</u><br>49,808<br>1,214<br>21<br>12,593  | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-                     | (542)<br>(130)<br>(1,411)<br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)<br>-   | 3,687<br>-<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448<br>46,312<br>830<br>8<br>12,593   | 549<br><br>142<br><br>815<br><br>-<br>1,928  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums<br>2009 Series D COPs (Build America)<br>Other post-employment benefits obligations  | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br><u>3,668</u><br>49,808<br>1,214<br>21<br>12,593<br>38,530                                      | <br>  | (542)<br>(130)<br>(1,411)<br><br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)<br><br>(9,170)   | 3,687<br>-<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448<br>46,312<br>830<br>8<br>12,593<br>35,006   | 549<br><br>142<br><br>815<br><br>-<br>1,928  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums<br>2009 Series D COPs (Build America)<br>Other post-employment benefits obligations<br>Net pension liability   | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br><u>3,668</u><br>49,808<br>1,214<br>21<br>12,593<br>38,530<br>49,531                            | <br><br><br><br>5,646<br>28,918   | (542)<br>(130)<br>(1,411)<br><br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)<br><br>(9,170)<br>(16,230)   | 3,687<br>-<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448<br>46,312<br>830<br>8<br>12,593<br>35,006<br>62,219                                   | 549<br><br>142<br><br>815<br><br>-<br>-<br>1,928<br>405<br><br>-<br>-<br>-<br>-<br>-               |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums<br>2009 Series D COPs (Build America)<br>Other post-employment benefits obligations<br>Net pension liability<br>Accrued vacation and sick leave  | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br><u>3,668</u><br>49,808<br>1,214<br>21<br>12,593<br>38,530<br>49,531<br>4,894                   | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>- | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)<br>-<br>(9,170)<br>(16,230)<br>(1,624)                              | 3,687<br>-<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448<br>46,312<br>830<br>8<br>12,593<br>35,006<br>62,219<br>6,202                          | 549<br>  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums<br>2009 Series D COPs (Build America)<br>Other post-employment benefits obligations<br>Net pension liability<br>Accrued vacation and sick leave<br>Accrued workers' compensation   | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br><u>3,668</u><br>49,808<br>1,214<br>21<br>12,593<br>38,530<br>49,531<br>4,894<br>3,387          | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>5,646<br>28,918<br>2,932<br>113                     | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)<br>-<br>(9,170)<br>(16,230)<br>(1,624)<br>(262)                     | 3,687<br>-<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448<br>46,312<br>830<br>8<br>12,593<br>35,006<br>62,219<br>6,202<br>3,238                 | 549<br>  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums<br>2009 Series D COPs (Build America)<br>Other post-employment benefits obligations<br>Net pension liability<br>Accrued vacation and sick leave<br>Accrued workers' compensation<br>Damage claims liability                                  | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br>3,668<br>49,808<br>1,214<br>21<br>12,593<br>38,530<br>49,531<br>4,894<br>3,387<br>2,886        | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>5,646<br>28,918<br>2,932<br>113                     | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)<br>-<br>(9,170)<br>(16,230)<br>(1,624)<br>(262)<br>(6,090)          | 3,687<br>-<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448<br>46,312<br>830<br>8<br>12,593<br>35,006<br>62,219<br>6,202<br>3,238<br>1,639        | 549<br>  |
| New Clean Renewable Energy Bonds 2015<br>2015 Series A Revenue Bonds<br>2015 Series B Revenue Bonds<br>Less issuance discount<br>Add issuance premiums<br>Total bonds payable<br>2009 Series C Certificates of participation (COPs)<br>2009 Series C COPs issuance premiums<br>2009 Series D COPs (Build America)<br>Other post-employment benefits obligations<br>Net pension liability<br>Accrued vacation and sick leave<br>Accrued workers' compensation<br>Damage claims liability<br>Due to other City departments | 4.74<br>4.62<br>4.00 - 5.00<br>3.00 - 4.00 | 2020<br>2032<br>2045<br>2026<br>2022 | 4,229<br>130<br>3,190<br>32,025<br>5,335<br>(34)<br>3,668<br>49,808<br>1,214<br>21<br>12,593<br>38,530<br>49,531<br>4,894<br>3,387<br>2,886<br>840 | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>5,646<br>28,918<br>2,932<br>113                     | (542)<br>(130)<br>(1,411)<br>-<br>(785)<br>14<br>(220)<br>(3,496)<br>(384)<br>(13)<br>-<br>(9,170)<br>(16,230)<br>(1,624)<br>(262)<br>(6,090)<br>(471) | 3,687<br>-<br>1,779<br>32,025<br>4,550<br>(20)<br>3,448<br>46,312<br>830<br>8<br>12,593<br>35,006<br>62,219<br>6,202<br>3,238<br>1,639<br>369 | 549<br>-<br>142<br>-<br>815<br>-<br>-<br>1,928<br>405<br>-<br>-<br>-<br>3,041<br>575<br>633<br>369 |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

b) Hetchy Water's long-term liability activities for the years ended June 30, 2022 and 2021 are as follows:

|  | Restated  |           |            |        | Due within |
|--|-----------|-----------|------------|--------|------------|
|  | 2021*     | Additions | Reductions | 2022   | one year   |
| Other post-employment benefits obligations | \$ 14,444 | 1,921     | (2,125)    | 14,240 |            |
| Net pension liability                      | 26,645    | _         | (26,645)   | _      | _          |
| Accrued vacation and sick leave            | 2,185     | 749       | (765)      | 2,169  | 1,034      |
| Accrued workers' compensation              | 1,120     | 233       | (125)      | 1,228  | 215        |
| Damage claims liability                    | 525       | 253       | (151)      | 627    | 228        |
| Lease liability                            | 78        | _         | (16)       | 62     | 3          |
| Unearned revenues, refunds, and other      | 138       | 14        | (18)       | 134    | 24         |
| Total                                      | \$ 45,135 | 3,170     | (29,845)   | 18,460 | 1,504      |

|  |           |           |            | Restated | Due within |
|--|-----------|-----------|------------|----------|------------|
|  | 2020      | Additions | Reductions | 2021*    | one year   |
| Other post-employment benefits obligations | \$ 16,350 | 1,818     | (3,724)    | 14,444   |            |
| Net pension liability                      | 21,477    | 12,119    | (6,951)    | 26,645   | _          |
| Accrued vacation and sick leave            | 1,646     | 1,034     | (495)      | 2,185    | 1,059      |
| Accrued workers' compensation              | 1,187     | 18        | (85)       | 1,120    | 197        |
| Damage claims liability                    | 558       | 478       | (511)      | 525      | 218        |
| Due to other City departments              | 240       | ) —       | (240)      | _        | _          |
| Lease liability                            | 93        |           | (15)       | 78       | 16         |
| Unearned revenues, refunds, and other      | 627       | 629       | (1,118)    | 138      | 22         |
| Total                                      | \$ 42,178 | 16,096    | (13,139)   | 45,135   | 1,512      |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

c) Hetchy Power's long-term liability activities for the years ended June 30, 2022 and 2021 are as follows:

| 10110103.  |                 |                |            |           |            |         |            |
|--|-----------------|----------------|------------|-----------|------------|---------|------------|
|  | Interest        | Maturity       | Restated   |           |            |         | Due within |
|  | rate            | (Calendar Year | ) 2021*    | Additions | Reductions | 2022    | one year   |
| Bonds:   |                 |                |            |           |            |         |            |
| Clean Renewable Energy Bonds                     | 0.00            | % 2022         | \$ 843     | _         | (422)      | 421     | 421        |
| Qualified Energy Conservation Bonds              | 4.74            | 2027           | 3,687      | —         | (549)      | 3,138   | 555        |
| New Clean Renewable Energy Bonds 2015            | 4.62            | 2032           | 1,779      | —         | (142)      | 1,637   | 146        |
| 2015 Series A Revenue Bonds                      | 4.00 - 5.00     | 2045           | 32,025     | _         | _          | 32,025  | _          |
| 2015 Series B Revenue Bonds                      | 3.00 - 4.00     | 2026           | 4,550      | _         | (815)      | 3,735   | 850        |
| 2021 Series A Revenue Bonds                      | 4.00 - 5.00     | 2052           |            | 74,280    | _          | 74,280  |            |
| 2021 Series B Revenue Bonds                      | 4.00 - 5.00     | 2052           | _          | 49,720    | _          | 49,720  | _          |
| Less issuance discount                           |                 |                | (20)       | _         | 14         | (6)     | (6)        |
| Add issuance premiums                            |                 |                | 3,448      | 27,022    | (934)      | 29,536  | _          |
| Total bonds payable                              |                 |                | 46,312     | 151,022   | (2,848)    | 194,486 | 1,966      |
| 2009 Series C Certificates of participation (COF | Ps) 2.00 - 5.00 | 2022           | 830        | —         | (405)      | 425     | 425        |
| 2009 Series C COPs issuance premiums             |                 |                | 8          | —         | (6)        | 2       | 2          |
| 2009 Series D COPs (Build America)               | 6.36 - 6.49     | 2041           | 12,593     | _         | —          | 12,593  | _          |
| Other post-employment benefits obligations       |                 |                | 17,653     | 2,347     | (2,595)    | 17,405  | _          |
| Net pension liability                            |                 |                | 32,566     | _         | (32,566)   | _       | _          |
| Accrued vacation and sick leave                  |                 |                | 3,617      | 1,856     | (1,876)    | 3,597   | 1,747      |
| Accrued workers' compensation                    |                 |                | 2,118      | 322       | (190)      | 2,250   | 400        |
| Damage claims liability                          |                 |                | 1,108      | 2,005     | (2,090)    | 1,023   | 358        |
| Due to other City departments                    |                 |                | 369        | 11        | _          | 380     | 380        |
| Lease liability                                  |                 |                | 94         | _         | (19)       | 75      | 3          |
| Unearned revenues, refunds, and other            |                 |                | 5,993      | 8,410     | (7,676)    | 6,727   | 5,923      |
| Total  |                 |                | \$ 123,261 | 165,973   | (50,271)   | 238,963 | 11,204     |
|  |                 |                |            |           |            |         |            |

# Notes to Financial Statements

#### June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

|  | Interest<br>rate | Maturity<br>(Calendar Yea | <u>r)</u> | 2020    | Additions | Reductions | Restated<br>2021* | Due within<br>one year |
|--|------------------|---------------------------|-----------|---------|-----------|------------|-------------------|------------------------|
| Bonds:   |                  |                           |           |         |           |            |                   |                        |
| Clean Renewable Energy Bonds                       | 0.00 %           | % 2022                    | \$        | 1,265   | _         | (422)      | 843               | 422                    |
| Qualified Energy Conservation Bonds                | 4.74             | 2027                      |           | 4,229   | —         | (542)      | 3,687             | 549                    |
| New Clean Renewable Energy Bonds 2012              | 4.74             | 2020                      |           | 130     | —         | (130)      |                   | _                      |
| New Clean Renewable Energy Bonds 2015              | 4.62             | 2032                      |           | 3,190   | _         | (1,411)    | 1,779             | 142                    |
| 2015 Series A Revenue Bonds                        | 4.00 - 5.00      | 2045                      |           | 32,025  | _         | _          | 32,025            | —                      |
| 2015 Series B Revenue Bonds                        | 3.00 - 4.00      | 2026                      |           | 5,335   | _         | (785)      | 4,550             | 815                    |
| Less issuance discount                             |                  |                           |           | (34)    | _         | 14         | (20)              | _                      |
| Add issuance premiums                              |                  |                           |           | 3,668   |           | (220)      | 3,448             |                        |
| Total bonds payable                                |                  |                           |           | 49,808  |           | (3,496)    | 46,312            | 1,928                  |
| 2009 Series C Certificates of participation (COPs) | 2.00 - 5.00      | 2022                      |           | 1,214   | _         | (384)      | 830               | 405                    |
| 2009 Series C COPs issuance premiums               |                  |                           |           | 21      | —         | (13)       | 8                 | —                      |
| 2009 Series D COPs (Build America)                 | 6.36 - 6.49      | 2041                      |           | 12,593  | -         | -          | 12,593            | —                      |
| Other post-employment benefits obligations         |                  |                           |           | 19,983  | 2,223     | (4,553)    | 17,653            | —                      |
| Net pension liability                              |                  |                           |           | 26,249  | 14,812    | (8,495)    | 32,566            | _                      |
| Accrued vacation and sick leave                    |                  |                           |           | 2,957   | 1,763     | (1,103)    | 3,617             | 1,777                  |
| Accrued workers' compensation                      |                  |                           |           | 2,200   | 95        | (177)      | 2,118             | 378                    |
| Damage claims liability                            |                  |                           |           | 2,222   | 4,212     | (5,326)    | 1,108             | 409                    |
| Due to other City departments                      |                  |                           |           | 600     | _         | (231)      | 369               | 369                    |
| Lease liability                                    |                  |                           |           | 113     | _         | (19)       | 94                | 19                     |
| Unearned revenues, refunds, and other              |                  |                           |           | 7,642   | 8,560     | (10,209)   | 5,993             | 5,141                  |
| Total  |                  |                           | \$        | 125,602 | 31,665    | (34,006)   | 123,261           | 10,426                 |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

# d) CleanPowerSF's long-term liability activities for the years ended June 30, 2022 and 2021 are as follows:

|  | Restated  |           |            |        | Due within |
|--|-----------|-----------|------------|--------|------------|
|  | 2021*     | Additions | Reductions | 2022   | one year   |
| Other post-employment benefits obligations | \$ 2,909  | 867       | (1,512)    | 2,264  |            |
| Net pension liability                      | 3,008     | _         | (3,008)    | -      | -          |
| Accrued vacation and sick leave            | 400       | 264       | (118)      | 546    | 279        |
| Damage claims liability                    | 6         | 1,582     | (1,556)    | 32     | 15         |
| Lease liability                            | 577       | _         | (345)      | 232    | 232        |
| Unearned revenues, refunds, and other      | 10,028    | 14,689    | (11,521)   | 13,196 | 4,196      |
| Total                                      | \$ 16,928 | 17,402    | (18,060)   | 16,270 | 4,722      |

|  | 2020        | Additions | Reductions | Restated<br>2021* | Due within<br>one year |
|--|-------------|-----------|------------|-------------------|------------------------|
| Other post-employment benefits obligations | \$<br>2,197 | 1,605     | (893)      | 2,909             |                        |
| Net pension liability                      | 1,805       | 1,987     | (784)      | 3,008             | -                      |
| Accrued vacation and sick leave            | 291         | 135       | (26)       | 400               | 205                    |
| Damage claims liability                    | 106         | 153       | (253)      | 6                 | 6                      |
| Lease liability                            | 920         | _         | (343)      | 577               | 345                    |
| Unearned revenues, refunds, and other      | 848         | 19,561    | (10,381)   | 10,028            | 1,028                  |
| Total                                      | \$<br>6,167 | 23,441    | (12,680)   | 16,928            | 1,584                  |

\*Restated per Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

#### (a) Clean Renewable Energy Bonds

In November 2008, Hetchy Power issued \$6,325 of taxable CREBs to finance the installation of solar energy equipment on City-owned facilities, including Chinatown Branch Library, Maxine Hall Medical Center, City Distribution Division Warehouse, North Point Wastewater Plant, Chinatown Public Health Center, Municipal Transportation Agency Woods, and Municipal Transportation Agency Ways and Structures. The CREBs were non-rated and privately-placed with Banc of America Leasing. The net effective interest rate on the CREBs, after the federal tax subsidy, is 0% through 2022. Hetchy Power began making principal payments in the amount of \$422 on December 15, 2008 and will continue annual payments for 15 years until December 15, 2022. Funding for these payments will be guaranteed by net power revenues. Interest

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

payments are not required, since the effective equivalent of interest on the bonds is paid in the form of federal tax credits in lieu of interest paid by the issuer.

The future annual debt service relating to the CREBs outstanding as of June 30, 2022 is as follows:

| Fiscal year ending June 30:           | Principal |
|---------------------------------------|-----------|
| 2023                                  | \$<br>421 |
| Less: Current portion                 | (421)     |
| Less: Unamortized bond discount       | (6)       |
| Less: Current portion                 | 6         |
| Long-term portion as of June 30, 2022 | \$<br>—   |

# (b) Qualified Energy Conservation Bonds

In December 2011, Hetchy Power issued \$8,291 of taxable QECBs. The QECBs were issued to fund certain qualified green components for the SFPUC's 525 Golden Gate Headquarters project. The QECBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the QECBs, after the federal tax subsidy, is 1.2% through 2028.

The future annual debt service relating to the QECBs outstanding as of June 30, 2022 is as follows:

| Fiscal years ending June 30:          | Principal   | Interest<br>before<br>subsidy | Federal<br>interest<br>subsidy* | Interest<br>net of<br>subsidy |
|---------------------------------------|-------------|-------------------------------|---------------------------------|-------------------------------|
| 2023                                  | \$<br>555   | 142                           | (100)                           | 42                            |
| 2024                                  | 562         | 116                           | (82)                            | 34                            |
| 2025                                  | 569         | 89                            | (63)                            | 26                            |
| 2026                                  | 576         | 62                            | (44)                            | 18                            |
| 2027                                  | 582         | 35                            | (24)                            | 11                            |
| 2028                                  | 294         | 7                             | (4)                             | 3                             |
|                                       | 3,138       | 451                           | (317)                           | 134                           |
| Less: Current portion                 | (555)       |                               |                                 |                               |
| Long-term portion as of June 30, 2022 | \$<br>2,583 |                               |                                 |                               |

\* The SFPUC received an IRS notice dated June 2, 2022 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$19 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

# (c) New Clean Renewable Energy Bonds 2012

In April 2012, Hetchy Power issued \$6,600 of taxable NCREBs. The NCREBs were issued to fund certain qualified facilities that provide clean, renewable energy at Davies Symphony Hall, City Hall, and University Mound Reservoir. The NCREBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the NCREBs, after the federal tax subsidy, is 1.5% through 2021. \$288 and \$2,523 of principal were prepaid in fiscal years 2017 and 2016, respectively. There was no prepayment thereafter. 2012 NCREBs have been fully repaid as of June 30, 2021.

# (d) New Clean Renewable Energy Bonds 2015

In October 2015, Hetchy Power issued \$4,100 of taxable 2015 NCREBs. The 2015 NCREBs were issued to fund certain qualified clean, renewable energy solar generation facilities at the Marina Middle School and the San Francisco Police Academy. The 2015 NCREBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the 2015 NCREBs, after the federal tax subsidy, is 1.4% through 2033. \$0 and \$1,272 of principal were prepaid in fiscal years 2022 and 2021, respectively.

The future annual debt service relating to the 2015 NCREBs outstanding as of June 30, 2022 is as follows:

|                                       |             | Interest<br>before | Federal<br>interest | Interest<br>net of |
|---------------------------------------|-------------|--------------------|---------------------|--------------------|
| Fiscal years ending June 30:          | Principal   | subsidy            | subsidy*            | subsidy            |
| 2023                                  | \$<br>146   | 74                 | (49)                | 25                 |
| 2024                                  | 148         | 67                 | (44)                | 23                 |
| 2025                                  | 150         | 60                 | (40)                | 20                 |
| 2026                                  | 152         | 53                 | (35)                | 18                 |
| 2027                                  | 154         | 47                 | (31)                | 16                 |
| 2028-2032                             | 803         | 122                | (81)                | 41                 |
| 2033                                  | 84          | 2                  | (1)                 | 1                  |
|                                       | 1,637       | 425                | (281)               | 144                |
| Less: Current portion                 | (146)       |                    |                     |                    |
| Long-term portion as of June 30, 2022 | \$<br>1,491 |                    |                     |                    |

\* The SFPUC received an IRS notice dated June 2, 2022 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$17 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

# (e) Power Revenue Bonds 2015 Series A (Green) and Series B

In May 2015, Hetchy Power issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of \$32,025 with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of \$7,530 with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the SFPUC's Hetch Hetchy project, to fund capitalized interest on the 2015 Series AB Bonds, to fund a debt service reserve account for the 2015 Series AB Bonds, and to pay costs of issuance of the 2015 Series AB bonds. The bonds were rated "A+" and "AA-" by S&P and Fitch, respectively. Final maturity for 2015 Series AB are November 1, 2045 and November 1, 2026, respectively. The true interest cost is 3.95%. As of June 30, 2022 and 2021, the outstanding principal amounts were \$35,760 and \$36,575, respectively.

The future annual debt service relating to the 2015 Series AB Bonds outstanding as of June 30, 2022 are as follows:

| Fiscal years ending June 30:          | Principal    | Interest | Total  |
|---------------------------------------|--------------|----------|--------|
| 2023                                  | \$<br>       | 1,593    | 1,593  |
| 2024                                  | _            | 1,593    | 1,593  |
| 2025                                  | _            | 1,593    | 1,593  |
| 2026                                  | _            | 1,593    | 1,593  |
| 2027                                  | 830          | 1,576    | 2,406  |
| 2028-2032                             | 5,645        | 7,121    | 12,766 |
| 2033-2037                             | 7,205        | 5,522    | 12,727 |
| 2038-2042                             | 9,190        | 3,482    | 12,672 |
| 2043-2046                             | 9,155        | 943      | 10,098 |
|                                       | 32,025       | 25,016   | 57,041 |
| Add: Unamortized bond premium         | 3,119        |          |        |
| Long-term portion as of June 30, 2022 | \$<br>35,144 |          |        |

#### Hetchy Power - Power Revenue Bonds 2015 Series A (Green)

#### Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

#### Hetchy Power - Power Revenue Bonds 2015 Series B

| Fiscal years ending June 30:          | Principal   | Interest | Total |
|---------------------------------------|-------------|----------|-------|
| 2023                                  | \$<br>850   | 124      | 974   |
| 2024                                  | 880         | 93       | 973   |
| 2025                                  | 910         | 62       | 972   |
| 2026                                  | 945         | 25       | 970   |
| 2027                                  | 150         | 3        | 153   |
|                                       | 3,735       | 307      | 4,042 |
| Less: Current portion                 | (850)       |          |       |
| Add: Unamortized bond premium         | 114         |          |       |
| Long-term portion as of June 30, 2022 | \$<br>2,999 |          |       |

#### (f) Power Revenue Bonds 2021 Series A (Green) and Series B

In December 2021, Hetchy Power issued tax-exempt revenue bonds, 2021 Series A (Green) in the amount of \$74,280 with interest rates ranging from 4.0% to 5.0% and 2021 Series B in the amount of \$49,720 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used to refinance a portion of the costs of various capital projects benefiting the Power Enterprise, to fund capitalized interest on the 2021 Series AB Bonds, and to pay costs of issuance. The bonds were rated "AA" and "AA-" by S&P and Fitch, respectively. Final maturity for 2021 Series AB are November 1, 2051. The true interest cost is 2.64%. As of June 30, 2022 the outstanding principal amount was \$124,000.

The future annual debt service relating to the 2021 Series AB Bonds outstanding as of June 30, 2022 are as follows:

| Fiscal years ending June 30:          | Principal    | Interest | Total   |
|---------------------------------------|--------------|----------|---------|
| 2023                                  | \$<br>_      | 3,085    | 3,085   |
| 2024                                  | _            | 3,085    | 3,085   |
| 2025                                  | 1,385        | 3,050    | 4,435   |
| 2026                                  | 1,455        | 2,979    | 4,434   |
| 2027                                  | 1,530        | 2,905    | 4,435   |
| 2028-2032                             | 8,875        | 13,294   | 22,169  |
| 2033-2037                             | 11,025       | 11,140   | 22,165  |
| 2038-2042                             | 13,470       | 8,698    | 22,168  |
| 2043-2047                             | 16,450       | 5,716    | 22,166  |
| 2048-2052                             | 20,090       | 2,073    | 22,163  |
|                                       | 74,280       | 56,025   | 130,305 |
| Add: Unamortized bond premium         | 15,933       |          |         |
| Long-term portion as of June 30, 2022 | \$<br>90,213 |          |         |

#### Hetchy Power - Power Revenue Bonds 2021 Series A (Green)

# Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

| Fiscal years ending June 30:          | Principal    | Interest | Total  |
|---------------------------------------|--------------|----------|--------|
| 2023                                  | \$<br>-      | 2,045    | 2,045  |
| 2024                                  | _            | 2,045    | 2,045  |
| 2025                                  | 585          | 2,030    | 2,615  |
| 2026                                  | 620          | 2,000    | 2,620  |
| 2027                                  | 650          | 1,969    | 2,619  |
| 2028-2032                             | 3,765        | 9,308    | 13,073 |
| 2033-2037                             | 4,755        | 8,363    | 13,118 |
| 2038-2042                             | 5,945        | 7,295    | 13,240 |
| 2043-2047                             | 9,900        | 5,920    | 15,820 |
| 2048-2052                             | 23,500       | 2,426    | 25,926 |
|                                       | 49,720       | 43,401   | 93,121 |
| Add: Unamortized bond premium         | 10,370       |          |        |
| Long-term portion as of June 30, 2022 | \$<br>60,090 |          |        |

#### Hetchy Power - Power Revenue Bonds 2021 Series B

#### (g) Certificates of Participation Issued for the 525 Golden Gate Headquarters Building

In October 2009, the City issued \$167,670 in certificates of participation to fund construction of the headquarters of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C certificates were issued for \$38,120 and 2009 Series D for \$129,550 as "Build America Bonds" (BABs) on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and mature on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041. After adjusting Series D for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D certificates, respectively.

Under the terms of a Memorandum of Understanding between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City's use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. It is anticipated these lease costs will be offset with reductions in costs associated with current office rental expense. Hetchy Power's share is reflected on the Hetchy Power fund statements. There are no events of default stated in this memorandum of understanding.

The Power, Water, and Wastewater Enterprises have ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Power (12%). Similarly, each Enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of base rental payments for the Enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Power (9.7%). The future annual debt service relating to the certificates of participation 2009 Series C and D outstanding as of June 30, 2022 are as follow:

| Hetchy Power | - Certificates of | <sup>•</sup> Participation | 2009 | Series C | (Tax Exempt) |
|--------------|-------------------|----------------------------|------|----------|--------------|
|              |                   |                            |      |          | (            |

| Fiscal years ending June 30:          | Principal | Interest | Total |
|---------------------------------------|-----------|----------|-------|
| 2023                                  | \$<br>425 | 10       | 435   |
| Less: Current portion                 | (425)     |          |       |
| Add: Unamortized bond premium         | 2         |          |       |
| Less: Current portion                 | (2)       |          |       |
| Long-term portion as of June 30, 2022 | \$<br>_   |          |       |

# Notes to Financial Statements

# June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

|                              |           | Interest<br>before | Federal<br>interest | Interest<br>net of |
|------------------------------|-----------|--------------------|---------------------|--------------------|
| Fiscal years ending June 30: | Principal | subsidy            | subsidy*            | subsidy            |
| 2023                         | \$<br>_   | 812                | (268)               | 544                |
| 2024                         | 445       | 798                | (263)               | 535                |
| 2025                         | 463       | 769                | (254)               | 515                |
| 2026                         | 483       | 739                | (244)               | 495                |
| 2027                         | 503       | 709                | (234)               | 475                |
| 2028-2032                    | 2,852     | 3,020              | (997)               | 2,023              |
| 2033-2037                    | 3,514     | 1,995              | (658)               | 1,337              |
| 2038-2042                    | 4,333     | 727                | (240)               | 487                |
|                              |           | 9,569              | (3,158)             | 6,411              |

#### Hetchy Power - Certificates of Participation 2009 Series D (Taxable BABs)

Long-term portion as of June 30, 2022 \$ 12,593

\* The SFPUC received an IRS notice dated June 2, 2022 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$191 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2023.

## (h) Events of Default and Remedies

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds and energy bonds) and the Equipment Lease/Purchase Agreement include 1) non-payment, 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2022 and 2021, there were no such events described herein.* 

## (8) Revenue Pledge

Hetchy Power has pledged future power revenues to repay the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs. Additionally, Hetchy Power has pledged future power revenues for 2015 Series AB and 2021 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. 2015 Series AB and 2021 Series AB power revenue bonds are payable through fiscal year 2046 and 2052, respectively, and are solely payable from net revenues of Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

The original amount of bonds issued, total principal and interest remaining, principal and interest paid during fiscal years 2022 and 2021, applicable net revenues, and funds available for debt service are as follows:

| Hetchy Power  | _  | 2022    | 2021   |
|---|----|---------|--------|
| Bonds issued with revenue pledge                            | \$ | 182,271 | 64,871 |
| Principal and interest remaining due at the end of the year |    | 290,581 | 71,082 |
| Principal and interest paid during the year*                |    | 3,928   | 5,368  |
| Net revenues for the year ended June 30                     |    | 54,310  | 10,609 |
| Funds available for debt service                            |    | 98,625  | 34,178 |

\*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds net of capitalized interest if any, which have a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds was \$2,565, net of capitalized interest.

# (9) Leases

Hetch Hetchy has entered into long-term leases for office space and other equipment. The terms and conditions for theses leases varies, which ranges between 1 to 75 years.

A summary of intangible right-to-use leases during the years ended June 30, 2022 and 2021 are as follows:

|  | _   | 2021  | Increases | Decreases | Remeasurements | 2022  |
|--|-----|-------|-----------|-----------|----------------|-------|
| Hetch Hetchy                                     | _   |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$  | 1,126 |           | (58)      |                | 1,068 |
| Total lease assets                               | _   | 1,126 | _         | (58)      | _              | 1,068 |
| Less accumulated amortization for:               |     |       |           |           |                |       |
| Building/facility equipment                      |     | (387) | (375)     | 58        | _              | (704) |
| Total accumulated amortization                   | -   | (387) | (375)     | 58        |                | (704) |
| Total lease assets, net                          | \$  | 739   | (375)     |           |                | 364   |
| Hetch Water                                      |     |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$  | 93    | _         | (26)      | _              | 67    |
| Total lease assets                               | -   | 93    |           | (26)      |                | 67    |
| Less accumulated amortization for:               | _   |       |           |           |                |       |
| Building/facility equipment                      |     | (19)  | (13)      | 26        | _              | (6)   |
| Total accumulated amortization                   | -   | (19)  | (13)      | 26        |                | (6)   |
| Total lease assets, net                          | \$  | 74    | (13)      |           |                | 61    |
| Hetch Power                                      |     |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$  | 113   | _         | (32)      | -              | 81    |
| Total lease assets                               | -   | 113   |           | (32)      |                | 81    |
| Less accumulated amortization for:               | -   |       |           |           |                |       |
| Building/facility equipment                      |     | (23)  | (17)      | 32        | _              | (8)   |
| Total accumulated amortization                   | -   | (23)  | (17)      | 32        |                | (8)   |
| Total lease assets, net                          | \$  | 90    | (17)      |           |                | 73    |
| CleanPowerSF                                     |     |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$  | 920   | _         | _         | _              | 920   |
| Total lease assets                               | · - | 920   |           |           |                | 920   |
| Less accumulated amortization for:               | -   |       |           |           |                |       |
| Building/facility equipment                      |     | (345) | (345)     | _         | _              | (690) |
| Total accumulated amortization                   | -   | (345) | (345)     |           |                | (690) |
| Total lease assets, net                          | \$  | 575   | (345)     |           |                | 230   |
|  | -   |       |           |           |                |       |

# Notes to Financial Statements

# June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

|  |    | 2020  | Increases | Decreases | Remeasurements | 2021  |
|--|----|-------|-----------|-----------|----------------|-------|
| Hetch Hetchy                                     | _  |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$ | 1,126 | _         | _         | _              | 1,126 |
| Total lease assets                               | _  | 1,126 |           |           |                | 1,126 |
| Less accumulated amortization for:               | _  |       |           |           |                |       |
| Building/facility equipment                      |    | _     | (387)     | _         | _              | (387) |
| Total accumulated amortization                   | _  | _     | (387)     |           |                | (387) |
| Total lease assets, net                          | \$ | 1,126 | (387)     |           |                | 739   |
| Hetch Water                                      |    |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$ | 93    | _         | _         | _              | 93    |
| Total lease assets                               | _  | 93    |           |           |                | 93    |
| Less accumulated amortization for:               | _  |       |           |           |                |       |
| Building/facility equipment                      |    | —     | (19)      |           |                | (19)  |
| Total accumulated amortization                   |    |       | (19)      |           |                | (19)  |
| Total lease assets, net                          | \$ | 93    | (19)      |           |                | 74    |
| Hetch Power                                      |    |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$ | 113   |           |           |                | 113   |
| Total lease assets                               |    | 113   |           |           |                | 113   |
| Less accumulated amortization for:               |    |       |           |           |                |       |
| Building/facility equipment                      | _  |       | (23)      |           |                | (23)  |
| Total accumulated amortization                   |    | —     | (23)      |           |                | (23)  |
| Total lease assets, net                          | \$ | 113   | (23)      |           |                | 90    |
| CleanPowerSF                                     |    |       |           |           |                |       |
| Right-to-use assets: Building/facility equipment | \$ | 920   | _         | _         | _              | 920   |
| Total lease assets                               |    | 920   |           |           |                | 920   |
| Less accumulated amortization for:               |    |       |           |           |                |       |
| Building/facility equipment                      |    | _     | (345)     | _         | _              | (345) |
| Total accumulated amortization                   | _  | _     | (345)     |           |                | (345) |
| Total lease assets, net                          | \$ | 920   | (345)     |           |                | 575   |

A summary of changes in the related lease liabilities during the years ended June 30, 2022 and 2021 are as follows:

| Fiscal years | Beginning<br>of year |        | Deductions  | End of<br>year | Due within<br>one year |
|--------------|----------------------|--------|-------------|----------------|------------------------|
| Hetch Hetchy |                      | i your | Boddottonio | Jour           | - one year             |
| 2022         | \$                   | 749    | (380)       | 369            | 238                    |
| 2021         |                      | 1,126  | (377)       | 749            | 380                    |
| Hetchy Water |                      |        |             |                |                        |
| 2022         | \$                   | 78     | (16)        | 62             | 3                      |
| 2021         |                      | 93     | (15)        | 78             | 16                     |
| Hetchy Power |                      |        |             |                |                        |
| 2022         | \$                   | 94     | (19)        | 75             | 3                      |
| 2021         |                      | 113    | (19)        | 94             | 19                     |
| CleanPowerSF |                      |        |             |                |                        |
| 2022         | \$                   | 577    | (345)       | 232            | 232                    |
| 2021         |                      | 920    | (343)       | 577            | 345                    |

# Future annual lease payments as of the years ended June 30, 2022 and 2021 are as follows:

| Hetchy Water                             |           |          |       |
|--|-----------|----------|-------|
| Fiscal years ending June 30:             | Principal | Interest | Total |
| 2023 \$                                  | 3         | 1        | 4     |
| 2024                                     | 3         | 1        | 4     |
| 2025                                     | 3         | 1        | 4     |
| 2026                                     | 3         | 1        | 4     |
| 2027                                     | 3         | 1        | 4     |
| 2028-2032                                | 17        | 4        | 21    |
| 2033-2037                                | 18        | 3        | 21    |
| 2038-2042                                | 12        | 1        | 13    |
|  | 62        | 13       | 75    |
| Less: Current portion                    | (3)       |          |       |
| Long-term portion as of June 30, 2022 \$ | 59        |          |       |

#### Hetchy Power

| Fiscal years ending June 30:             | Principal | Interest | Total |
|--|-----------|----------|-------|
| 2023 \$                                  | 3         | 2        | 5     |
| 2024                                     | 4         | 2        | 6     |
| 2025                                     | 4         | 1        | 5     |
| 2026                                     | 4         | 1        | 5     |
| 2027                                     | 4         | 1        | 5     |
| 2028-2032                                | 20        | 5        | 25    |
| 2033-2037                                | 23        | 3        | 26    |
| 2038-2042                                | 13        | 1        | 14    |
|  | 75        | 16       | 91    |
| Less: Current portion                    | (3)       |          |       |
| Long-term portion as of June 30, 2022 \$ | 72        |          |       |

#### CleanPowerSF

| Fiscal years ending June 30:          | _  | Principal | Interest | Total |
|---------------------------------------|----|-----------|----------|-------|
| 2023                                  | \$ | 232       | 1        | 233   |
| Less: Current portion                 | _  | (232)     |          |       |
| Long-term portion as of June 30, 2022 | \$ | _         |          |       |

#### Hetchy Water

| Fiscal years ending June 30:             | Principal | Interest | Total |
|--|-----------|----------|-------|
| 2022 \$                                  | 16        | 2        | 18    |
| 2023                                     | 3         | 1        | 4     |
| 2024                                     | 3         | 1        | 4     |
| 2025                                     | 3         | 1        | 4     |
| 2026                                     | 3         | 1        | 4     |
| 2027-2031                                | 16        | 5        | 21    |
| 2032-2036                                | 18        | 3        | 21    |
| 2037-2041                                | 16        | 1        | 17    |
|  | 78        | 15       | 93    |
| Less: Current portion                    | (16)      |          |       |
| Long-term portion as of June 30, 2021 \$ | 62        |          |       |

## Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

| Hetchy Power                         |     |           |          |       |
|--------------------------------------|-----|-----------|----------|-------|
| Fiscal years ending June 30:         |     | Principal | Interest | Total |
| 2022                                 | \$  | 19        | 2        | 21    |
| 2023                                 |     | 3         | 2        | 5     |
| 2024                                 |     | 4         | 2        | 6     |
| 2025                                 |     | 4         | 1        | 5     |
| 2026                                 |     | 4         | 1        | 5     |
| 2027-2031                            |     | 20        | 6        | 26    |
| 2032-2036                            |     | 22        | 3        | 25    |
| 2037-2041                            |     | 18        | 1        | 19    |
|                                      | -   | 94        | 18       | 112   |
| Less: Current portion                |     | (19)      |          |       |
| Long-term portion as of June 30, 202 | 1\$ | 75        |          |       |
| CleanPowerSF                         |     |           |          |       |
| Fiscal years ending June 30:         |     | Principal | Interest | Total |
| 2022                                 | \$  | 345       | 5        | 350   |

| 2022                                  | \$<br>345 | 5 | 350 |
|---------------------------------------|-----------|---|-----|
| 2023                                  | 232       | 1 | 233 |
|                                       | <br>577   | 6 | 583 |
| Less: Current portion                 | (345)     |   |     |
| Long-term portion as of June 30, 2021 | \$<br>232 |   |     |

*Variable Lease Payments* – Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain equipment or facility rental leases require Hetch Hetchy to make variable lease payments that based on usage, related to the property taxes levied on the lessor, and insurance payments made by the lessor; these amounts are generally determined annually. As of June 30, 2022, the amounts recognized as expense for variable lease payments not included in the measurement of the lease liability were \$45 for Hetch Hetchy, of which \$1 for Hetchy Water, \$1 for Hetchy Power and \$43 for CleanPowerSF. As of June 30, 2021, the amounts recognized as expense for variable lease payments not included in the measurement of the lease payments not included in the measurement of the lease payments and Hetchy Power.

# (10) Other Non-Operating Revenues – Transbay Cable Construction and Licensing Fees

In 2007, the Board of Supervisors adopted the resolution to enter into two non-exclusive licenses with the Transbay Cable LLC (the Licensee) for the Transbay Cable Project. The Licensee proposed to install, operate, and maintain approximately 53 miles of high-voltage direct current transmission cable running from the City of Pittsburg to the City. The first license was a Construction License to install a 400 MW high-voltage transmission line, with a four-year term. The Licensee paid Hetchy Power \$3,500 in Renewable Energy, Transmission and Grid Reliability. The Construction licensing fees were fully spent as of 2020.

The second license is an operational license for operation of the transmission line with 25-year term and an option to renew for 10 years. The Licensee agrees to pay Hetchy Power in excess of \$20,000 in 10 separate installments of \$2,000 annually with adjustments for inflation, as the "San Francisco Electric Reliability Payment" to implement, advance, promote, or enhance policies and projects consistent with City Energy Policies. The project came on line November 29, 2010 and cumulative revenues of \$22,708 were recorded, with final payment of \$2,574 received in fiscal year 2020. Per

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agreement, the SFPUC shall consult with Departments of Environment and Public Health, as well as community members, including the Power Plant Task Force, in developing its proposals to the Board of Supervisors on how to spend the San Francisco Electricity Reliability Payment, and shall consider specifically renewable energy, conservation, and environmental health programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. The San Francisco Electricity Reliability Payment shall also be partly used for green jobs training and placement programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. As of June 30, 2022, cumulative expenses of \$11,136 have been incurred, with \$1,525 and \$1,254 in fiscal years 2022 and 2021, respectively.

## (11) Employee Benefits

## (a) Pension Plan

*Retirement Plan* – Hetch Hetchy participates in a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). The SFERS Plan is administered by the San Francisco City and County Employees' Retirement System (SFERS). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68 requires that the SFERS Plan reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

|                         | Fiscal Year 2022                       | Fiscal Year 2021                       |
|-------------------------|--|--|
| Valuation Date (VD)     | June 30, 2020 updated to June 30, 2021 | June 30, 2019 updated to June 30, 2020 |
| Measurement Date (MD)   | June 30, 2021                          | June 30, 2020                          |
| Measurement Period (MP) | July 1, 2020 to June 30, 2021          | July 1, 2019 to June 30, 2020          |

*SFERS Plan* – The City is an employer of the plan with a proportionate share of 94.64% as of June 30, 2021 (measurement date), 0.25% increased from prior year, and 94.39% as of June 30, 2020 (measurement date). Hetch Hetchy's allocation percentage was determined based on its employer contributions divided by the City's total employer contributions for fiscal years 2021 and 2020. Hetch Hetchy's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on its allocated percentage. Hetch Hetchy's allocation of the City's proportionate share was 1.33%, of which 0.57% for Hetchy Water, 0.69% for Hetchy Power, and 0.07% for CleanPowerSF as of June 30, 2021 (measurement date). Hetch Hetchy's allocation of the City's proportionate share was 1.22%, of which 0.52% for Hetchy Water, 0.64% for Hetchy Power, and 0.06% for CleanPowerSF as of June 30, 2020 (measurement date).

*SFERS Plan Description* – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The Plan also provides pension continuation benefits to qualified survivors. The City Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial

# Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website or by writing to the San Francisco Employees' Retirement System, 1145 Market Street, 5<sup>th</sup> Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

*SFERS Benefits* – The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of Plan members are:

- a) Miscellaneous Non-Safety Members staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- b) Sheriff's Department and Miscellaneous Safety members sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.
- c) Firefighter Members firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- d) Police Members police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5%including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members. Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

# Funding and Contribution Policy

*SFERS Plan* – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 13.0% as a percentage of gross covered salary in fiscal years 2021 and 2020. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2020 actuarial report, the required employer contribution rate for fiscal year 2022 range from 19.91% to 24.41%. Based on the July 1, 2019 actuarial report, the required employer contribution rate for fiscal year 2021 range from 22.40% to 26.90%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2021 and 2020 (measurement years) were \$791,736 and \$701,307, respectively. Hetch Hetchy's allocation of employer contributions were \$9,644, of which \$4,130 for Hetchy Water, \$5,048 for Hetchy Power, and \$466 for CleanPowerSF for fiscal year 2021 (measurement period). Hetch Hetchy's allocation of employer contributions were \$8,243, of which \$3,574 for Hetchy Water, \$4,369 for Hetchy Power, and \$300 for CleanPowerSF for fiscal year 2020 (measurement period).

For the year ended June 30, 2022, the City's actuarial determined contribution was \$729,578. Hetch Hetchy's share was \$9,766, of which \$4,149 for Hetchy Water, \$5,071 for Hetchy Power, and \$546 for CleanPowerSF for fiscal year 2022 and will be recognized as a reduction of the net pension liability in the subsequent fiscal period.

# Pension (Assets)/Liabilities, Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

## Fiscal Year 2022

As of June 30, 2022, the City reported net pension assets (NPA) for its proportionate share of the net pension asset of the SFERS Plan of \$2,446,564. The City's net pension asset for the Plan is measured as the proportionate share of the net pension asset. The net pension asset of the SFERS Plan is measured as of June 30, 2021 (measurement date), and the total pension (asset)/liability for the SFERS Plan used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension (asset)/liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension (asset)/liability for the SFERS Plan as of June 30, 2022 was (\$32,749), of which (\$13,912) for Hetchy Water, (\$17,004) for Hetchy Power, and (\$1,833) for CleanPowerSF.

For the year ended June 30, 2022, the City's recognized pension (benefit) was (\$922,979), which includes Retirement Benefit Plan pension expense of \$28,735. Hetch Hetchy's allocation of pension (benefit) including amortization of deferred outflows/inflows related pension items were (\$4,058), of which (\$1,816) for Hetchy Water, (\$2,220) for Hetchy Power, and (\$22) for CleanPowerSF. Pension (benefit) increased from the prior year, largely due to the amortization of deferrals.

# Notes to Financial Statements

#### June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

At June 30, 2022, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

|   |        | Schedules of Deferred Outflows and Inflows of Resources |               |        |        |         |               |        |
|---|--------|---|---------------|--------|--------|---------|---------------|--------|
|   |        | Deferre   | d Outflows of |        |        | Deferre | ed Inflows of |        |
|   |        | R   | esources      |        |        | Re      | sources       |        |
|   | Hetchy | Hetchy  |               |        | Hetchy | Hetchy  |               |        |
| Fiscal Year 2022  | Water  | Power   | CleanPowerSF  | Total  | Water  | Power   | CleanPowerSF  | Total  |
| Pension contributions subsequent to the \$ measurement date | 4,149  | 5,071   | 546           | 9,766  | _      | -       |               | _      |
| Differences between expected and actual                     |        |   |               |        |        |         |               |        |
| experience  | 1,278  | 1,561   | 168           | 3,007  | 45     | 56      | 6             | 107    |
| Changes in assumptions                                      | 941    | 1,151   | 124           | 2,216  | 2,443  | 2,985   | 322           | 5,750  |
| Net difference between projected and actual                 |        |   |               |        |        |         |               |        |
| earnings on pension plan investments                        | -      | -   | -             | -      | 30,223 | 36,939  | 3,982         | 71,144 |
| Change in employer's proportion                             | 328    | 400   | 14            | 742    | 1,766  | 2,158   | 1,104         | 5,028  |
| Total \$  | 6,696  | 8,183   | 852           | 15,731 | 34,477 | 42,138  | 5,414         | 82,029 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows:

| Fiscal | Hetchy         | Hetchy   |              |          |
|--------|----------------|----------|--------------|----------|
| years  | Water          | Power    | CleanPowerSF | Total    |
| 2023   | \$<br>(8,033)  | (9,817)  | (1,407)      | (19,257) |
| 2024   | (7,470)        | (9,130)  | (1,278)      | (17,878) |
| 2025   | (7,679)        | (9,386)  | (1,194)      | (18,259) |
| 2026   | (8,748)        | (10,693) | (1,229)      | (20,670) |
|        | \$<br>(31,930) | (39,026) | (5,108)      | (76,064) |

# Fiscal Year 2021

As of June 30, 2021, the City reported net pension liabilities (NPL) for its proportionate share of the net pension liability of the SFERS Plan of \$5,107,270. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2020 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2021 was \$62,219, of which \$26,645 for Hetchy Water, \$32,566 for Hetchy Power, and \$3,008 for CleanPowerSF.

For the year ended June 30, 2021, the City's recognized pension expense was \$962,576 (which includes Retirement Benefit Plan pension expense of \$25,243), including amortization of deferred outflows/inflows related pension items. Hetch Hetchy's allocation of pension expense including amortization of deferred outflows/inflows related pension items were \$14,883, of which \$6,103 for Hetchy Water, \$7,459 for Hetchy Power, and \$1,321 for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

# Notes to Financial Statements

## June 30, 2022 and 2021

### (Dollars in thousands, unless otherwise stated)

At June 30, 2021, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

|   |        | Schedules of Deferred Outflows and Inflows of Resources |               |        |        |        |                |       |
|---|--------|---|---------------|--------|--------|--------|----------------|-------|
|   |        | Deferre   | d Outflows of |        |        | Defer  | red Inflows of |       |
|   |        | R   | esources      |        |        | R      | lesources      |       |
|   | Hetchy | Hetchy  |               |        | Hetchy | Hetchy |                |       |
| Fiscal Year 2021  | Water  | ter Power   | CleanPowerSF  | Total  | Water  | Power  | CleanPowerSF   | Total |
| Pension contributions subsequent to the \$ measurement date | 4,130  | 5,048   | 466           | 9,644  | _      | _      | _              | _     |
| Differences between expected and actual                     |        |   |               |        |        |        |                |       |
| experience  | 905    | 1,106   | 102           | 2,113  | 83     | 102    | 9              | 194   |
| Changes in assumptions                                      | 1,463  | 1,788   | 165           | 3,416  | 462    | 564    | 52             | 1,078 |
| Net difference between projected and actual                 |        |   |               |        |        |        |                |       |
| earnings on pension plan investments                        | 558    | 682   | 63            | 1,303  | -      | -      | _              | -     |
| Change in employer's proportion                             | 743    | 907   | 7             | 1,657  | 443    | 541    | 1,032          | 2,016 |
| Total \$  | 7,799  | 9,531   | 803           | 18,133 | 988    | 1,207  | 1,093          | 3,288 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows:

| Fiscal | Hetchy      | Hetchy |              |       |
|--------|-------------|--------|--------------|-------|
| years  | Water       | Power  | CleanPowerSF | Total |
| 2022   | \$<br>(115) | (141)  | (472)        | (728) |
| 2023   | 665         | 812    | (195)        | 1,282 |
| 2024   | 1,160       | 1,418  | (90)         | 2,488 |
| 2025   | 971         | 1,187  | 1            | 2,159 |
|        | \$<br>2,681 | 3,276  | (756)        | 5,201 |

## Actuarial Assumptions

### Fiscal Year 2022

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for SFERS Plan as of June 30, 2021 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2020 actuarial valuation. Refer to the July 1, 2020 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

| Key Actuarial Assumptions  | SFERS Plan   |                    |                    |                    |  |  |  |
|----------------------------|--|--------------------|--------------------|--------------------|--|--|--|
| Valuation Date             | June 30, 2020 updated  | o June 30, 2021    |                    |                    |  |  |  |
| Measurement Date           | June 30, 2021  |                    |                    |                    |  |  |  |
| Actuarial Cost Method      | Entry-Age Normal Cost  |                    |                    |                    |  |  |  |
| Expected Rate of Return    | 7.40% net of investment  | expenses           |                    |                    |  |  |  |
| Municipal Bond Yield       | 2.21% as of June 30, 20  | 20                 |                    |                    |  |  |  |
|                            | 2.16% as of June 30, 20  | 21                 |                    |                    |  |  |  |
|                            | Bond Buyer 20-Bond GO Index, June 25, 2020 and June 24, 2021                     |                    |                    |                    |  |  |  |
| Inflation                  | 2.50%  |                    |                    |                    |  |  |  |
| Projected Salary Increases | 3.25% plus merit component based on employee classification and years of service |                    |                    |                    |  |  |  |
| Discount Rate              | 7.40% as of June 30, 2020  |                    |                    |                    |  |  |  |
|                            | 7.40% as of June 30, 20  | 21                 |                    |                    |  |  |  |
| Administrative Expenses    | 0.60% of payroll as of June 30, 2020   |                    |                    |                    |  |  |  |
|                            | 0.60% of payroll as of June 30, 2021   |                    |                    |                    |  |  |  |
|                            |  |                    | Old Police & Fire, | Old Police & Fire, |  |  |  |
|                            | Old Miscellaneous and  | Old Police & Fire, | Charters A8.595    | Charters A8.559    |  |  |  |
| Basic COLA                 | All New Plans  | pre 7/1/75         | and A8.596         | and A8.585         |  |  |  |
| June 30, 2020              | 2.00%  | 2.50%              | 3.10%              | 4.20%              |  |  |  |
| June 30, 2021              | 2.00%  | 1.90%              | 2.50%              | 3.60%              |  |  |  |

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2021 measurement date was based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2020.

## Fiscal Year 2021

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for SFERS Plan as of June 30, 2020 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2019 actuarial valuation. Refer to the July 1, 2019 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website <u>http://mysfers.org</u>.

| Key Actuarial Assumptions  | S             | SFERS Plan                 |                        |                               |                     |  |  |
|----------------------------|---------------|----------------------------|------------------------|-------------------------------|---------------------|--|--|
| Valuation Date             | _             | June 30, 2019 updated t    | o June 30, 2020        |                               |                     |  |  |
| Measurement Date           |               | June 30, 2020              |                        |                               |                     |  |  |
| Actuarial Cost Method      |               | Entry-Age Normal Cost      |                        |                               |                     |  |  |
| Expected Rate of Return    |               | 7.40% net of pension pla   | n investment, includir | ng inflation                  |                     |  |  |
| Municipal Bond Yield       |               | 3.50% as of June 30, 20    | 19                     |                               |                     |  |  |
|                            |               | 2.21% as of June 30, 202   | 20                     |                               |                     |  |  |
|                            |               | Bond Buyer 20-Bond GO      | ndex, June 27, 2019    | and June 25, 2020             |                     |  |  |
| Inflation                  |               | 2.75%                      |                        |                               |                     |  |  |
| Projected salary increases | 3             | 3.50% plus merit compor    | nent based employee    | classification and years of s | ervice              |  |  |
| Discount Rate              |               | 7.40% as of June 30, 20    | 19                     |                               |                     |  |  |
|                            |               | 7.40% as of June 30, 202   | 20                     |                               |                     |  |  |
| Administrative Expenses    |               | 0.60% of payroll as of Jur | ne 30, 2019            |                               |                     |  |  |
|                            |               | 0.60% of payroll as of Jur | ne 30, 2020            |                               |                     |  |  |
|                            |               |                            |                        | Old Police & Fire             | Old Police & Fire   |  |  |
|                            |               | Old Miscellaneous and      | Old Police & Fire      | Charters A8.595 and           | Charters A8.559 and |  |  |
| Basic COLA                 |               | all New Plans              | Pre 7/1/75             | A8.596                        | A8.585              |  |  |
|                            | June 30, 2019 | 2.00%                      | 2.50%                  | 3.10%                         | 4.20%               |  |  |
|                            | June 30, 2020 | 2.00%                      | 2.50%                  | 3.10%                         | 4.20%               |  |  |

For healthy annuitants, the sex distinct 2009 CalPERS healthy annuitant mortality table, adjusted 1.014 for females and 0.909 for males. For active members, the sex distinct 2009 CalPERS employee mortality tables, adjusted 0.918 for females and 0.948 for males. Rates are projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used at the June 30, 2020 measurement date was based upon the result of a demographic experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2019.

# Discount Rate

# Fiscal Year 2022

*SFERS Plan* – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.40% as of June 30, 2021 (measurement date) and June 30, 2020 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2021 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2020 actuarial valuation. That policy includes contributions equal to the employer portion

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 1997 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2021 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2021. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

|              |             | Before 11/6/96  |
|--------------|-------------|-----------------|
| Fiscal years | 96 - Prop C | or After Prop C |
| 2023         | 0.75 %      | 0.70 %          |
| 2025         | 0.75        | 0.70            |
| 2027         | 0.75        | 0.60            |
| 2029         | 0.75        | 0.60            |
| 2031         | 0.75        | 0.60            |
| 2033+        | 0.75        | 0.50            |

#### Assumed Supplemental COLA for Members with a 2.00% Basic COLA

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

# Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.16% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2021 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

| Asset Class                  | Target<br>Allocation | Long-Term Expected Real<br>Rate of Return |
|------------------------------|----------------------|---|
| Global Equity                | 37.0 %               | 4.2 %                                     |
| Private Equity               | 23.0                 | 7.9                                       |
| Private Credit               | 10.0                 | 5.1                                       |
| Real Assets                  | 10.0                 | 5.1                                       |
| Hedge Funds/Absolute Returns | 10.0                 | 2.9                                       |
| Treasuries                   | 8.0                  | 0.0                                       |
| Liquid Credit                | 5.0                  | 2.3                                       |
| Leverage                     | (3.0)                | 0.1                                       |
| Total                        | 100.0                |   |

# Fiscal Year 2021

*SFERS Plan* – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.40% as of June 30, 2020 (measurement date) and June 30, 2019 (measurement date).

The discount rate used to measure the Total Pension Liability as of the June 30, 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2019 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age, normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years.

# Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll, so payments increase 3.50% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 1997 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2020 for the probability and amount of Supplemental COLA for each future year. There were no excess earnings during the fiscal year ending June 30, 2020; consequently, no Supplemental COLA will be paid effective July 1, 2020.

The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

| Fiscal years | 96 - Prop C | Before 11/6/96<br>or After Prop C |
|--------------|-------------|-----------------------------------|
| 2022         | 0.75 %      | 0.19 %                            |
| 2024         | 0.75        | 0.27                              |
| 2026         | 0.75        | 0.30                              |
| 2028         | 0.75        | 0.33                              |
| 2030         | 0.75        | 0.35                              |
| 2032         | 0.75        | 0.37                              |
| 2034+        | 0.75        | 0.38                              |

## Assumed Supplemental COLA for Members with a 2.00% Basic COLA

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.21% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2020 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns

## Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

|                              | Target     | Long-Term Expected Real |   |
|------------------------------|------------|-------------------------|---|
| Asset Class                  | Allocation | Rate of Return          |   |
| Global Equity                | 31.0 %     | 4.9 %                   | 6 |
| Private Equity               | 18.0       | 7.9                     |   |
| Real Assets                  | 17.0       | 5.7                     |   |
| Hedge Funds/Absolute Returns | 15.0       | 3.0                     |   |
| Private Credit               | 10.0       | 4.8                     |   |
| Treasuries                   | 6.0        | (0.5)                   |   |
| Liquid Credit                | 3.0        | 2.7                     |   |
| Total                        | 100.0      |                         |   |

# Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Hetch Hetchy's allocation of the employer's proportionate share of the net pension liability/asset for the SFERS Plan, calculated using the discount rate, as well as what Hetch Hetchy's allocation of the employer's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

|                                  | Hetchy       | Hetchy   |              |          |
|----------------------------------|--------------|----------|--------------|----------|
| Fiscal Year 2022                 | Water        | Power    | CleanPowerSF | Total    |
| 1% Decrease Share of NPL @ 6.40% | \$<br>9,272  | 11,333   | 1,221        | 21,826   |
| Share of NPA @ 7.40%             | (13,912)     | (17,004) | (1,833)      | (32,749) |
| 1% Increase Share of NPA @ 8.40% | (33,053)     | (40,398) | (4,354)      | (77,805) |
|                                  | Hetchy       | Hetchy   |              |          |
| Fiscal Year 2021                 | Water        | Power    | CleanPowerSF | Total    |
| 1% Decrease Share of NPL @ 6.40% | \$<br>47,111 | 57,580   | 5,318        | 110,009  |
| Share of NPL @ 7.40%             | 26,645       | 32,566   | 3,008        | 62,219   |
| 1% Increase Share of NPL @ 8.40% | 9,736        | 11,899   | 1,099        | 22,734   |

# (b) Other Post-Employment Benefits

Hetch Hetchy participates in a single-employer defined benefit other post-employment plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides post-employment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other post-employment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

| San Francisco Health Service System Retiree Plan - Single-Employer |  |                               |  |  |  |  |
|--|--|-------------------------------|--|--|--|--|
|  | Fiscal Year 2022                       | Fiscal Year 2021              |  |  |  |  |
| Valuation Date (VD)  | June 30, 2020 updated to June 30, 2021 | June 30, 2020                 |  |  |  |  |
| Measurement Date (MD)  | June 30, 2021                          | June 30, 2020                 |  |  |  |  |
| Measurement Period (MP)  | July 1, 2020 to June 30, 2021          | July 1, 2019 to June 30, 2020 |  |  |  |  |

Hetch Hetchy's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2021 and June 30, 2020. Hetch Hetchy's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on its allocated percentage. Hetch Hetchy's proportionate share of the City's OPEB elements was 0.92%, of which 0.39% for Hetchy Water, 0.47% for Hetchy Power, and 0.06% for CleanPowerSF as of June 30, 2021 (measurement date). Hetch Hetchy's proportionate share of the City's OPEB elements was 0.92%, of which 0.38% for Hetchy Water, 0.46% for Hetchy Power, and 0.08% for CleanPowerSF as of June 30, 2020 (measurement date).

# Benefits

Permanent full-time and elected employees are eligible to retire and receive post-retirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

| Normal Retirement                                     | Miscellaneous | Age 50 with 20 years of credited service <sup>1</sup><br>Age 60 with 10 years of credited service |
|---|---------------|---|
|   | Safety        | Age 50 with 5 years of credited service   |
| Disabled Retirement <sup>2</sup><br>Terminated Vested |               | Any age with 10 years of credited service 5 years of credited service at separation               |

<sup>1</sup> Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012.

 $^{2}$  No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

| Medical: | PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)                            |
|----------|---|
|          | HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)  |
| Dental:  | Delta Dental, DeltaCare USA and United Healthcare Dental  |
| Vision:  | Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan. |

Projections of the sharing of benefit related costs are based on an established pattern of practice.

# Contributions

Benefits provided under the Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1<sup>st</sup> of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1<sup>st</sup> of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1<sup>st</sup> of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's Actuary has determined that the City's portion of the Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

# Fiscal Year 2022

For the fiscal year ended June 30, 2022, the City's funding was based on "pay as you go" plus a contribution of \$41,841 to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City was \$211,025 for a total contribution of \$252,866 for the fiscal year ended June 30, 2022. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2022 were \$2,322: \$975 for Hetchy Water, \$1,192 for Hetchy Power, and \$155 for CleanPowerSF for fiscal year 2022 and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

# Fiscal Year 2021

For the fiscal year ended June 30, 2021, the City's funding was based on "pay-as-you-go" plus a contribution of \$39,555 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was \$206,439 for a total contribution of \$245,994 for the fiscal year ended June 30, 2021. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2021 were \$2,252: \$929 for Hetchy Water, \$1,136 for Hetchy Power, and \$187 for CleanPowerSF.

# OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

# Fiscal Year 2022

As of June 30, 2022, the City reported net OPEB liabilities related to the Plan of \$3,691,122. Hetch Hetchy's proportionate share of the City's net OPEB liability as of June 30, 2022 was \$33,909: \$14,240 for Hetchy Water, \$17,405 for Hetchy Power, and \$2,264 for CleanPowerSF.

# Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2022, the City's recognized OPEB expense was \$272,001. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's OPEB expense was \$3,002: \$1,874 for Hetchy Water and \$2,291 for Hetchy Power, offset by a decrease of \$1,163 expense for CleanPowerSF.

As of June 30, 2022, Hetch Hetchy reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

|   | Schedules of Deferred Outflows and Inflows of Resources |                |                       |       |        |        |              |       |
|---|---|----------------|-----------------------|-------|--------|--------|--------------|-------|
|   |   |                | Outflows of<br>ources |       |        |        |              |       |
|   | Hetchy  | Hetch <b>y</b> |                       |       | Hetchy | Hetchy |              |       |
|   | Water   | Power          | CleanPowerSF          | Total | Water  | Power  | CleanPowerSF | Total |
| Contributions subsequent to measurement date \$ | 975   | 1,192          | 155                   | 2,322 | -      | -      | _            | -     |
| Differences between expected and actual         |   |                |                       |       |        |        |              |       |
| experience                                      | 428   | 523            | 68                    | 1,019 | 2,193  | 2,680  | 348          | 5,221 |
| Changes in assumptions                          | 602   | 735            | 96                    | 1,433 | -      | _      | _            | _     |
| Net difference between projected and actual     |   |                |                       |       |        |        |              |       |
| earnings on plan investments                    | -   | -              | -                     | -     | 269    | 329    | 43           | 641   |
| Change in proportion                            | 1,267   | 1,549          | 479                   | 3,295 | 272    | 333    | 1,203        | 1,808 |
| Total \$  | 3,272   | 3,999          | 798                   | 8,069 | 2,734  | 3,342  | 1,594        | 7,670 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

|                 | Deferred Outflows/(Inflows) of Resources |                 |                 |              |         |  |  |  |
|-----------------|--|-----------------|-----------------|--------------|---------|--|--|--|
| Fiscal<br>years |  | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Total   |  |  |  |
| 2023            | \$                                       | (105)           | (128)           | (264)        | (497)   |  |  |  |
| 2024            |  | (106)           | (130)           | (264)        | (500)   |  |  |  |
| 2025            |  | (103)           | (125)           | (264)        | (492)   |  |  |  |
| 2026            |  | 46              | 57              | (167)        | (64)    |  |  |  |
| 2027            |  | (43)            | (53)            | (59)         | (155)   |  |  |  |
| Thereafter      |  | (126)           | (156)           | 67           | (215)   |  |  |  |
| Total           | \$                                       | (437)           | (535)           | (951)        | (1,923) |  |  |  |

## Fiscal Year 2021

As of June 30, 2021, the City reported net OPEB liabilities related to the Plan of \$3,823,334. Hetch Hetchy's proportionate share of the City's net OPEB liability as of June 30, 2021 was \$35,006: \$14,444 for Hetchy Water, \$17,653 for Hetchy Power, and \$2,909 for CleanPowerSF.

For the year ended June 30, 2021, the City's recognized OPEB expense was \$320,684. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's reduction of OPEB expense was \$1,859: \$1,480 for Hetchy Water and \$1,809 for Hetchy Power, offset by an increase of \$1,430 expense for CleanPowerSF.

As of June 30, 2021, Hetch Hetchy reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

|   | Schedules of Deferred Outflows and Inflows of Resources |        |                       |       |                                  |        |              |       |
|---|---|--------|-----------------------|-------|----------------------------------|--------|--------------|-------|
|   |   |        | Outflows of<br>ources |       | Deferred Inflows of<br>Resources |        |              |       |
|   | Hetchy  | Hetchy |                       |       | Hetchy                           | Hetchy |              |       |
|   | Water   | Power  | CleanPowerSF          | Total | Water                            | Power  | CleanPowerSF | Total |
| Contributions subsequent to measurement date \$ | 929   | 1,136  | 187                   | 2,252 | _                                | _      | _            | -     |
| Differences between expected and actual         |   |        |                       |       |                                  |        |              |       |
| experience                                      | 524   | 640    | 106                   | 1,270 | 2,070                            | 2,529  | 417          | 5,016 |
| Changes in assumptions                          | 731   | 894    | 147                   | 1,772 | -                                | -      | _            | -     |
| Net difference between projected and actual     |   |        |                       |       |                                  |        |              |       |
| earnings on plan investments                    | 9   | 12     | 2                     | 23    | -                                | -      | _            | -     |
| Change in proportion                            | 1,532   | 1,870  | -                     | 3,402 | 15                               | 19     | 1,496        | 1,530 |
| Total \$  | 3,725   | 4,552  | 442                   | 8,719 | 2,085                            | 2,548  | 1,913        | 6,546 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

|                 | Deferred Outflows/(Inflows) of Resources |                 |                 |              |       |  |  |  |
|-----------------|--|-----------------|-----------------|--------------|-------|--|--|--|
| Fiscal<br>years |  | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Total |  |  |  |
| 2022            | \$                                       | 90              | 110             | (328)        | (128) |  |  |  |
| 2023            |  | 96              | 117             | (326)        | (113) |  |  |  |
| 2024            |  | 94              | 116             | (326)        | (116) |  |  |  |
| 2025            |  | 99              | 120             | (326)        | (107) |  |  |  |
| 2026            |  | 245             | 299             | (222)        | 322   |  |  |  |
| Thereafter      |  | 87              | 106             | (130)        | 63    |  |  |  |
| Total           | \$ _                                     | 711             | 868             | (1,658)      | (79)  |  |  |  |

## Actuarial Assumptions

# Fiscal Year 2022

# A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2021 (measurement date) is provided below:

| Key Actuarial Assumptions              |   |
|--|---|
| Valuation Date                         | June 30, 2020, updated to June 30, 2021   |
| Measurement Date                       | June 30, 2021   |
| Actuarial Cost Method                  | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability  |
| Healthcare Cost Trend Rates            | Pre-Medicare trend starts at 6.74% trending down to ultimate rate of 4.04% in 2075  |
|  | Medicare trend starts at 7.24% trending down to ultimate rate of 4.04% in 2075  |
|  | 10-County average trend starts at 5.50% trending down to ultimate rate of 4.04% in 2075   |
|  | Vision and expenses trend remains a flat 3.0% for all years   |
| Expected Rate of Return on Plan Assets | 7.00%   |
| Salary Increase Rate                   | Wage Inflation Component: 3.25%   |
|  | Additional Merit Component (dependent on years of service):   |
|  | Police: 0.50% - 7.50%   |
|  | Fire: 0.50% - 14.00%  |
|  | Muni Drivers: 0.00% - 16.00%  |
|  | Craft: 0.50% - 3.75%  |
|  | Misc: 0.30% - 5.50%   |
| Inflation Rate                         | Wage Inflation: 3.25% compounded annually   |
|  | Consumer Price Inflation: 2.50% compounded annually   |
| Mortality Tables                       | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019. |

Non-Annuitants

|               |                    | Adjustme | nt Factor |
|---------------|--------------------|----------|-----------|
|               | Published Table    | Male     | Female    |
| Miscellaneous | PubG-2010 Employee | 0.834    | 0.866     |
| Safety        | PubS-2010 Employee | 1.011    | 0.979     |

Healthy Retirees

|               |                    | Adjustme | nt Factor |
|---------------|--------------------|----------|-----------|
|               | Published Table    | Male     | Female    |
| Miscellaneous | PubG-2010 Employee | 1.031    | 0.977     |
| Safety        | PubS-2010 Employee | 0.947    | 1.044     |

**Disabled Retirees** 

|               |                    | Adjustment Factor |        |
|---------------|--------------------|-------------------|--------|
|               | Published Table    | Male              | Female |
| Miscellaneous | PubG-2010 Employee | 1.045             | 1.003  |
| Safety        | PubS-2010 Employee | 0.916             | 0.995  |

Beneficiaries

|               |                    | Adjustment Factor |        |
|---------------|--------------------|-------------------|--------|
|               | Published Table    | Male              | Female |
| Miscellaneous | PubG-2010 Employee | 1.031             | 0.977  |
| Safety        | PubG-2010 Employee | 1.031             | 0.977  |

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

# Fiscal Year 2021

# A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2020 (measurement year) is provided below:

| Key Actuarial Assumptions              |                                  |                                |                   |                    |                         |
|--|----------------------------------|--------------------------------|-------------------|--------------------|-------------------------|
| Valuation Date                         | June 30, 2020                    |                                |                   |                    |                         |
| Measurement Date                       | June 30, 2020                    |                                |                   |                    |                         |
| Actuarial Cost Method                  | The Entry Age Actuarial Cost Me  | thod is used to measure th     | e Plan's Total Ol | PEB Liability      |                         |
| Healthcare Cost Trend Rates            | Pre-Medicare trend starts at 4.0 | 00% in 2022, 7.00% in 202      | 3, trending dow   | n to ultimate rate | e of 4.04% in 2075      |
|  | Medicare trend starts at 1.00%   | in 2022, 7.50% in 2023, t      | rending down to   | ultimate rate of   | 4.04% in 2075           |
|  | 10-County average trend starts   | at 4.5% in 2022, 5.50% in      | 2023, trending    | down to ultimate   | e rate of 4.04% in 2075 |
|  | Vision and expenses trend rem    | ains a flat 3.0% for all years | ;                 |                    |                         |
| Expected Rate of Return on Plan Assets | 7.00%                            |                                |                   |                    |                         |
| Salary Increase Rate                   | Wage Inflation Component: 3.2    | 5%                             |                   |                    |                         |
|  | Additional Merit Component (d    | ependent on years of servic    | e):               |                    |                         |
|  | Police: 0.50% - 7.50%            |                                |                   |                    |                         |
|  | Fire: 0.50% - 14.00%             |                                |                   |                    |                         |
|  | Muni Drivers: 0.00% - 16.00%     | ò                              |                   |                    |                         |
|  | Craft: 0.50% - 3.75%             |                                |                   |                    |                         |
|  | Misc: 0.30% - 5.50%              |                                |                   |                    |                         |
| Inflation Rate                         | Wage Inflation: 3.25% compou     | nded annually                  |                   |                    |                         |
|  | Consumer Price Inflation: 2.50   | % compounded annually          |                   |                    |                         |
| Mortality Tables                       | Base mortality tables are devel  | , , , , , ,                    | hed table by an   | adjustment facto   | or developed in SFERS   |
|  | experience study for the period  | ending June 30, 2019.          |                   |                    |                         |
|  | Non-Annuitants                   |                                |                   |                    | 1                       |
|  |                                  |                                | Adjustme          | ent Factor         |                         |
|  |                                  | Published Table                | Male              | Female             |                         |

|               | Published Table    | Male  |   |
|---------------|--------------------|-------|---|
| Miscellaneous | PubG-2010 Employee | 0.834 |   |
| Safety        | PubS-2010 Employee | 1.011 | ſ |
|               |                    |       |   |

Healthy Retirees

|               |                    | Adjustment Factor |        |
|---------------|--------------------|-------------------|--------|
|               | Published Table    | Male              | Female |
| Miscellaneous | PubG-2010 Employee | 1.031             | 0.977  |
| Safety        | PubS-2010 Employee | 0.947             | 1.044  |

Female 0.866 0.979

#### **Disabled Retirees**

|               |                    | Adjustment Factor |        |
|---------------|--------------------|-------------------|--------|
|               | Published Table    | Male              | Female |
| Miscellaneous | PubG-2010 Employee | 1.045             | 1.003  |
| Safety        | PubS-2010 Employee | 0.916             | 0.995  |

Beneficiaries

|             |    |                    | Adjustment Factor |        |  |
|-------------|----|--------------------|-------------------|--------|--|
|             |    | Published Table    | Male              | Female |  |
| Miscellaneo | JS | PubG-2010 Employee | 1.031             | 0.977  |  |
| Safety      |    | PubG-2010 Employee | 1.031             | 0.977  |  |

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

## Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what its allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2022 and June 30, 2021:

|                  | Hetchy       | Hetchy |              |        |
|------------------|--------------|--------|--------------|--------|
|                  | Water        | Power  | CleanPowerSF | 2022   |
| 1% Decrease      | \$<br>12,121 | 14,814 | 1,927        | 28,862 |
| Healthcare Trend | 14,240       | 17,405 | 2,264        | 33,909 |
| 1% Increase      | 16,882       | 20,634 | 2,685        | 40,201 |
|                  |              |        |              |        |
|                  | Hetchy       | Hetchy |              |        |
|                  | Water        | Power  | CleanPowerSF | 2021   |
| 1% Decrease      | \$<br>12,488 | 15,264 | 2,515        | 30,267 |
| Healthcare Trend | 14,444       | 17,653 | 2,909        | 35,006 |
| 1% Increase      | 16,992       | 20,767 | 3,422        | 41,181 |

## Discount Rate

## Fiscal Year 2022

The discount rate used to measure the Total OPEB Liability as of June 30, 2021 was 7.00%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.00% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

|   |                   | Long-term      |
|---|-------------------|----------------|
|   |                   | Expected Real  |
| Asset Class   | Target Allocation | Rate of Return |
| Equities  |                   |                |
| U.S. Large Cap  | 28.0 %            | 8.2 %          |
| U.S. Small Cap  | 3.0               | 9.5            |
| Developed Market Equity (non-U.S.)                        | 15.0              | 8.9            |
| Emerging Market Equity                                    | 13.0              | 11.0           |
| Credit  |                   |                |
| Bank Loans  | 3.0               | 4.4            |
| High Yield Bonds  | 3.0               | 4.4            |
| Emerging Market Bonds                                     | 3.0               | 4.3            |
| Rate Securities   |                   |                |
| Investment Grade Bonds                                    | 9.0               | 1.9            |
| Long-term Government Bonds                                | 4.0               | 3.2            |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0               | 1.5            |
| Private Markets   |                   |                |
| Private Equity  | 5.0               | 13.0           |
| Core Private Real Estate                                  | 5.0               | 6.2            |
| Risk Mitigating Strategies                                |                   |                |
| Global Macro  | 5.0               | 4.4            |
| Total   | 100.0 %           |                |
|   |                   |                |

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what Hetch Hetchy's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

|                     | Hetchy       | Hetchy |              |        |
|---------------------|--------------|--------|--------------|--------|
|                     | Water        | Power  | CleanPowerSF | Total  |
| 1% Decrease 6.00%   | \$<br>16,652 | 20,352 | 2,648        | 39,652 |
| Discount Rate 7.00% | 14,240       | 17,405 | 2,264        | 33,909 |
| 1% Increase 8.00%   | 12,271       | 14,997 | 1,951        | 29,219 |

# Fiscal Year 2021

The discount rate used to measure the total OPEB liability as of June 30, 2020 was 7.00%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.00% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

# Notes to Financial Statements

# June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

| Asset Class   | Target<br>Allocation |   | Long-term<br>Expected Real<br>Rate of Return |   |
|---|----------------------|---|--|---|
| Equities  |                      |   |  | • |
| U.S. Large Cap  | 28.0                 | % | 8.4  | % |
| U.S. Small Cap  | 3.0                  |   | 9.8  |   |
| Developed Market Equity (non-U.S.)                        | 15.0                 |   | 9.6  |   |
| Emerging Market Equity                                    | 13.0                 |   | 11.7   |   |
| Credit  |                      |   |  |   |
| Bank Loans  | 3.0                  |   | 4.9  |   |
| High Yield Bonds  | 3.0                  |   | 4.9  |   |
| Emerging Market Bonds                                     | 3.0                  |   | 4.8  |   |
| Rate Securities   |                      |   |  |   |
| Investment Grade Bonds                                    | 9.0                  |   | 2.2  |   |
| Long-term Government Bonds                                | 4.0                  |   | 3.1  |   |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0                  |   | 1.9  |   |
| Private Markets   |                      |   |  |   |
| Private Equity  | 5.0                  |   | 12.5   |   |
| Core Private Real Estate                                  | 5.0                  |   | 6.4  |   |
| Risk Mitigating Strategies                                |                      |   |  |   |
| Global Macro  | 5.0                  |   | 4.1  |   |
| Total   | 100.0                | % |  |   |

The asset allocation targets summarized above have a 20-year return estimate of 6.90%, which was weighted against a 10-year model estimating a 6.93% return, resulting in the ultimate long-term expected rate of return of 7.00%.

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what Hetch Hetchy's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

|                     | Hetchy       | Hetchy |              |        |
|---------------------|--------------|--------|--------------|--------|
|                     | Water        | Power  | CleanPowerSF | Total  |
| 1% Decrease 6.00%   | \$<br>16,761 | 20,486 | 3,376        | 40,623 |
| Discount Rate 7.00% | 14,444       | 17,653 | 2,909        | 35,006 |
| 1% Increase 8.00%   | 12,551       | 15,341 | 2,528        | 30,420 |

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's post-employment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

# (12) Related Parties

# (a) Hetch Hetchy

Various common costs incurred by the SFPUC are allocated among Hetch Hetchy, Water, and Wastewater Enterprises. The allocations are based on the SFPUC management's best estimate and may change from year to year depending on the activities incurred by each Enterprise and the information available. For the years ended June 30, 2022 and 2021, the SFPUC allocated \$22,221 or 20.7% and \$20,099 or 20.5% respectively, in administrative costs including COVID-19 Project expenses, which is presented in the financial statements under various expense categories. These costs are then allocated to Hetchy Water, Hetchy Power, and CleanPowerSF in the Hetch Hetchy financial statements, using the periodically reviewed department overhead allocation model.

The City performs certain administrative services such as maintenance of accounting records and investment of cash for all fund groups within the City. The various funds are charged for these services based on the City's indirect cost allocation plan. Some City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges totaling approximately \$13,003 and \$12,582 for the years ended June 30, 2022 and 2021, respectively, have been included in services provided by other departments in the accompanying financial statements.

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. Total payment under this agreement is \$6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. As of June 30, 2022, Hetch Hetchy's allocable shares of expenses and prepayment were \$18 and \$904, respectively, and as of June 30, 2021 were \$17 and \$922, respectively.

# (b) Hetchy Water

For the years ended June 30, 2022 and 2021, the SFPUC allocated \$10,886 or 10.2%, and \$4,585 or 4.7%, respectively, in administrative costs including COVID-19 Project expense to Hetchy Water.

The Water Enterprise purchases water from Hetchy Water. Included in the operating revenues are the water assessment fees of \$45,815 and \$44,149 for the years ended June 30, 2022 and 2021, respectively. The water assessment fees represent a recovery to fund upcountry, water-related costs that are not otherwise funded through Hetchy water-related revenue or Water revenue bonds.

Hetchy Water received \$30,001 and \$16,000 for the years ended June 30, 2022 and 2021, respectively, from the Water Enterprise to fund upcountry projects.

## (c) Hetchy Power

For the years ended June 30, 2022 and 2021, the SFPUC allocated \$8,820 or 8.2%, and \$13,202 or 13.5% respectively, in administrative costs including COVID-19 Project expense to Hetchy Power.

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

As of June 30, 2022, and 2021, operating revenues in sales of power to departments within the City were \$116,334 and \$82,129, respectively.

The Water Enterprise also purchases electricity and gas from Hetchy Power. This amount totaled \$11,394 and \$9,790 for the years ended June 30, 2022 and 2021, respectively.

The Wastewater Enterprise purchases electricity and gas from Hetchy Power. This amount totaled \$11,887 and \$10,122 for the years ended June 30, 2022 and 2021, respectively.

The Low Carbon Fuel Standard (LCFS) program is a regulatory program overseen by the California Air Resources Board (CARB). The LCFS program seeks to reduce the carbon intensity of California's transportation fuel by 20% by 2030. Transportation fuel suppliers can achieve this goal by either reducing the carbon intensity of their fuels or purchasing LCFS credits from other fuel suppliers that have a lower carbon intensity. In 2017, the San Francisco Municipal Transportation Agency (SFMTA) joined the LCFS program, signing up its transit fleet of electric buses, cable cars, and light rail vehicles and generating LCFS credits. Through a Memorandum of Understanding (MOU) with SFMTA, approved by the SFPUC Commission in Resolution 17-0199, net proceeds from the sale of LCFS credits would be shared 50/50 between SFMTA and Hetchy Power. Under the MOU, Hetchy Power would take responsibility for selling the LCFS credits. In Ordinance 0199-19, the Board of Supervisors authorized Hetchy Power to establish the Low Carbon Fuel Standard Fund to account for the revenue and expenditure from the sale of LCFS credits. The Ordinance also allowed Hetchy Power to sell LCFS credits on behalf of other City agencies. As of June 30, 2022 and 2021, Hetchy Power received total payments of \$2,367 and \$2,362, respectively, 50% (\$1,184 in fiscal year 2022 and \$1,181 in fiscal year 2021) was reallocated to SFMTA and the remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

Due from other City departments was \$11,804 and \$12,406 for the years ended June 30, 2022 and 2021, respectively. Hetchy Power serves as the City's department for energy efficiency projects and maintains the Sustainable Energy Account (SEA) (formerly known as the Mayor's Energy Conservation Account) fund to sponsor and financially support such projects at various City departments. In this role, Hetchy Power may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2022 and 2021, projects completed or under way throughout the City amounted to \$4,050 and \$4,556, respectively, and are recorded as due from other government agencies.

Hetch Hetchy funded a project for the Treasure Island Development Authority and recorded a receivable in connection with an upgraded submarine power cable for the Treasure Island as due from other government agencies. This amount totaled \$6,666 and \$6,627 for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, Hetchy Power recorded receivables of \$629 and \$739, respectively, due from Wastewater Enterprise for its share of costs relating to SFPUC Headquarters Living Machine System. Details of due from other City departments are as follows:

|   | 2022   | 2021    |
|---|--------|---------|
| Treasure Island Development Authority \$          | 6,666  | 6,627   |
| SEA-related project: Moscone Center               | 4,050  | 4,556   |
| Wastewater - 525 Golden Gate Headquarters Project | 629    | 739     |
| San Francisco Recreation and Park                 | 314    | 419     |
| Department of Public Works                        | 145    | 65      |
| Total due from other City departments             | 11,804 | 12,406  |
| Less: current portion                             | (867)  | (7,413) |
| Long-term portion as of June 30, net \$           | 10,937 | 4,993   |

As of June 30, 2022, Hetchy Power had payables in the amount of \$380, of which \$369 to the Port of San Francisco for Pier 70 Shoreside Power Project and \$11 to the Department of Public Works for painting of light poles. As of June 30, 2021, Hetchy Power had payables of \$369 to the Port of San Francisco for Pier 70 Shoreside Power Project.

# (d) CleanPowerSF

For the years ended June 30, 2022 and 2021, the SFPUC allocated \$2,515 or 2.4%, and \$2,312 or 2.4%, respectively, in administrative costs to CleanPowerSF.

As of June 30, 2022, and 2021, operating revenue in sales of power to Hetchy Power were \$2,332 and \$1,072, respectively. Operating expenses in purchase of power from Hetchy Power were \$1,589 and \$2,456, respectively. Wholesale sales of energy, capacity and/or other electric power related products may be made between the CleanPowerSF and Hetchy Power, when available. CleanPowerSF and Hetchy Power transact for such products at prevailing market prices.

CleanPowerSF received program support services from Hetchy Power. This amount totaled \$1,861 and \$2,224 for the years ended June 30, 2022 and 2021, respectively.

# (13) Risk Management

The Enterprise's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Enterprise Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the Enterprise's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism are generally more economical, as the SFPUC in coordination with the City Attorney's Office administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the Enterprise obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The Enterprise does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance Program. In the past three years, there was no settlements that exceeded insurance coverage.

Notes to Financial Statements June 30, 2022 and 2021

(Dollars in thousands, unless otherwise stated)

| Risk                               | Coverage Approach                       |  |
|------------------------------------|---|--|
| (a) General Liability              | Self-Insured                            |  |
| (b) Workers' Compensation          | Self-Insured Through City-wide Pool     |  |
| (c) Property                       | Purchased Insurance and Self-Insured    |  |
| (d) Public Officials Liability     | Purchased Insurance                     |  |
| (e) Employment Practices Liability | Purchased Insurance                     |  |
| (f) Cyber Liability                | Purchased Insurance                     |  |
| (g) Crime                          | Purchased Insurance                     |  |
| (h) Electronic Data Processing     | Purchased Insurance and Self-Insured    |  |
| (i) Surety Bonds                   | Purchased and Contractual Risk Transfer |  |
| (j) Errors and Omissions           | Purchased and Contractual Risk Transfer |  |
| (k) Builders' Risk                 | Contractual Risk Transfer               |  |

## (a) General Liability

Through coordination with the Controller's Office and City Attorney's Office, the general liability risk exposure is actuarially determined and is addressed through pay-as-you-go funding as part of the budgetary process. Associated costs and estimates are recorded as expenses as required under GAAP for financial statement purposes for both the Enterprise and the City and County of San Francisco's Annual Comprehensive Financial Report. The claim expense allocations are determined based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The changes for the general liability (damage claims) for the years ended June 30, 2022 and 2021 are as follows:

| Fiscal years | Beginning<br>of year |       | Claims and changes<br>in estimates | Claims<br>paid | End of<br>year |
|--------------|----------------------|-------|------------------------------------|----------------|----------------|
| Hetch Hetchy |                      |       |                                    |                |                |
| 2022         | \$                   | 1,639 | 3,840                              | (3,797)        | 1,682          |
| 2021         |                      | 2,886 | 4,843                              | (6,090)        | 1,639          |
| Hetchy Water |                      |       |                                    |                |                |
| 2022         | \$                   | 525   | 253                                | (151)          | 627            |
| 2021         |                      | 558   | 478                                | (511)          | 525            |
| Hetchy Power |                      |       |                                    |                |                |
| 2022         | \$                   | 1,108 | 2,005                              | (2,090)        | 1,023          |
| 2021         |                      | 2,222 | 4,212                              | (5,326)        | 1,108          |
| CleanPowerSF |                      |       |                                    |                |                |
| 2022         | \$                   | 6     | 1,582                              | (1,556)        | 32             |
| 2021         |                      | 106   | 153                                | (253)          | 6              |

# (b) Workers' Compensation

The City actuarially determines and allocates workers' compensation costs to the Enterprise according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the Enterprise's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

The changes for the workers' compensation liabilities for the years ended June 30, 2022 and 2021 are as follows:

| Fiscal years | Beginning<br>of year |       | Claims and changes<br>in estimates | Claims<br>paid | End of<br>year |
|--------------|----------------------|-------|------------------------------------|----------------|----------------|
| Hetch Hetchy |                      |       |                                    |                |                |
| 2022         | \$                   | 3,238 | 555                                | (315)          | 3,478          |
| 2021         |                      | 3,387 | 113                                | (262)          | 3,238          |
| Hetchy Water |                      |       |                                    |                |                |
| 2022         | \$                   | 1,120 | 233                                | (125)          | 1,228          |
| 2021         |                      | 1,187 | 18                                 | (85)           | 1,120          |
| Hetchy Power |                      |       |                                    |                |                |
| 2022         | \$                   | 2,118 | 322                                | (190)          | 2,250          |
| 2021         |                      | 2,200 | 95                                 | (177)          | 2,118          |

\*CleanPowerSF had no workers' compensation liabilities as of June 30, 2022 and 2021.

# (c) *Property*

The Enterprise's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the Enterprise requires each contractor to provide its own insurance, while ensuring the full scope of work is covered with satisfactory levels to limit the Enterprise's risk exposure. Once construction is complete, the Enterprise performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for (1) revenue generating facilities, (2) debt-financed facilities, (3) mandated coverage to meet statutory requirements for bonding of various public officials, or (4) high-value, mission-critical property or equipment.

# (d) Public Officials Liability

All Enterprise public officials with financial oversight responsibilities are provided coverage through a commercial Public Officials Liability Policy.

# (e) Employment Practices Liability

An Employment Practices Liability Policy is retained to protect against employment-related claims and liabilities.

# (f) Cyber Liability

A Cyber Liability Policy is retained to protect against cyber-related claims and liabilities.

# (g) Crime

The Enterprise also retains a Commercial Crime Policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

# (h) Electronic Data Processing

The Electronic Data Processing policy protects selected high-value electronic property in case of damage or loss.

# (i) Surety Bonds

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

# (j) Errors and Omissions

Errors and omissions, also known as Professional Liability, are commonly transferred through contract to the contracted professional, or retained through self insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

## (k) Builders' Risk

Builders' Risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

## (I) Energy Risk Management

Similar to other electric utilities with a heavy reliance on hydroelectric generation, Hetch Hetchy is exposed to risks that could impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the Hetch Hetchy revenues can vary with watershed hydrology, unexpected generator outages, and market prices for energy. Given the inherent risk for all hydroelectric generation, several risk management interventions have been developed to mitigate exposure.

# (m) Enterprise Risk Management

The Power Enterprise adopted the ISO 31000 standard for Hetchy Power and the CleanPowerSF program as the framework for implementing Enterprise Risk Management (ERM). The Enterprise utilizes this framework to systematically and proactively identify and mitigate risks that threatens its business objectives. Since not all risks are insurable or transferable contractually, the ERM program provides an additional method to manage risks and protect the Enterprise's current and expanding business allowing for increased operational resiliency and the ability to capitalize on opportunities.

# (14) Commitments and Litigation

## (a) Commitments

As of June 30, 2022 and 2021, Hetch Hetchy has outstanding commitments with third parties of \$199,283 and \$143,404, respectively, for various capital projects and other purchase agreements for materials and services.

## **Hetchy Water**

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

operating expenses. The payment amounts were \$5,129 and \$5,069 for fiscal years 2022 and 2021, respectively. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of \$1,400 is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52%, while the Districts are responsible for 48% of the costs.

# **Hetchy Power**

# Wholesale Distribution Tariff (WDT) and Key Operating Agreements for Grid Access

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City continues to negotiate with PG&E and, where necessary, file complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, DAS, traffic signals, and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal years 2022 and 2021, Hetchy Power purchased distribution services for \$22,404 and \$8,868, respectively, from PG&E under the terms of the Service Agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of PG&E's electric grid in San Francisco.

# Western System Power Pool and other Market Purchases and Sales

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal years 2022 and 2021, Hetchy Power purchased \$4,152 and \$0 of power and other related products, respectively. Sales of excess power, after meeting Hetch Hetchy's obligations, were \$0 for 2022 and \$469 or 110,043 MWh for 2021, respectively.

# Power Purchase Agreement (PPA)

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a local solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year PPA with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility.

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

The PPA sets the starting purchase price of generated energy at \$235/MWh, increasing by 3% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2022, the facility generated 6,460 MWh and the rate was at \$334/MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2022 and 2021, purchases of energy under the Agreement were \$2,225, or 6,460 MWh, and \$2,127, or 6,598 MWh, respectively.

# APX, Inc

Hetchy Power and CleanPowerSF participate in the California Independent System Operator (CAISO) energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed \$134,743 to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was \$456 and \$472 as of June 30, 2022 and 2021, respectively. CleanPowerSF's share was \$192 as of June 30, 2022 and 2021.

# CleanPowerSF

CleanPowerSF has added multiple additional short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from citywide enrollment into the CleanPowerSF program, and to comply with state law requiring that 65% of CleanPowerSF's RPS compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.3% of all enrolled accounts. The total power purchase cost, net of wholesale sales, equaled \$238,149 and \$188,533 in fiscal years 2022 and 2021, respectively.

CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to Pacific Gas & Electric (PG&E), which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal years 2022 and 2021, amounts paid were \$4,730 and \$6,664, respectively.

# CleanPowerSF Power Purchase Agreement (PPA)

In November 2021, CleanPowerSF amended an existing Renewable Power Purchase Agreement with Blythe Solar IV, LLC (seller) to purchase a storage product from the solar powered generation facility located in Blythe, California pursuant to the 20-year PPA. Under the revised agreement, the project in Blythe, California, will add batteries to the operating 62-MW solar photovoltaic power plant. The contract, including the new battery component, is for \$196,399 over 20 years.

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2022 and 2021, CleanPowerSF received cash collateral of \$9,000 for Development Assurance and Performance Assurance from the Seller.

## CleanPowerSF Guarantee

In March 2018, CleanPowerSF entered into a five-year, \$75,000 Credit Agreement with JPMorgan Chase Bank, National Association ("Bank") to provide letters of credit or loans from the Bank to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs, if necessary. In November 2021 the Credit Agreement was decreased (at the request of CleanPowerSF) the available amount from \$75,000 to \$20,000, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022 CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling \$5,847 and \$13,810 for fiscal years ending June 30, 2022 and 2021, respectively. CleanPowerSF did not draw on the Credit Agreement during fiscal years 2022 and 2021. Accordingly, the uncommitted credit capacity under the Credit Agreement was \$14,153 and \$61,190 during fiscal years 2022 and 2021, respectively.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. As of June 30, 2021, CleanPowerSF was not in compliance with this financial covenant as calculated for the four consecutive fiscal quarters ended on such date, resulting in a covenant event of default under the Credit Agreement. In connection with subsequent amendments to the Credit Agreement, JPMorgan Chase granted a waiver of such event of default for the period ended June 30, 2021. CleanPowerSF was in compliance with other covenants and requirements of the

Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

Credit Agreement as of June 30, 2021. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended as of June 30, 2022.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* requires the disclosure of certain information related to debt, including unused letters of credit. Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

## Green Tariff and Community Solar Green Tariff Programs for Disadvantaged Communities

In June 2018. the California Public Utilities Commission (CPUC) established the Disadvantaged Communities-Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low-income electric customers in neglected communities. The DAC-GT program provides a 20% rate discount on 100% Renewable Portfolio Standard (RPS) eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency's (Cal EPA). Similar to DAC-GT, the CSGT program allows primarily for the DACs to benefit from the development of solar generation projects located in their own or nearby DACs. CSGT projects must also have a local community-based sponsor that supports site selection and customer enrollment.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program is expected to start serving customers during fiscal year 2025, once CleanPowerSF is able to procure electricity from a CSGT-eligible solar project(s). As of June 30, 2022, CleanPowerSF received \$1,150 from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

# (b) Litigation

Hetch Hetchy is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of these legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of Hetch Hetchy.

# (c) Grants

Grants that the Enterprise received are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

## (d) Environmental Issue

As of June 30, 2022, and 2021, there was no pollution remediation liability recorded.

### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Notes to Financial Statements June 30, 2022 and 2021 (Dollars in thousands, unless otherwise stated)

### (15) Subsequent Event

## (a) Hetchy Power and CleanPowerSF - Extension on the Moratorium on Shutoff of Electric Service

On September 13, 2022, the Commission approved to extend moratorium on shutoff of electric service for Hetchy Power residential retail customers in the City through June 30, 2023 and granted the General Manager discretion to restart severance and liens processes to multi-family residential accounts carrying balances greater than \$25 which are 90 days or more past due. In addition, the temporary suspension of the return of delinquent residential CleanPowerSF customers to PG&E has also been extended through June 30, 2023.



KPMG LLP Suite 1400 55 Second Street San Francisco, CA 94105

## 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*

The Honorable Mayor and Board of Supervisors

City and County of San Francisco: We have audited, in accordance with the 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 the business-type activities and each major fund of Hetch Hetchy Water and Power and Clean Power (Hetch Hetchy), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hetch Hetchy's basic financial statements, and have issued our report thereon dated January 27, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hetch Hetchy's internal control over financial reporting (internal control) as a basis for designing 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 Hetch Hetchy's internal control. Accordingly, we do not express an opinion on the effectiveness of Hetch Hetchy'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 or significant deficiencies may exist that were not identified.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hetch Hetchy'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 financial statements. 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 Hetch Hetchy'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.

KPMG LLP

San Francisco, California January 27, 2023



San Francisco Public Utilities Commission An Enterprise Department of the City and County of San Francisco, California

# **Our mission**

To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.

Cover photo: San Francisco Embarcadero Back photos: San Francisco Aquatic Park, Conservatory of Flowers in Golden Gate Park Photos by: Robin Scheswohl and Sabrina Wong

Date of Publication: January 2023

SFPUC Financial Services 525 Golden Gate Avenue, 4th Floor San Francisco, CA 94102-3220 **sfpuc.org** 





Generating clean energy for vital services.

# Hetch Hetchy Water and Power and CleanPowerSF

Financial Statements June 30, 2021 and 2020 (With Independent Auditors' Report Thereon)



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KPMG LLP Suite 1400 55 Second Street San Francisco, CA 94105

#### Independent Auditors' Report

The Honorable Mayor and Board of Supervisors City and County of San Francisco, California:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of each fund of Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), enterprise funds of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Hetch Hetchy's basic financial statements as listed in the tables 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of each fund of Hetch Hetchy, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



#### **Emphasis of Matter**

As discussed in Note 1, the financial statements of Hetch Hetchy are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the City that is attributable to the transactions of Hetch Hetchy. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

#### **Other Matters**

#### Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 – 33 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022 on our consideration of Hetch Hetchy'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 Hetch Hetchy'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 Hetch Hetchy's internal control over financial reporting and compliance.



San Francisco, California January 27, 2022

This section presents management's analysis of San Francisco Hetch Hetchy Water and Power and CleanPowerSF Enterprise's (Hetch Hetchy or the Enterprise) financial condition and activities as of and for fiscal years ended June 30, 2021 and 2020. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Enterprise's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

In May 2016, San Francisco Public Utilities Commission (SFPUC or the Commission) launched CleanPowerSF, a Community Choice Aggregation (CCA) program into operation, pooling the electricity demands of their residents and businesses for the purpose of buying electricity on behalf of those customers. CleanPowerSF provides San Francisco with new clean energy alternatives, with its objectives to reduce greenhouse gas emissions, and to provide the City and County of San Francisco's (the City) energy consumers with renewable electricity supplies at competitive rates. The SFPUC intends CleanPowerSF to be financially independent, with ability to set rates and charges with adequate revenues, and to issue debt to support its operations and future projects. CleanPowerSF is discretely presented as a fund of the Enterprise starting fiscal year 2017.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- COVID-19
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

### Organization and Business

SFPUC is a department of the City that is responsible for the maintenance, operation, and development of three utility enterprises: Water, Wastewater, and Hetch Hetchy. The Enterprise was established as a result of the Raker Act of 1913, which granted water and power resource rights-of-way on the Tuolumne River in Yosemite National Park and the Stanislaus National Forest to the City. The Enterprise operates the Hetch Hetchy project, which provides both electricity generation and upcountry water service; and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity.

In normal rain years, 85% of San Francisco's drinking water starts out as snow falling on 459 square miles of watershed land in Yosemite National Park and the City may supplement water supply from an additional 193 square miles of watershed in Yosemite National Park and the Stanislaus National Forest during extremely dry years. As the snow melts, it collects in the SFPUC's storage reservoirs. As water flows by gravity through over 150 miles of pipelines and tunnels, it turns the turbines in three hydroelectric powerhouses, generating approximately 1.1 billion kilowatt hours of electricity per year. The electricity travels over 160 miles of transmission and distribution lines from the upcountry powerhouses to the San Francisco Bay Area.

Approximately 81% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, City streetlights, Moscone Convention Center, and the

Water and Wastewater Enterprises). The remaining 19% of electricity generated is sold to CleanPowerSF and the wholesale electric market.

### **Hetch Hetchy**

Hetch Hetchy provides reliable, high-quality water and electric energy to the City and other customers, protects watershed resources in cooperation with Federal agencies, operates and maintains facilities to a high standard of safety and reliability, and maximizes revenue opportunities within approved levels of risk.

Hetch Hetchy, a stand-alone enterprise is comprised of three funds: 1) Hetch Hetchy Water (Hetchy Water) upcountry operations and water system; 2) Hetch Hetchy Power (Hetchy Power), also referred to as the Power Enterprise, which is wholly contained within the Hetch Hetchy fund; and 3) CleanPowerSF, which is an enterprise fund to aggregate the buying power of customers within San Francisco to purchase renewable energy sources or clean power, is reported as a separate fund of Hetch Hetchy. A number of the facilities are joint assets and used for both water and power generation.

#### Hetchy Water

For efficiency and to streamline the coordination of upcountry water and power operations, Hetchy Water operates upcountry and joint-asset facilities, managing resources in an environmentally responsible manner to a high standard of safety and reliability while meeting regulatory requirements. It is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system. Hetchy Water operates, maintains, and improves water and power facilities, smaller dams and reservoirs, water transmission systems, power generation facilities, and power transmission assets, including transmission lines to the Newark substation. Hetchy Water delivers high-quality water from upcountry downhill to the Bay Area while optimizing the resulting generation of clean hydropower as water is transported through the system. It maintains land and properties consistent with public health and neighborhood concerns.

#### **Hetchy Power**

The core business of Hetchy Power, as a municipal department, is to provide adequate and reliable supplies of electric power to meet the electricity needs of City and County of San Francisco's customers, and to offer, when available, power for the municipal loads and agricultural pumping demands consistent with prescribed contractual obligations and federal law.

Hetchy Power's portfolio consists of hydroelectric generation, onsite solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC wastewater treatment facilities, and third-party purchases. Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, Hetchy Power continues to evaluate and expand its existing resource base to include additional renewables, distributed generation, demand management, and energy efficiency programs. As part of its mission and core functions, Hetchy Power provides reliable energy services at reasonable cost to customers, with attention to environmental effects and community concerns.

### Hetch Hetchy Joint Water and Power

A portion of Hetch Hetchy's operating budget, capital program, and assets, provides benefit to both Hetchy Power and Hetchy Water. This is commonly referred to as joint costs and joint assets. Both operating and capital costs that jointly benefit both funds are allocated 55% to Hetchy Power and 45% to Hetchy Water, as has historically been done by the SFPUC.

## CleanPowerSF

The core business of CleanPowerSF is to provide greener electricity generation to residential and commercial consumers in San Francisco. Through CleanPowerSF, SFPUC seeks to achieve several complementary goals, including affordable and competitive electricity generation rates, a diverse electricity resource portfolio that is comprised of renewable and other clean sources of supply, and high-quality customer service.

## **Overview of the Financial Statements**

Hetch Hetchy's financial statements include the following:

Statements of Net Position present information on Hetch Hetchy's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Hetch Hetchy is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations as of year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of Hetch Hetchy's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which Hetch Hetchy has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not presented on the face of the financial statements.

## COVID-19

On February 25, 2020, the City's Mayor issued a proclamation declaring a local emergency to exist in connection with the imminent spread within the City of the novel coronavirus ("COVID-19"). On March 16, 2020, the City's Health Officer issued a stay safe at home order, Health Officer Order No. C19-07 (the "Stay Safe At Home Order"), requiring most people and City employees to remain in their homes subject to certain exceptions including obtaining essential goods (such as food and necessary supplies), and requiring the closure of nonessential businesses. In addition, Section 2 of the second supplement to the emergency proclamation authorizes the SFPUC to suspend (a) the discontinuation or shutoff of power service for residents and businesses in the City for non-payment of power bills, (b) the return of delinquent CleanPowerSF customers to Pacific Gas & Electric Company (PG&E) generation service for failure to pay CleanPowerSF charges and (c) the imposition of late payment penalties or fees for delinquent power bills through July 11, 2020. The proclamation was extended on December 8, 2020 through June 30, 2021 and then again on April 27, 2021 through March 31, 2022 for Hetchy Power. For CleanPowerSF, the suspension was extended to September 30, 2021. This proclamation did not have a material effect on the operations of the Hetch Hetchy Enterprise.

## **Financial Analysis**

## Financial Highlights for Fiscal Year 2021

### **Hetch Hetchy**

- Total assets of Hetch Hetchy exceeded total liabilities by \$767,191.
- Net position increased by \$16,429 or 2.1% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$63,326 or 10.4% to \$669,537.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$30,113 or 7.1% to \$391,171.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$19,845 or 5.1% to \$408,871.

### Hetchy Water

- Total assets of Hetchy Water exceeded total liabilities by \$216,214.
- Net position increased by \$13,630 or 6.5% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$16,699 or 10.4% to \$177,481.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$12,137 or 34.7% to \$47,090.
- Operating expenses, excluding other non-operating expenses, increased by \$5,644 or 12.6% to \$50,517.

### **Hetchy Power**

- Total assets of Hetchy Power exceeded total liabilities by \$462,136.
- Net position increased by \$6,857 or 1.5% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$46,627 or 10.5% to \$492,056.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$4,488 or 3.2% to \$136,383.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, decreased by \$2,489 or 1.7% to \$145,638.

## CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by \$88,841.
- Net position decreased by \$4,058 or 4.5% during the fiscal year.
- CleanPowerSF had no capital assets, net of accumulated depreciation and amortization as of June 30, 2021.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$37,762 or 15.4% to \$207,698.
- Operating expenses, excluding interest expense increased by \$16,690 or 8.5% to \$212,716.

## Financial Highlights for Fiscal Year 2020

## Hetch Hetchy

- Total assets of Hetch Hetchy exceeded total liabilities by \$758,800, excluding interfund payable and receivable of \$1,800 related to working capital loan between Hetchy Power and CleanPowerSF.
- Net position increased by \$80,891 or 11.8% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$55,580 or 10.1% to \$606,211.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$75,898 or 22% to \$421,284.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$78,749 or 25.4% to \$389,026.

### Hetchy Water

- Total assets of Hetchy Water exceeded total liabilities by \$206,283.
- Net position increased by \$9,862 or 4.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$11,679 or 7.8% to \$160,782.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$948 or 2.8% to \$34,953.
- Operating expenses, excluding other non-operating expenses, decreased by \$5,432 or 10.8% to \$44,873.

## **Hetchy Power**

- Total assets of Hetchy Power exceeded total liabilities by \$459,800.
- Net position increased by \$19,892 or 4.5% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$43,901 or 10.9% to \$445,429.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$2,690 or 1.9% to \$140,871.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$25,439 or 20.7% to \$148,127.

## CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by \$92,717.
- Net position increased by \$51,137 or 127.8% during the fiscal year.
- CleanPowerSF had no capital assets, net of accumulated depreciation and amortization as of June 30, 2020.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$77,640 or 46.3% to \$245,460.
- Operating expenses, excluding interest expense increased by \$58,742 or 42.8% to \$196,026.

## **Financial Position**

The following tables summarize Hetch Hetchy's changes in net position:

# Table 1A - Consolidated Hetch HetchyComparative Condensed Net PositionJune 30, 2021, 2020, and 2019

| 54110   |            |           |         |                     |                     |
|---|------------|-----------|---------|---------------------|---------------------|
|   | 2021       | 2020 *    | 2019 *  | 2021-2020<br>Change | 2020-2019<br>Change |
| Total assets:                                   |            |           |         |                     |                     |
| Current and other assets                        | \$ 468,768 | 441,635   | 392,967 | 27,133              | 48,668              |
| Capital assets, net of accumulated depreciation |            |           |         |                     |                     |
| and amortization                                | 669,537    | 606,211   | 550,631 | 63,326              | 55,580              |
| Total assets                                    | 1,138,305  | 1,047,846 | 943,598 | 90,459              | 104,248             |
| Deferred outflows of resources:                 |            |           |         |                     |                     |
| Pensions  | 18,133     | 18,238    | 14,665  | (105)               | 3,573               |
| Other post-employment benefits                  | 8,719      | 5,452     | 3,092   | 3,267               | 2,360               |
| Total deferred outflows of resources            | 26,852     | 23,690    | 17,757  | 3,162               | 5,933               |
| Liabilities:                                    |            |           |         |                     | ·                   |
| Current liabilities:                            |            |           |         |                     |                     |
| Bonds   | 1,928      | 2,115     | 2,528   | (187)               | (413)               |
| Certificates of participation                   | 405        | 384       | 366     | 21                  | 18                  |
| Commercial paper                                | 114,671    | 63,535    | 50,724  | 51,136              | 12,811              |
| Other liabilities                               | 82,677     | 63,178    | 52,128  | 19,499              | 11,050              |
| Subtotal current liabilities                    | 199,681    | 129,212   | 105,746 | 70,469              | 23,466              |
| Long-term liabilities:                          |            |           |         |                     |                     |
| Bonds   | 44,384     | 47,693    | 50,018  | (3,309)             | (2,325)             |
| Certificates of participation                   | 13,026     | 13,444    | 13,846  | (418)               | (402)               |
| Other liabilities                               | 114,023    | 98,697    | 92,755  | 15,326              | 5,942               |
| Subtotal long-term liabilities                  | 171,433    | 159,834   | 156,619 | 11,599              | 3,215               |
| Total liabilities:                              |            |           |         |                     |                     |
| Bonds   | 46,312     | 49,808    | 52,546  | (3,496)             | (2,738)             |
| Certificates of participation                   | 13,431     | 13,828    | 14,212  | (397)               | (384)               |
| Commercial paper                                | 114,671    | 63,535    | 50,724  | 51,136              | 12,811              |
| Other liabilities                               | 196,700    | 161,875   | 144,883 | 34,825              | 16,992              |
| Total liabilities                               | 371,114    | 289,046   | 262,365 | 82,068              | 26,681              |
| Deferred inflows of resources:                  |            |           |         |                     |                     |
| Related to pensions                             | 3,288      | 10,843    | 8,811   | (7,555)             | 2,032               |
| Other post-employment benefits                  | 6,546      | 3,867     | 3,290   | 2,679               | 577                 |
| Total deferred inflows of resources             | 9,834      | 14,710    | 12,101  | (4,876)             | 2,609               |
| Net position:                                   |            |           |         |                     |                     |
| Net investment in capital assets                | 500,547    | 482,986   | 450,637 | 17,561              | 32,349              |
| Restricted for debt service                     | 99         | 142       | 1,145   | (43)                | (1,003)             |
| Restricted for capital projects                 | _          | 6,513     | 8,401   | (6,513)             | (1,888)             |
| Unrestricted                                    | 283,563    | 278,139   | 226,706 | 5,424               | 51,433              |
| Total net position                              | \$ 784,209 | 767,780   | 686,889 | 16,429              | 80,891              |
|   |            |           |         |                     |                     |

\*Eliminated interfund payable and receivable of \$1,800 and \$3,731 working capital loan between Hetchy Power and CleanPowerSF for fiscal years 2020 and 2019, respectively.

Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

#### Table 1B - Hetchy Water Comparative Condensed Net Position June 30, 2021, 2020, and 2019

|   |               |         |         | 2021-2020 | 2020-2019 |
|---|---------------|---------|---------|-----------|-----------|
|   | 2021          | 2020    | 2019    | Change    | Change    |
| Total assets:                                   |               |         |         |           |           |
| Current and other assets                        | \$<br>98,151  | 92,711  | 94,432  | 5,440     | (1,721)   |
| Capital assets, net of accumulated depreciation |               |         |         |           |           |
| and amortization                                | 177,481       | 160,782 | 149,103 | 16,699    | 11,679    |
| Total assets                                    | 275,632       | 253,493 | 243,535 | 22,139    | 9,958     |
| Deferred outflows of resources:                 |               |         |         |           |           |
| Pensions  | 7,799         | 7,950   | 6,447   | (151)     | 1,503     |
| Other post-employment benefits                  | 3,725         | 2,332   | 1,343   | 1,393     | 989       |
| Total deferred outflows of resources            | <br>11,524    | 10,282  | 7,790   | 1,242     | 2,492     |
| Liabilities:                                    |               |         |         |           |           |
| Current liabilities                             | 15,857        | 6,769   | 6,726   | 9,088     | 43        |
| Long-term liabilities                           | <br>43,561    | 40,441  | 38,123  | 3,120     | 2,318     |
| Total liabilities                               | <br>59,418    | 47,210  | 44,849  | 12,208    | 2,361     |
| Deferred inflows of resources:                  |               |         |         |           |           |
| Related to pensions                             | 988           | 4,335   | 3,874   | (3,347)   | 461       |
| Other post-employment benefits                  | 2,085         | 1,195   | 1,429   | 890       | (234)     |
| Total deferred inflows of resources             | <br>3,073     | 5,530   | 5,303   | (2,457)   | 227       |
| Net position:                                   |               |         |         |           |           |
| Net investment in capital assets                | 177,481       | 160,782 | 149,103 | 16,699    | 11,679    |
| Restricted for capital projects                 | -             | 6,513   | 8,401   | (6,513)   | (1,888)   |
| Unrestricted                                    | <br>47,184    | 43,740  | 43,669  | 3,444     | 71        |
| Total net position                              | \$<br>224,665 | 211,035 | 201,173 | 13,630    | 9,862     |

Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

#### Table 1C - Hetchy Power Comparative Condensed Net Position June 30, 2021, 2020, and 2019

|   |    |         |         |   |         | 2021-2020 | 2020-2019 |
|---|----|---------|---------|---|---------|-----------|-----------|
|   |    | 2021    | 2020    |   | 2019    | Change    | Change    |
| Total assets:                                   |    |         |         | - |         |           |           |
| Current and other assets                        | \$ | 249,275 | 228,845 | * | 239,222 | * 20,430  | (10,377)  |
| Capital assets, net of accumulated depreciation |    |         |         |   |         |           |           |
| and amortization                                |    | 492,056 | 445,429 |   | 401,528 | 46,627    | 43,901    |
| Total assets                                    |    | 741,331 | 674,274 |   | 640,750 | 67,057    | 33,524    |
| Deferred outflows of resources:                 |    |         |         | _ |         |           |           |
| Pensions  |    | 9,531   | 9,716   |   | 7,879   | (185)     | 1,837     |
| Other post-employment benefits                  |    | 4,552   | 2,850   |   | 1,641   | 1,702     | 1,209     |
| Total deferred outflows of resources            |    | 14,083  | 12,566  |   | 9,520   | 1,517     | 3,046     |
| Liabilities:                                    |    |         |         |   |         |           |           |
| Current liabilities:                            |    |         |         |   |         |           |           |
| Bonds   |    | 1,928   | 2,115   |   | 2,528   | (187)     | (413)     |
| Certificates of participation                   |    | 405     | 384     |   | 366     | 21        | 18        |
| Commercial paper                                |    | 114,671 | 63,535  |   | 50,724  | 51,136    | 12,811    |
| Other liabilities                               |    | 49,431  | 33,218  |   | 28,346  | 16,213    | 4,872     |
| Subtotal current liabilities                    |    | 166,435 | 99,252  |   | 81,964  | 67,183    | 17,288    |
| Long-term liabilities:                          |    |         |         |   |         |           |           |
| Bonds   |    | 44,384  | 47,693  |   | 50,018  | (3,309)   | (2,325)   |
| Certificates of participation                   |    | 13,026  | 13,444  |   | 13,846  | (418)     | (402)     |
| Other liabilities                               |    | 55,350  | 54,085  |   | 52,247  | 1,265     | 1,838     |
| Subtotal long-term liabilities                  |    | 112,760 | 115,222 | _ | 116,111 | (2,462)   | (889)     |
| Total liabilities:                              |    |         |         |   |         |           |           |
| Bonds   |    | 46,312  | 49,808  |   | 52,546  | (3,496)   | (2,738)   |
| Certificates of participation                   |    | 13,431  | 13,828  |   | 14,212  | (397)     | (384)     |
| Commercial paper                                |    | 114,671 | 63,535  |   | 50,724  | 51,136    | 12,811    |
| Other liabilities                               |    | 104,781 | 87,303  |   | 80,593  | 17,478    | 6,710     |
| Total liabilities                               |    | 279,195 | 214,474 | _ | 198,075 | 64,721    | 16,399    |
| Deferred inflows of resources:                  |    |         |         |   |         |           |           |
| Related to pensions                             |    | 1,207   | 5,298   |   | 4,734   | (4,091)   | 564       |
| Other post-employment benefits                  |    | 2,548   | 1,461   |   | 1,746   | 1,087     | (285)     |
| Total deferred inflows of resources             | _  | 3,755   | 6,759   | _ | 6,480   | (3,004)   | 279       |
| Net position:                                   |    |         |         |   |         |           |           |
| Net investment in capital assets                |    | 323,066 | 322,204 |   | 301,534 | 862       | 20,670    |
| Restricted for debt service                     |    | 99      | 142     |   | 1,145   | (43)      | (1,003)   |
| Unrestricted                                    |    | 149,299 | 143,261 |   | 143,036 | 6,038     | 225       |
| Total net position                              | \$ | 472,464 | 465,607 | _ | 445,715 | 6,857     | 19,892    |

\*Included \$1,800 and \$3,731 working capital loan to CleanPowerSF for fiscal years 2020 and 2019, respectively.

(Continued)

Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

#### Table 1D - CleanPowerSF Comparative Condensed Net Position June 30, 2021, 2020, and 2019

|                                      |    | 2021    | 2020    | 2019     | 2021-2020<br>Change | 2020-2019<br>Change |
|--------------------------------------|----|---------|---------|----------|---------------------|---------------------|
| Total assets:                        | _  |         |         | <u> </u> |                     |                     |
| Current and other assets             | \$ | 121,342 | 121,879 | 63,044   | (537)               | 58,835              |
| Total assets                         |    | 121,342 | 121,879 | 63,044   | (537)               | 58,835              |
| Deferred outflows of resources:      |    |         |         |          |                     |                     |
| Pensions                             |    | 803     | 572     | 339      | 231                 | 233                 |
| Other post-employment benef ts       |    | 442     | 270     | 108      | 172                 | 162                 |
| Total deferred outflows of resources | _  | 1,245   | 842     | 447      | 403                 | 395                 |
| Liabilities:                         |    |         |         |          |                     |                     |
| Current liabil ties                  |    | 17,389  | 24,991  | * 17,056 | (7,602)             | 7,935               |
| Long-term liabil ties                |    | 15,112  | 4,171   | 6,116    | * 10,941            | (1,945)             |
| Total liabil ties                    |    | 32,501  | 29,162  | 23,172   | 3,339               | 5,990               |
| Deferred inflows of resources:       |    |         |         |          |                     |                     |
| Related to pensions                  |    | 1,093   | 1,210   | 203      | (117)               | 1,007               |
| Other post-employment benef ts       |    | 1,913   | 1,211   | 115      | 702                 | 1,096               |
| Total deferred inflows of resources  |    | 3,006   | 2,421   | 318      | 585                 | 2,103               |
| Net position:                        | _  |         |         |          |                     |                     |
| Unrestricted                         |    | 87,080  | 91,138  | 40,001   | (4,058)             | 51,137              |
| Total net position                   | \$ | 87,080  | 91,138  | 40,001   | (4,058)             | 51,137              |

\*Included \$1,800 and \$3,731 working capital loan from Hetchy Power for fiscal years 2020 and 2019, respectively.

#### Net Position, Fiscal Year 2021

### Hetch Hetchy

Hetch Hetchy's net position of \$784,209 increased by \$16,429 or 2.1% from prior year resulting from an increase of \$93,621 in total assets and deferred outflows of resources, offset by a net increase of \$77,192 in total liabilities and deferred inflows of resources (see Table 1A). Current and other assets were \$468,768, a \$27,133 or 6.1% increase from prior year, driven by higher charges for services receivables from Hetchy Power. In April 2021, Hetchy Power implemented a new electric utility billing system causing billings from April to June to be delayed.

Capital assets, net of accumulated depreciation and amortization, increased by \$63,326 or 10.4% to \$669,537 primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment for the Bay Corridor Project and Holm Powerhouse Rehabilitation & Kirkwood Powerhouse Oil Containment Upgrades. Deferred outflows of resources increased by \$3,162 due to an increase of \$3,267 in other post-employment benefits (OPEB) based on actuarial reports offset by a decrease of \$105 in pensions.

Total liabilities increased by \$82,068 or 28.4% to \$371,114. The increases included \$47,243 in outstanding debt and \$34,825 in other liabilities. Deferred inflows of resources decreased by \$4,876 due to a decrease of \$7,555 in relation to pensions offset by an increase of \$2,679 in OPEB based on actuarial reports.

#### Hetchy Water

Hetchy Water's net position of \$224,665 increased by \$13,630 or 6.5% resulting from an increase of \$23,381 in total assets and deferred outflows of resources, offset by a net increase of \$9,751 in total

liabilities and deferred inflows of resources (see Table 1B). The increase of \$5,440 in current and other assets was attributed to increases of \$7,423 in cash and investment with City Treasury mainly due to a \$16,000 transfer from the Water Enterprise to fund upcountry projects, offset by higher project spending, \$413 increase in charges for services receivables due to higher consumption from Lawrence Livermore National Laboratory, and \$4 increase in inventory due to more purchases than issuances during the fiscal year. The increases were offset by decreases of \$1,996 in due from other governments mainly due to prior year reimbursements received for disaster emergency recoveries related to the 2018 Moccasin Storm and \$186 in interest receivables due to lower annualized interest rate. Prepaid charges, advances, and other receivables decreased by \$114 due to \$448 Rim Fire insurance recovery collections and \$4 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage, offset by an increase of \$338 in vendor prepayment to Turlock Irrigation District for Federal Energy Regulatory Commission (FERC) relicensing studies and California Department of Water Resources for annual dam fees. Other decreases include \$104 due from the City Attorney's Office for legal services.

Capital assets, net of accumulated depreciation and amortization, increased by \$16,699 or 10.4% to \$177,481 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement Project and Repair & Replacement Life Extension Program, and additions of facilities, improvements, machinery, and equipment. Deferred outflows of resources increased by \$1,242 due to an increase of \$1,393 in OPEB based on actuarial reports offset by a decrease of \$151 in pensions.

Hetchy Water's total liabilities increased by \$12,208 or 25.9% to \$59,418, as explained by increases of \$5,778 in restricted payables to vendors and contractors mainly due to higher year-end expense accruals for capital projects, \$5,168 in net pension liability based on actuarial report, \$3,304 in unrestricted payables mainly for license and permit fees to National Park Service, \$626 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior year and a 3% cost of living adjustment increase in December 2020, and \$4 increase in rental deposits. The increases were offset by decreases of \$1,906 in OPEB obligations based on actuarial assumptions, \$493 in grant advance due to recognition of Rim Fire grant revenue, \$240 in payable due to the City Attorney's Office for unbilled legal services, and \$33 in general liability based on actuarial estimates.

Deferred inflows of resources decreased by \$2,457 due to a decrease of \$3,347 in relation to pensions offset by an increase of \$890 in OPEB based on actuarial reports.

### **Hetchy Power**

Hetchy Power's net position of \$472,464 increased by \$6,857 or 1.5% resulting from an increase of \$68,574 in total assets and deferred outflows of resources, offset by a net increase of \$61,717 in total liabilities and deferred inflows of resources (see Table 1C). Increase of \$20,430 in current and other assets was attributed to an increase of \$16,057 in charges for services receivables, of which \$15,673 was attributed to billing delays as a result of transitioning to new billing system implemented in April 2021. In addition, there was an increase of \$1,051 in year-end accrual for California Independent System Operator (CAISO) Congestion Revenue Right (CRR) credits, offset by an increase of \$667 in allowance for doubtful accounts due to increased past due balances as a result of the Mayor's emergency proclamation that Hetchy Power temporarily suspend collection procedures and utility shutoffs for past due accounts to help customers with financial hardship due to COVID-19. Restricted interest and other receivables increased by \$11,632 mainly due to vendor prepayment to PG&E for the Bay Corridor Project.

Prepaid charges, advances, and other receivables increased by \$405 mainly due to \$496 increase in vendor prepayments to PG&E for electric system reliability compliance product offset by decreases of \$61 in

receivables for the Distributed Antenna System (DAS) program due to more payments received, \$16 in custom work receivables for Sunnydale Housing Projects, and \$14 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage. Inventory increased by \$211 due to more purchases than issuances during the fiscal year. The increases were offset by \$3,280 decrease in cash and investment with/outside City Treasury due primarily to increase in capital spending. Due from other City departments decreased by \$2,763, attributed to the final repayments of \$1,800 from CleanPowerSF for working capital loan, \$506 for the Sustainable Energy Account, \$331 from City Attorney's Office for legal services, \$109 from Wastewater Enterprise for the Living Machine System, and \$105 from the Recreation and Parks Department for Energy Efficiency Projects, offset by increases of \$46 in interest receivable from Treasure Island Development Authority (TIDA) in connection of an upgraded submarine power cable for the Treasure Island to increase service capacity and \$42 from the Department of Public Works for Hunters Point Shipyard Development and Transbay Folsom Street Improvement custom work projects. Other decreases include \$1,377 in grants receivable due to reimbursement received for disaster emergency recoveries related to the Rim Fire and 2018 Moccasin Storm, and \$455 in interest receivables due to lower annualized interest rate.

Capital assets, net of accumulated depreciation and amortization, increased by \$46,627 or 10.5% to \$492,056 primarily due to additions of facilities, improvements, machinery, and equipment for the Bay Corridor Project and Holm Powerhouse Rehabilitation & Kirkwood Powerhouse Oil Containment Upgrades. Deferred outflows of resources increased by \$1,517 due to an increase of \$1,702 in OPEB based on actuarial reports offset by a decrease of \$185 in pensions.

Hetchy Power's total liabilities of \$279,195 increased by \$64,721 or 30.2%. As of June 30, 2021, outstanding debts increased by \$47,243 and was attributable to \$51,136 in commercial paper issuance for Hetchy Power facilities, offset by \$2,402 in bonds and certificates of participation principal repayments, \$1,272 in return of unspent bond proceeds for 2015 NCREBs, and \$219 in amortization of premium and discount. Other liabilities of \$104,781, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by \$17,478 or 20.0%, mainly due to increases of \$8,724 in unrestricted payables mainly for wheeling charges to APX Inc., \$6,934 restricted payables to vendors and contractors due to higher year-end expense accruals for capital projects, \$6,317 in net pension liability based on actuarial report, and \$876 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior year and a 3% cost of living adjustment increase in December 2020. Offsetting decreases include \$2,330 in OPEB obligations based on actuarial assumptions, \$1.649 in unearned revenue, \$1.114 in general liability based on actuarial estimates, \$231 in due to City Attorney's Office for unbilled legal services, and \$49 in interest payable as a result of decreased outstanding debts and lower interest rates for commercial paper. Unearned revenue decreased by \$1,649 due to \$1,208 in remittance of utility tax collected, \$1,193 in power revenue from commercial deposits, \$681 in residential allowance refund for the Alice Griffith Housing Project, and \$609 in recognition of Rim Fire grants revenue received in advance, offset by increases of \$1,707 in deposits from custom work projects, \$200 in prepayments from DAS program, \$117 in overpayments received from customers, and \$18 in deposits received from retail customers and security deposits for cottage rental.

Deferred inflows of resources decreased by \$3,004 due to a decrease of \$4,091 in relation to pensions offset by an increase of \$1,087 in OPEB based on actuarial reports.

### CleanPowerSF

CleanPowerSF's net position of \$87,080 decreased by \$4,058 or 4.5%, resulting from a net decrease of \$134 in total assets and deferred outflows of resources and a net increase of \$3,924 in total liabilities and

deferred inflows of resources (see Table 1D). Total assets decreased by \$537 due to a \$6,447 decrease in charges for services receivables attributed to an increase of \$3,675 in allowance for doubtful accounts due to higher past due balances in customer power utility accounts after the Mayor's proclamation to extend the moratorium on utility shutoffs and bill collections to help customers experiencing financial hardship as a result of COVID-19. Other decreases include \$2,772 in receivables mainly due to one-time customer assistance bill credits related to COVID-19 relief, \$576 in prepaid charges, advances, and other receivables mainly due to lower vendor prepayments for purchased electricity and \$160 in interest receivables due to lower annualized interest rate. The decreases were offset by an increase of \$6,646 in cash and investment with City Treasury mainly from cash collateral received for power purchase agreement.

Deferred outflows of resources increased by \$403 due to increases of \$231 in pensions and \$172 in OPEB based on actuarial reports.

Total liabilities of \$32,501 increased by \$3,339 or 11.4%, which was mainly explained by \$9,000 in cash collateral received for power purchase agreement (see Note 13(a)), \$1,203 in net pension liability based on actuarial report, \$712 in OPEB obligations based on actuarial assumptions, and an increase of \$200 in employee related benefits including vacation, sick leave and accrued payroll mainly due to an extra day in current year-end payroll accrual when compared to prior year, and a 3% cost of living adjustment increase in December 2020. Other increases in unearned revenues, refunds, and other, include \$90 from net energy metering credits to retail and commercial customers, \$86 from customer prepayments, and \$4 from utility and electric energy surcharge tax payable. These increases were offset by decreases of \$6,047 in payables to vendors and contractors mainly from lower power purchases, \$1,809 due to other City departments (\$1,800 final working capital loan repayment to Hetchy Power and \$9 to City Attorney's Office for unbilled legal services), and \$100 in general liability based on actuarial estimates.

Deferred inflows of resources increased by \$585 due to an increase of \$702 in OPEB based on actuarial reports offset by a decrease of \$117 in relation to pensions.

### Net Position, Fiscal Year 2020

### Hetch Hetchy

Hetch Hetchy's total net position increased from prior year by \$80,891 or 11.8% (see Table 1A). The increase in net position was the result of an increase of \$110,181 in total assets and deferred outflows of resources, offset by an increase of \$29,290 in total liabilities and deferred inflows of resources.

Current and other assets were \$441,635, a \$48,668 or 12.4% increase from prior year with elimination of a \$1,800 working capital loan from Hetchy Power to CleanPowerSF. The increase was primarily due to an increase of \$49,328 in cash and investment with/outside City Treasury as a result of higher collection from CleanPowerSF electricity sales. Due from other City departments increased by \$3,623, of which \$3,981 was a receivable from the Treasure Island Development Authority (TIDA) in connection of an upgraded submarine power cable for the Treasure Island to increase service capacity and \$435 from the City Attorney's Office for legal services; offset by repayments of \$506 for the Sustainable Energy Account, \$108 from the Wastewater Enterprise for the Living Machine System, \$105 from the Recreation and Parks Department for Energy Efficiency Projects, and \$74 from the Department of Public Works for Hunters Point Shipyard Development Project and Transbay Folsom Street Improvement custom work projects. Other increases included \$707 in grants receivables from State and Federal related to disaster emergency recoveries for the 2018 Moccasin Storm Project, Early Intake Switchyard Project and Rim Fire Project; and \$181 in inventory due to more purchases than issuances during the fiscal year. These increases were offset by decreases of \$2,964 in charges for services receivable due to \$1,797 increase in allowance for uncollectible attributable to higher

past due balances as a result of the Mayor's emergency declaration that Hetch Hetchy temporarily suspended collection procedures for past due accounts to help customers with financial hardship due to COVID-19, \$1,127 in lower year-end accrual for California Independent System Operator (CAISO) Congestion Revenue Right (CRR) credits, and \$40 decrease in billings due to lower consumption. Prepaid charges, advances, and other receivables decreased by \$1,117 due to payment of \$2,209 billing credits from Western Area Power Administration, \$45 in lower vendor prepayments, and \$17 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage; offset by increases of \$615 in receivables for the Distributed Antenna System (DAS) program due to higher billings, \$448 in Rim Fire insurance recoveries, \$80 in rental receivables, and \$11 in custom work receivables for the Sunnydale Housing Projects. Interest receivables decreased by \$1,090 due to lower annualized interest rate.

Capital assets, net of accumulated depreciation and amortization, increased by \$55,580 or 10.1% to \$606,211 primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment. Deferred outflows of resources increased by \$5,933 due to increases of \$3,573 in pensions and \$2,360 in other post-employment benefits (OPEB) based on actuarial reports.

Total liabilities increased by \$26,681 or 10.2%, to \$289,046. A working capital loan of \$1,800 due to Hetchy Power from CleanPowerSF was eliminated upon consolidation. As of June 30, 2020, outstanding debts increased by \$9.689 attributed to \$12,811 in commercial paper issuance for Hetchy Power facilities. offset by decreases of \$2,894 in bonds and certificates of participation principal repayments and \$228 in amortization of premium and discount. Other liabilities of \$161,875, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by \$16,992 or 11.7%, mainly due to increases of \$8,235 in restricted and unrestricted payables to vendors and contractors, of which \$5,696 from CleanPowerSF due to higher power purchases and \$3,239 from Hetchy Power due to higher capital spending, offset by a decrease of \$700 from Hetchy Water due to reduced capital spending. Net pension liability increased by \$3,151 based on actuarial report, and \$3.058 increase in OPEB obligations based on actuarial assumptions. Other increases included \$1.318 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to more days in current year-end payroll accrual when compared to prior year, coupled with a 3% increase of cost of living adjustment (COLA), \$602 in general liability based on actuarial estimates, \$499 in due to other City departments, including \$480 to the City Attorney's Office for unbilled legal services and \$19 to the Port of San Francisco for Pier 70 Shoreside Power Project. Unearned revenue increased by \$163 due to \$360 in deposits from custom work projects, \$306 in net energy metering credits from CleanPowerSF, \$11 in prepayments from the DAS program, and \$3 from prepaid rent; offset by decreases of \$440 in customer deposits from retail and commercial customers, and \$77 in sales tax, utility, and electric energy surcharge tax payables. These increases were offset by a decrease of \$34 in interest payable due to lower bond and loan outstanding.

Deferred inflows of resources increased by \$2,609 due to a \$2,032 increase in pensions and a \$577 increase in OPEB based on actuarial reports.

### **Hetchy Water**

Hetchy Water's net position of \$211,035 increased by \$9,862 or 4.9% resulting from an increase of \$12,450 in total assets and deferred outflows of resources, offset by an increase of \$2,588 in total liabilities and deferred inflows of resources (see Table 1B). Decrease of \$1,721 in current and other assets was attributed to decreases of \$1,166 in cash and investment with City Treasury mainly due to reduced project spending, \$336 in State grant receivable mainly from reimbursement related to disaster emergency recoveries for the Lower Cherry Aqueduct Project, \$308 in interest receivables due to lower annualized

interest rate, \$50 decrease in charges for services receivables mainly due to lower consumption from Lawrence Livermore National Laboratory, and \$11 decrease in inventory due to more issuance than purchase during the fiscal year. The decrease was offset by increases of \$104 in due from the City Attorney's Office for legal services, and \$46 in prepaid charges, advances, and other receivables, of which \$448 in pending Rim Fire insurance recoveries and \$36 in rental receivables; offset by decreases of \$434 in vendor prepayment mainly for Don Pedro Reservoir operating license and \$4 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage.

Capital assets, net of accumulated depreciation and amortization, increased by \$11,679 or 7.8% to \$160,782 primarily due to additions of facilities, improvements, machinery, and equipment. Deferred outflows of resources increased by \$2,492 due to increases of \$1,503 in pensions and \$989 in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by \$2,361 or 5.3% to \$47,210, as explained by increases of \$1,087 in net pension liability based on actuarial report, \$946 in OPEB obligations based on actuarial assumptions, \$450 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to more days in current year-end payroll accrual when compared to prior year, coupled with a 3% increase of COLA, \$334 in general liability based on actuarial estimates, \$240 in payable due to the City Attorney's Office for unbilled legal services, and \$4 in unearned revenue mainly due to \$7 increase in rental deposits, offset by a decrease of \$3 in sales tax payables. The increases were offset by a decrease of \$700 in restricted and unrestricted payables to vendors and contractors due to lower capital spending.

Deferred inflows of resources increased by \$227 due to an increase of \$461 related to pensions, offset by a decrease of \$234 in OPEB based on actuarial reports.

### **Hetchy Power**

Hetchy Power's net position of \$465,607 increased by \$19,892 or 4.5% resulting from an increase of \$36,570 in total assets and deferred outflows of resources, offset by an increase of \$16,678 in total liabilities and deferred inflows of resources (see Table 1C). Current and other assets decreased by \$10,377 or 4.3%, of which \$8,184 decrease in cash and investment with/outside City Treasury due primarily to increase in operating and capital spending. Charges for services receivable decreased by \$2,837 due to decreases of \$1,138 in billings, \$1,127 in lower year-end accrual for CAISO CRR credits as related to prior year, and \$572 increase in allowance for uncollectible due to higher past due balances as a result of the Mayor's emergency declaration that Hetch Hetchy temporarily suspended collection procedures for past due accounts to help customers with financial hardship due to COVID-19. Prepaid charges, advances, and other receivables decreased by \$1,379 due to payment of \$2,209 billing credits from Western Area Power Administration, and \$13 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage, offset by increases of \$615 in receivables for the DAS program due to higher billings, \$173 in vendor prepayment for license and permit fees, \$44 in rental receivables, and \$11 in custom work receivables for the Sunnydale Housing Projects. Interest receivables decreased by \$800 due to lower annualized interest rate. These decreases were offset by an increase of \$1,588 in due from other City departments, of which \$3,981 was a receivable from the TIDA in connection of an upgraded submarine power cable for the Treasure Island to increase service capacity and \$331 from the City Attorney's Office for legal services; offset by repayments of \$2,000 from CleanPowerSF for working capital loan net of accrued interest of \$69, \$506 for the Sustainable Energy Account, \$108 from the Wastewater Enterprise for the Living Machine System, \$105 from the Recreation and Parks Department for Energy Efficiency Projects, and \$74 from the Department of Public Works for Hunters Point Shipyard Development, and Transbay Folsom Street Improvement custom work projects. State and Federal grants receivables increased by \$1,043 due to

disaster emergency recoveries for the 2018 Moccasin Storm Project, Early Intake Switchyard Project and Rim Fire Project, and \$192 increase in inventory due to more purchase than issuance during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by \$43,901 or 10.9% to \$445,429 primarily from construction and capital improvement activities. Deferred outflows of resources increased by \$3,046 due to increases of \$1,837 in pensions and \$1,209 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of \$214,474 increased by \$16,399 or 8.3%. As of June 30, 2020, outstanding debts increased by \$9,689 and was attributable to \$12,811 in commercial paper issuance for Hetchy Power facilities, offset by decreases of \$2,894 in bonds and certificates of participation principal repayments and \$228 in amortization of premium and discount. Other liabilities of \$87,303, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by \$6,710 or 8.3%, mainly attributable to increases of \$3,239 in restricted and unrestricted payables to vendors and contractors due to higher capital spending, \$1,329 in net pension liability based on actuarial report. \$1,157 in OPEB obligations based on actuarial assumptions. \$747 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to more days in current year-end payroll accrual when compared to prior year, coupled with a 3% increase of COLA, \$250 increase in due to other City departments, including \$231 to the City Attorney's Office for unbilled legal services and \$19 to the Port of San Francisco for Pier 70 Shoreside Power Project, and \$169 in general liability based on actuarial estimates. These increases were offset by a decrease of \$147 in unearned revenue, of which \$446 in customer deposits from retail and commercial customers and \$74 in sales tax, utility, and electric energy surcharge tax payables, offset by increases of \$360 in deposits from custom work projects, \$11 in prepayments for the DAS program, and \$2 from prepaid rent. Interest payable decreased by \$34 due to lower bond and loan outstanding.

Deferred inflows of resources increased by \$279 due to a \$564 increase in pensions, offset by a decrease of \$285 in OPEB based on actuarial reports.

### CleanPowerSF

CleanPowerSF's net position of \$91,138 increased by \$51,137 or 127.8%, resulting from an increase of \$59,230 in total assets and deferred outflows of resources, offset by an increase of \$8,093 in total liabilities and deferred inflows of resources (see Table 1D). Increase in total assets was \$58,835 due to \$58,678 in cash and investment with City Treasury from higher electricity sales, \$216 in prepaid charges, advances, and other receivables mainly due to higher vendor prepayments for purchased electricity, and \$18 increase in interest receivable due to higher average cash balance. Charges for services receivables decreased by \$77 due to increase of \$1,225 in allowance for uncollectible attributable to higher past due balances as a result of the Mayor's emergency declaration that Hetch Hetchy temporarily suspended collection procedures for past due accounts to help customers with financial hardship due to COVID-19, offset by \$1,148 increase in billings from higher consumption.

Deferred outflows of resources increased by \$395 due to increases of \$233 in pensions and \$162 in OPEB based on actuarial reports.

Total liabilities of \$29,162 increased by \$5,990 or 25.9%, which was explained by \$5,696 in payables to vendors and contractors for goods and services under contractual agreements as a result of higher power purchases, \$955 in OPEB obligations based on actuarial assumptions, \$735 in net pension liability based on actuarial report, \$306 in unearned revenue, of which \$306 from net energy metering credits to retail and commercial customers, and \$13 from utility and electric energy surcharge tax payables, offset by a decrease

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of \$13 from customers' prepayments. Employee related benefits including vacation, sick leave and accrued payroll increased by \$121 mainly due to more days in current year-end payroll accrual when compared to prior year, coupled with a 3% increase of COLA. General liability increased by \$99 based on actuarial estimates. The increases were offset by a decrease of \$1,922 in due to other City departments, including \$2,000 working capital loan repayment to Hetchy Power, net of \$69 accrued interest, and \$9 to City Attorney's Office for unbilled legal services.

Deferred inflows of resources increased by \$2,103 due to a \$1,096 increase in OPEB and a \$1,007 increase in pensions based on actuarial reports.

#### **Results of Operations**

The following tables summarize Hetch Hetchy's revenues, expenses, and changes in net position:

#### Table 2A - Consolidated Hetch Hetchy Comparative Condensed Revenues, Expenses, and Changes in Net Position Years ended June 30, 2021, 2020, and 2019

|   |    |         |         |         | 2021-2020 | 2020-2019 |
|---|----|---------|---------|---------|-----------|-----------|
|   |    | 2021    | 2020    | 2019    | Change    | Change    |
| Revenues:   |    |         |         |         |           |           |
| Charges for services                                  | \$ | 390,924 | 420,937 | 345,109 | (30,013)  | 75,828    |
| Rents and concessions                                 |    | 247     | 347     | 277     | (100)     | 70        |
| Interest and investment (loss) income                 |    | (157)   | 9,449   | 10,288  | (9,606)   | (839)     |
| Other non-operating revenues                          |    | 21,552  | 28,868  | 13,920  | (7,316)   | 14,948    |
| Total revenues  | _  | 412,566 | 459,601 | 369,594 | (47,035)  | 90,007    |
| Expenses:   | _  |         |         |         |           |           |
| Operating expenses                                    |    | 408,871 | 389,026 | 310,277 | 19,845    | 78,749    |
| Interest expenses                                     |    | 1,988   | 2,809   | 3,066   | (821)     | (257)     |
| Amortization of premium, discount, and issuance costs |    | (219)   | (228)   | (237)   | 9         | 9         |
| Non-operating expenses                                |    | 965     | 1,071   | 1,365   | (106)     | (294)     |
| Total expenses  |    | 411,605 | 392,678 | 314,471 | 18,927    | 78,207    |
| Change in net position before transfers               | _  | 961     | 66,923  | 55,123  | (65,962)  | 11,800    |
| Transfers from the City and County of San Francisco   |    | 16,000  | 14,000  | 24,522  | 2,000     | (10,522)  |
| Transfers to the City and County of San Francisco     |    | (532)   | (32)    | (32)    | (500)     |           |
| Net transfers   |    | 15,468  | 13,968  | 24,490  | 1,500     | (10,522)  |
| Change in net position                                | _  | 16,429  | 80,891  | 79,613  | (64,462)  | 1,278     |
| Net position at beginning of year                     |    | 767,780 | 686,889 | 607,276 | 80,891    | 79,613    |
| Net position at end of year                           | \$ | 784,209 | 767,780 | 686,889 | 16,429    | 80,891    |

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# Table 2B - Hetchy WaterComparative Condensed Revenues, Expenses, and Changes in Net PositionYears ended June 30, 2021, 2020, and 2019

|   |    | 2021    | 2020    | 2019     | 2021-2020<br>Change | 2020-2019<br>Change |
|---|----|---------|---------|----------|---------------------|---------------------|
| Revenues:   | _  |         |         |          |                     |                     |
| Charges for services                                | \$ | 46,979  | 34,797  | 33,880   | 12,182              | 917                 |
| Rents and concessions                               |    | 111     | 156     | 125      | (45)                | 31                  |
| Interest and investment (loss) income               |    | (232)   | 1,932   | 2,670    | (2,164)             | (738)               |
| Other non-operating revenues                        |    | 1,352   | 3,861   | 3,013    | (2,509)             | 848                 |
| Total revenues                                      | _  | 48,210  | 40,746  | 39,688   | 7,464               | 1,058               |
| Expenses:   | _  |         |         |          |                     |                     |
| Operating expenses                                  |    | 50,517  | 44,873  | 50,305   | 5,644               | (5,432)             |
| Non-operating expenses                              |    | 63      | 11      | _        | 52                  | 11                  |
| Total expenses                                      | _  | 50,580  | 44,884  | 50,305   | 5,696               | (5,421)             |
| Change in net position before transfers             |    | (2,370) | (4,138) | (10,617) | 1,768               | 6,479               |
| Transfers from the City and County of San Francisco |    | 16,000  | 14,000  | 20,000   | 2,000               | (6,000)             |
| Change in net position                              |    | 13,630  | 9,862   | 9,383    | 3,768               | 479                 |
| Net position at beginning of year                   | _  | 211,035 | 201,173 | 191,790  | 9,862               | 9,383               |
| Net position at end of year                         | \$ | 224,665 | 211,035 | 201,173  | 13,630              | 9,862               |

# Table 2C - Hetchy PowerComparative Condensed Revenues, Expenses, and Changes in Net PositionYears ended June 30, 2021, 2020, and 2019

|   |    |         |         |         | 2021-2020 | 2020-2019 |
|---|----|---------|---------|---------|-----------|-----------|
|   | _  | 2021    | 2020    | 2019    | Change    | Change    |
| Revenues:   |    |         |         |         |           |           |
| Charges for services                                  | \$ | 136,247 | 140,680 | 143,409 | (4,433)   | (2,729)   |
| Rents and concessions                                 |    | 136     | 191     | 152     | (55)      | 39        |
| Interest and investment income                        |    | 24      | 5,746   | 6,883   | (5,722)   | (1,137)   |
| Other non-operating revenues                          |    | 19,273  | 25,006  | 10,907  | (5,733)   | 14,099    |
| Total revenues  |    | 155,680 | 171,623 | 161,351 | (15,943)  | 10,272    |
| Expenses:   | _  |         |         |         |           |           |
| Operating expenses                                    |    | 145,638 | 148,127 | 122,688 | (2,489)   | 25,439    |
| Interest expenses                                     |    | 1,970   | 2,740   | 2,936   | (770)     | (196)     |
| Amortization of premium, discount, and issuance costs |    | (219)   | (228)   | (237)   | 9         | 9         |
| Non-operating expenses                                | _  | 902     | 1,060   | 1,365   | (158)     | (305)     |
| Total expenses  | _  | 148,291 | 151,699 | 126,752 | (3,408)   | 24,947    |
| Change in net position before transfers               |    | 7,389   | 19,924  | 34,599  | (12,535)  | (14,675)  |
| Transfers from the City and County of San Francisco   |    | —       | —       | 4,522   | _         | (4,522)   |
| Transfers to the C ty and County of San Francisco     |    | (532)   | (32)    | (32)    | (500)     |           |
| Net transfers   |    | (532)   | (32)    | 4,490   | (500)     | (4,522)   |
| Change in net position                                |    | 6,857   | 19,892  | 39,089  | (13,035)  | (19,197)  |
| Net position at beginning of year                     |    | 465,607 | 445,715 | 406,626 | 19,892    | 39,089    |
| Net position at end of year                           | \$ | 472,464 | 465,607 | 445,715 | 6,857     | 19,892    |

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#### Table 2D - CleanPowerSF Comparative Condensed Revenues, Expenses, and Changes in Net Position Years ended June 30, 2021, 2020, and 2019

|                                   | 2021          | 2020    | 2019    | 2021-2020<br>Change | 2020-2019<br>Change |
|-----------------------------------|---------------|---------|---------|---------------------|---------------------|
| Revenues:                         |               |         |         |                     |                     |
| Charges for services              | \$<br>207,698 | 245,460 | 167,820 | (37,762)            | 77,640              |
| Interest and investment income    | 51            | 1,771   | 735     | (1,720)             | 1,036               |
| Other non-operating revenues      | 927           | 1       | _       | 926                 | 1                   |
| Total revenues                    | 208,676       | 247,232 | 168,555 | (38,556)            | 78,677              |
| Expenses:                         | <br>          |         |         |                     |                     |
| Operating expenses                | 212,716       | 196,026 | 137,284 | 16,690              | 58,742              |
| Interest expenses                 | 18            | 69      | 130     | (51)                | (61)                |
| Total expenses                    | <br>212,734   | 196,095 | 137,414 | 16,639              | 58,681              |
| Change in net position            | <br>(4,058)   | 51,137  | 31,141  | (55,195)            | 19,996              |
| Net pos tion at beginning of year | <br>91,138    | 40,001  | 8,860   | 51,137              | 31,141              |
| Net pos tion at end of year       | \$<br>87,080  | 91,138  | 40,001  | (4,058)             | 51,137              |

## Result of Operations, Fiscal Year 2021

#### **Hetch Hetchy**

Hetch Hetchy's total revenues were \$412,566, a decrease of \$47,035 or 10.2% over prior year (see Table 2A). Charges for services decreased by \$30,013 or 7.1% from prior year's revenues mainly due to lower billings from CleanPowerSF and Hetchy Power. Total expenses increased by \$18,927 or 4.8% primarily due to increase in California Independent System Operator (CAISO) charges for CleanPowerSF market energy purchases (See Table 2A).

### Hetchy Water

Hetchy Water's total revenues were \$48,210, an increase of \$7,464 or 18.3% from prior year's revenues (see Table 2B). Increase was due to \$12,182 from charges for services, offset by decreases of \$2,509 from other non-operating revenues, \$2,164 in interest and investment income, and \$45 from rents and concessions.

Charges for services were \$46,979, an increase of \$12,182 or 35.0% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs and higher consumption from Lawrence Livermore National Laboratory. Rents were \$111, a decrease of \$45 or 28.8% mainly from lower cottage rental revenue. Other non-operating revenues were \$1,352, a decrease of \$2,509 or 65.0% mainly due to decreases of \$1,510 in Federal and State grants revenue resulting from lower collections from State grants related to 2018 Moccasin Storm, \$995 from prior year Rim Fire recoveries, and \$4 in net gain from sale of fixed assets. Interest and investment loss was \$232 mainly due to unrealized loss attributed to decrease in market value in cash and investments with City Treasury and lower interest rates.

Total operating expenses, excluding other non-operating expenses, were \$50,517, an increase of \$5,644 or 12.6%. The increase was attributed to \$3,567 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, and increased personnel and fringe benefit costs. Other increases include \$773 in contractual services mainly from increased engineering and management consulting services, \$733 in depreciation and amortization related to additional building, structure and equipment placed in service, \$664 in services provided by other departments mainly due to higher bureau support costs and legal service charges from City Attorney's Office, and \$162 in other operating expenses

mainly due to higher capital spending. These increases were offset by decreases of \$190 in general and administrative expenses mainly due to lower judgements and claims expenses and \$65 decrease in materials and supplies mainly for water and sewage treatment supplies.

Other non-operating expenses were \$63, an increase of \$52 due to payments to community-based organization programs. A transfer in of \$16,000 was received from the Water Enterprise to fund upcountry projects.

As a result of the above activities, net position for the year ended June 30, 2021 increased by \$13,630 or 6.5% compared to prior year.

#### **Hetchy Power**

Hetchy Power's total revenues were \$155,680, a decrease of \$15,943 or 9.3% from prior year's revenues (see Table 2C). Decreases included \$5,733 from other non-operating revenues, \$5,722 from interest and investment income, \$4,433 from charges for services, and \$55 from rents and concessions.

Charges for services were \$136,247, a decrease of \$4,433 or 3.2% was attributed to a decrease of \$8,362 in sales to City departments, wholesale, and Treasure Island customers due to COVID-19 related impacts and \$667 increase in allowance for doubtful accounts. Receivables aging over 120 days increased significantly due to the suspension of collection efforts and moratorium on utility shutoffs in response to the COVID-19 emergency proclamation issued by the Mayor. The decrease was offset by increases of \$2,537 in sales to retail customers mainly due to new affordable redevelopment housing accounts and \$2,059 in resale of capacity to CleanPowerSF due to excess capacity of electric system reliability compliance product. Rents were \$136, a decrease of \$55 or 28.8% mainly due to lower cottage rental revenue. Interest and investment income were \$24, a decrease of \$5,722 or 99.6% mainly due to decreases of \$4,691 in interest earned from lower interest rates and cash balance, unrealized loss, and \$1,031 from interest accrued for Treasure Island submarine power cable in prior year.

Other non-operating revenues were \$19,273, a decrease of \$5,733, or 22.9%, mainly due to decreases of \$5,739 from Low Carbon Fuel Standard (LCFS) credit sales revenue, attributed to less carbon fuel credit generated by San Francisco Municipal Transportation Agency, \$2,574 in license fee from Transbay Cable Project due to final payment received in prior year, \$1,139 in Cap and Trade revenue due to decrease of 23,000 or 16% allowance sold, and \$654 decrease in fees collected from DAS program. Other decreases include \$402 in State and Federal grants revenue resulting from lower collections from State grants related to 2018 Moccasin Storm and Federal grants related to Hazard Mitigation grant, \$70 in Federal interest subsidy due to lower debt outstanding, \$37 in damage claims revenue, and \$5 in net gain from sale of fixed assets. These decreases were offset by increases of \$2,921 in collection for Power System Impact Mitigation Project, \$797 in settlement revenue related to litigation, \$736 in commercial deposits from Alice Griffith Housing Project recognized as revenue, \$259 in overhead charges, and \$174 in miscellaneous revenue mainly from generation interconnection study and refunds from vendor.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, decreased by \$2,489 or 1.7%, to \$145,638. The decrease was primarily due to \$6,138 in purchased electricity and transmission, distribution, and other power costs due to lower electricity sales, \$289 in services provided by other departments mainly due to lower bureau support costs, \$270 in material and supplies due to lower equipment maintenance, and \$96 decrease in depreciation and amortization for machinery and equipment. The decreases were offset by increases of \$1,704 in general and administrative expenses mainly due to higher litigation expenses, \$1,572 in other operating expenses mainly due to higher capital spending, \$984 in contractual services mainly from new in-

city inventory warehouse rental at Pier 23 in San Francisco, and \$44 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, higher pension obligations based on actuarial reports, and increased personnel and fringe benefit costs.

Interest expenses were \$1,970, a decrease of \$770 or 28.1% due to decrease in outstanding debt and lower interest rates for commercial paper. Amortization of premium and discount slightly decreased by \$9 or 3.9% to \$219.

Other non-operating expenses were \$902, a decrease of \$158 or 14.9% mainly due to decrease in payments for GoSolarSF Incentive Program. Transfer out of \$532 includes \$500 to General Fund for repayment of Educational Revenue Augmentation Funds and \$32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2021 increased by \$6,857 or 1.5% compared to prior year.

### CleanPowerSF

CleanPowerSF's total revenues were \$208,676, a \$38,556 or 15.6% decrease over prior year (see Table 2D). Charges for services decreased by \$37,762 or 15.4% mainly due to a decrease of \$32,077 in electricity sales to retail and commercial customers resulting from consumption decrease of 92,503 MWh or 3%, a one-time customer assistance bill credit of \$2,817 related to COVID-19 utility bill relief, an increase of \$2,451 in allowance for doubtful accounts, and \$417 lower capacity sales to other entities. Receivables aging over 120 days increased significantly due to the suspension of collection efforts and moratorium on utility shutoffs in response to the COVID-19 emergency proclamation issued by the Mayor. Interest and investment income decreased by \$1,720 or 97.1% due to unrealized loss and lower interest rates on pooled cash and investments. Other non-operating revenue increased by \$926 due to liquidated damage compensation from vendor for the delay of Renewable Energy Project.

Total operating expenses, excluding interest expenses were \$212,716, an increase of \$16,690 or 8.5% from prior year. The increase was due to \$16,219 in purchased electricity and transmission, distribution and other power costs as a result of higher prices in the CAISO market and increase in resource adequacy capacity purchases related to new compliance requirements from the California Public Utilities Commission. Other increases include \$1,200 in services provided by other departments due to increased labor support from Hetchy Power and legal service charges from City Attorney's Office, and \$305 increase in other operating expenses mainly from the Neighborhood Steward Program and the new Local Renewable Energy Program. These increases were offset by decreases of \$529 in professional and contractual services mainly from lower management consulting services, \$279 in personnel services mainly due to lower pension obligations and OPEB based on actuarial reports, \$195 in general and administrative expenses mainly due to lower pension expenses. Interest expenses were \$18, a decrease of \$51 or 73.9% due to lower principal outstanding from Hetchy Power working capital loan.

As a result of the above activities, net position for the year ended June 30, 2021 decreased by \$4,058 or 4.5% compared to prior year.

### Result of Operations, Fiscal Year 2020

## Hetch Hetchy

Hetch Hetchy's total revenues were \$459,601, an increase of \$90,007 or 24.4% over prior year (see Table 2A). Charges for services were \$420,937, an increase of \$75,828 or 22%, due to increases of \$77,640 from CleanPowerSF electricity sales and \$917 from Hetchy Water due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs, offset by a decrease of \$2,729 from Hetchy Power mainly due to lower electricity sales to retail and Treasure Island customers and lower Congestion Revenue Right (CRR) credit payments from CAISO. Other non-operating revenues increased by \$14,948 or 107.4% mainly due to increases of \$6,920 from Low Carbon Fuel Standard (LCFS) credit sales revenue and \$4,825 from the Power System Impact Mitigation Project. Hetch Hetchy's total expenses were \$392,678, an increase of \$78,207 or 24.9% over prior year.

## Hetchy Water

Hetchy Water's total revenues were \$40,746, an increase of \$1,058 or 2.7% from prior year's revenues (see Table 2B). Increases included \$917 from charges for services, \$848 from other non-operating revenues, and \$31 from rents and concessions. These increases were offset by a decrease of \$738 in interest and investment income.

Charges for services were \$34,797, an increase of \$917 or 2.7% due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Rents were \$156, an increase of \$31 or 24.8% mainly from cottage rental revenue. Other non-operating revenues were \$3,861, an increase of \$848 or 28.1% mainly due to payment of \$995 from Rim Fire insurance recoveries, offset by decreases of \$125 collections from State grants related to 2018 Moccasin Storm Project and Lower Cherry Aqueduct Project, \$18 in overhead charges and \$4 decrease in net gain from sale of fixed assets and scrap. Interest and investment income were \$1,932, a decrease of \$738 or 27.6% mainly due to lower unrealized gains attributed to decrease in market value in cash and investments with City Treasury.

Total operating expenses, excluding other non-operating expenses were \$44,873, a decrease of \$5,432 or 10.8%. The decrease was attributed to \$8,831 in other operating expenses mainly due to reduced capital spending and \$104 in depreciation and amortization related to building, structure and equipment. These decreases were offset by increases of \$2,597 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, higher pension obligations based on actuarial reports and increased personnel and fringe benefit costs, \$437 in contractual services mainly from increased engineering services, \$231 in services provided by other departments mainly due to higher light, heat, and power charges, \$204 in water and sewage treatment supplies for water facilities, and \$34 in general and administrative expenses mainly due to higher judgements and claims based on actuarial estimates.

Other non-operating expenses increased by \$11 due to payments to community-based organization programs. Transfer in of \$14,000 was received from the Water Enterprise to fund upcountry projects.

As a result of the above activities, net position for the year ended June 30, 2020 increased by \$9,862 or 4.9% compared to prior year.

### Hetchy Power

Hetchy Power's total revenues were \$171,623, an increase of \$10,272 or 6.4% from prior year's revenues (see Table 2C). Increases included \$14,099 from other non-operating revenues and \$39 from rents and

concessions. The increases were offset by decreases of \$2,729 from charges for services and \$1,137 from interest and investment income.

Charges for services were \$140,680, a decrease of \$2,729 or 1.9% was attributed to decreases of \$4,213 in sale of electricity to retail, wholesale and Treasure Island customers due to COVID-19 and CAISO CRR credits, and \$709 in resale of capacity related to electric system reliability compliance product, offset by an increase of \$2,193 in sales to other City departments mainly due to average rate increase. Rents were \$191, an increase of \$39 or 25.7% mainly from cottage rental revenue. Interest and investment income were \$5,746, a decrease of \$1,137 or 16.5% mainly due to \$1,073 in interest earned resulting from lower interest rates and \$1,023 in unrealized gains attributed to decrease in market value in cash and investments with City Treasury, offset by an increase of \$959 in interest accrued in connection of an upgraded submarine power cable for the Treasure Island. Other non-operating revenues were \$25,006, an increase of \$14,099 or 129.3% mainly due to \$6,920 from LCFS credit sales revenue, \$4,825 from the Power System Impact Mitigation Project, \$1,610 in fees collected from the DAS program, \$1,479 in State and Federal grants related to disaster emergency recoveries for the 2018 Moccasin Storm Project, Early Intake Switchvard Project and Rim Fire Project, \$341 in Cap and Trade revenues, \$92 reimbursement for the Central Subway Project, \$52 in annual license fee received from the Transbay Cable Project, \$42 in damage claims, and \$12 in overhead charges. These increases were offset by decreases of \$705 in Rim Fire insurance recoveries from prior year, \$330 in miscellaneous revenue from completion of Hunters Point Projects, \$195 in settlement received from prior year, \$41 in Federal interest subsidy due to lower debt outstanding, and \$3 in net gain from sale of fixed assets, scrap, and waste.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$25,439 or 20.7% to \$148,127. The increase was attributed to \$16,130 in other operating expenses mainly due to lower capitalization of project expense, \$3,129 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, higher pension obligations based on actuarial reports and increased personnel and fringe benefit costs, \$1,656 in contractual services mainly for equipment maintenance and property rent, \$1,588 in materials and supplies mainly explained by prior year recognition of material and supplies to inventory for the in-city warehouse, \$1,394 in purchased electricity and transmission, distribution raleted to additional building, structure and equipment placed in service, and \$710 in general and administrative expenses mainly due to judgements and claims based on actuarial estimates. These increases were offset by a decrease of \$407 in services of other departments mainly due to legal services provided by City Attorney. Interest expenses were \$2,740, a decrease of \$196 or 6.7% mainly due to higher capitalized interest. Amortization of premium and discount slightly decreased by \$9 or 3.8% to \$228.

Other non-operating expenses were \$1,060, a decrease of \$305 or 22.3% due to \$354 in loss from sale of fixed assets in prior year, offset by an increase of \$49 in payments for GoSolarSF Incentive Program and community-based organization programs. Transfer out of \$32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2020 increased by \$19,892 or 4.5% compared to prior year.

### CleanPowerSF

CleanPowerSF's total revenues were \$247,232, a \$78,677 or 46.7% increase over prior year (see Table 2D). Charges for services increased by \$77,640 or 46.3% mainly due to \$74,099 increased electricity sales to retail and commercial customers, and \$3,541 from capacity sales to Hetchy Power and other entities.

Consumption increased to 1,010,934 MWh or 51% and number of customer accounts have grown from 376,787 to 383,895 as of June 2020. Interest and investment income increased by \$1,036 or 141% due to \$638 in interest earned resulting from higher average cash balance and \$398 in unrealized gains attributed to increase in market value in cash and investments with City Treasury. Other non-operating revenue increased by \$1 due to termination fees from customers.

Total operating expenses, excluding interest expenses were \$196,026, an increase of \$58,742 or 42.8% from prior year. The increase was due to \$51,932 in purchased electricity and transmission, distribution and other power costs as a result of higher electricity sales, \$3,308 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, higher pension obligations based on actuarial reports and increased personnel and fringe benefit costs, \$2,771 in professional and contractual services mainly from services provided by Calpine Energy Solution for customer billings, \$1,142 in general and administrative mainly from increased taxes, license, and permits fees, \$63 in other operating expenses mainly from the Neighborhood Steward Program Project and \$6 in materials and supplies. These increases were offset by a decrease of \$480 in services provided by other departments mainly explained by lower mail services and support provided by Hetchy Power for administrative services. Interest expenses were \$69, a decrease of \$61 or 46.9% due to lower outstanding balance for the working capital loan from Hetchy Power.

As a result of the above activities, net position for the year ended June 30, 2020 increased by \$51,137 or 127.8% compared to prior year.

#### **Capital Assets**

The following tables summarize Hetch Hetchy's changes in capital assets.

| Table 3A - Capital Assets, Net of Accumulated Depreciation and Amortization |
|---|
| As of June 30, 2021, 2020, and 2019   |

|   | 2021    | 2020    | 2019    | 2021-2020<br>Change | 2020-2019<br>Change |
|---|---------|---------|---------|---------------------|---------------------|
| Hetch Hetchy  |         |         |         |                     |                     |
| Facilities, improvements, machinery, and equipment \$ | 432,916 | 386,560 | 359,986 | 46,356              | 26,574              |
| Intangible assets                                     | 24,932  | 25,393  | 25,854  | (461)               | (461)               |
| Land and rights-of-way                                | 5,181   | 5,181   | 5,181   | _                   | _                   |
| Construction work in progress                         | 206,508 | 189,077 | 159,610 | 17,431              | 29,467              |
| Total   | 669,537 | 606,211 | 550,631 | 63,326              | 55,580              |
| Hetchy Water  |         |         |         |                     |                     |
| Facilities, improvements, machinery, and equipment    | 128,335 | 122,433 | 97,250  | 5,902               | 25,183              |
| Intangible assets                                     | 10,581  | 10,789  | 10,996  | (208)               | (207)               |
| Land and rights-of-way                                | 3,232   | 3,232   | 3,232   | _                   | _                   |
| Construction work in progress                         | 35,333  | 24,328  | 37,625  | 11,005              | (13,297)            |
| Total   | 177,481 | 160,782 | 149,103 | 16,699              | 11,679              |
| Hetchy Power  |         |         |         |                     |                     |
| Facilities, improvements, machinery, and equipment    | 304,581 | 264,127 | 262,736 | 40,454              | 1,391               |
| Intangible assets                                     | 14,351  | 14,604  | 14,858  | (253)               | (254)               |
| Land and rights-of-way                                | 1,949   | 1,949   | 1,949   | _                   | _                   |
| Construction work in progress                         | 171,175 | 164,749 | 121,985 | 6,426               | 42,764              |
| Total \$  | 492,056 | 445,429 | 401,528 | 46,627              | 43,901              |

#### Capital Assets, Fiscal Year 2021

### **Hetch Hetchy**

Hetch Hetchy has capital assets of \$669,537, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2021 (see Table 3A). This amount represents an increase of \$63,326 or 10.4%, resulting from increases of \$46,356 in facilities, improvements, machinery and equipment and \$17,431 in construction work in progress, offset by a decrease of \$461 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment.

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2021 include the following:

#### Table 3B - Hetch Hetchy Major Additions to Construction Work in Progress and Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service Year ended June 30, 2021

|  |    | Hetchy<br>Water | Hetchy<br>Power | 2021 Total |
|--|----|-----------------|-----------------|------------|
| Bay Corridor Project   | \$ | _               | 31,556          | 31,556     |
| Mountain Tunnel Improvement Project  |    | 7,744           | 9,465           | 17,209     |
| Transmission Line Clearance Mitigation & Upgrade   |    | _               | 6,176           | 6,176      |
| Repair & Replacement Life Extension Program  |    | 5,188           | _               | 5,188      |
| Moccasin Penstock Rehabilitation and Powerhouse Rewind                                     |    | _               | 4,374           | 4,374      |
| Van Ness - Bus Rapid Transit   |    | _               | 2,742           | 2,742      |
| Moccasin Reservoir Security Fence  |    | 2,723           | _               | 2,723      |
| San Joaquin Pipeline Valve & Safe Entry Improvement  |    | 2,115           | —               | 2,115      |
| Treasure Island Capital Improvements   |    | —               | 2,025           | 2,025      |
| Other project additions individually below \$2,000   |    | 4,816           | 13,721          | 18,537     |
| Additions to Construction Work in Progress   | \$ | 22,586          | 70,059          | 92,645     |
| Holm Powerhouse Rehabilitation & Kirkwood Powerhouse Oil<br>Containment Upgrades           | \$ | _               | 21,920          | 21,920     |
| Electrical Underground Duct Bank 23rd & Illinois South Street                              |    | —               | 18,133          | 18,133     |
| Moccasin Reservoir Security Fence  |    | 3,549           | —               | 3,549      |
| Switch Yard Asset  |    | —               | 3,533           | 3,533      |
| San Joaquin Pipeline Rehabilitation  |    | 3,243           | _               | 3,243      |
| San Francisco Academy Solar Carport  |    | —               | 2,657           | 2,657      |
| Other project additions individually below \$2,000   | _  | 4,911           | 9,585           | 14,496     |
| Facilities, Improvements, Intangible Assets, Machinery,<br>and Equipment Placed in Service | \$ | 11,703          | 55,828          | 67,531     |

### **Hetchy Water**

Hetchy Water has capital assets of \$177,481, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2021 (see Table 3A). This amount represents an increase of \$16,699 or 10.4%, primarily due to increases of \$11,005 in construction work in progress and

\$5,902 in facilities, improvements, machinery, and equipment, offset by a decrease of \$208 in amortization of intangible assets.

For the year ended June 30, 2021, Hetchy Water's major additions to construction work in progress totaled \$22,586. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$11,703 (see Table 3B).

#### **Hetchy Power**

Hetchy Power has capital assets of \$492,056, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2021 (see Table 3A). This amount represents an increase of \$46,627 or 10.5%, primarily due to increases of \$40,454 in facilities, improvements, machinery, and equipment and \$6,426 in construction work in progress, offset by a decrease of \$253 in amortization of intangible assets.

For the year ended June 30, 2021, Hetchy Power's major additions to construction work in progress totaled \$70,059. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$55,828 (see Table 3B).

#### CleanPowerSF

CleanPowerSF had no capital assets as of June 30, 2021 and 2020.

See Note 4 for additional information about capital assets.

#### Capital Assets, Fiscal Year 2020

#### Hetch Hetchy

Hetch Hetchy has capital assets of \$606,211, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2020 (see Table 3A). This amount represents an increase of \$55,580 or 10.1%, resulting from increases of \$29,467 in construction work in progress and \$26,574 in facilities, improvements, machinery, and equipment, offset by a decrease of \$461 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment.

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Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2020 include the following:

#### Table 3C - Hetch Hetchy

#### Major Additions to Construction Work in Progress and

# Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service

Year ended June 30, 2020

|  | Hetchy<br>Water   | Hetchy<br>Power                                   | 2020 Total   |
|--|---|---|--|
| Bay Corridor Project   | \$<br>_   | 16,789  | 16,789   |
| 2018 Moccasin Storm  | 8,966   | _   | 8,966  |
| Power Asset Acquisition Analysis   | _   | 8,580   | 8,580  |
| Van Ness - Bus Rapid Transit   | _   | 8,557   | 8,557  |
| Other Powerhouse Projects  | _   | 7,687   | 7,687  |
| Mountain Tunnel Improvement Project  | 2,477   | 3,027   | 5,504  |
| Warnerville Substation Rehabilitation  | _   | 5,067   | 5,067  |
| Other project additions individually below \$5,000   | 6,226   | 20,418  | 26,644   |
| Additions to Construction Work in Progress   | \$<br>17,669  | 70,125  | 87,794   |
| San Joaquin Pipeline Replacement<br>Moccasin Creek Downstream Channel Improvements<br>Lower Cherry Aqueduct Rehabilitation<br>Kirkwood Penstock<br>Moccasin Spillway Facilities<br>Guardrail & Pavement<br>Intervening Facilities<br>Early Intake Switchyard Slope Hazard Mitigation<br>Other project additions individually below \$2,000 | \$<br>7,315<br>5,055<br>4,442<br><br>3,141<br>1,376<br><br>-<br>8,920 | <br>3,668<br><br>1,681<br>2,335<br>2,219<br>6,957 | 7,315<br>5,055<br>4,442<br>3,668<br>3,141<br>3,057<br>2,335<br>2,219<br>15,877 |
| Facilities, Improvements, Intangible Assets, Machinery,<br>and Equipment Placed in Service   | \$<br>30,249  | 16,860  | 47,109   |

#### Hetchy Water

Hetchy Water has capital assets of \$160,782, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2020 (see Table 3A). This amount represents an increase of \$11,679 or 7.8%, primarily due to an increase of \$25,183 in facilities, improvements, machinery, and equipment, offset by decreases of \$13,297 in construction work in progress, and \$207 in amortization of intangible assets.

For the year ended June 30, 2020, Hetchy Water's major additions to construction work in progress totaled \$17,669. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$30,249 (see Table 3C).

#### **Hetchy Power**

Hetchy Power has capital assets of \$445,429, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2020 (see Table 3A). This amount represents an increase of \$43,901 or 10.9%, primarily due to increases of \$42,764 in construction work in progress and \$1,391 in facilities, improvements, machinery, and equipment; offset by a decrease of \$254 in amortization of intangible assets.

For the year ended June 30, 2020, Hetchy Power's major additions to construction work in progress totaled \$70,125. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$16,860 (see Table 3C).

#### CleanPowerSF

CleanPowerSF had no capital assets as of June 30, 2020 and 2019.

See Note 4 for additional information about capital assets.

#### Debt Administration

#### Hetch Hetchy

As of June 30, 2021, Hetch Hetchy has outstanding Certificates of Participation, Clean Renewable Energy Bonds (CREBs), Qualified Energy Conservation Bonds (QECBs), New Clean Renewable Energy Bonds (NCREBs), 2015 Series AB revenue bonds, and commercial paper. The aforementioned debts are obligations of the Power Enterprise. See Hetchy Power section below for more details.

#### **Hetchy Water**

Hetchy Water did not have debt outstanding as of June 30, 2021 and 2020. Debt, including bond issuances, associated with the funding of water-related, upcountry infrastructure capital improvements is issued through the Water Enterprise, and is reflected in the Water Enterprise's financial statements.

#### Hetchy Power

As of June 30, 2021 and 2020, Hetchy Power had outstanding debt of \$174,414 and \$127,171, respectively, as shown in Table 4. More detailed information about the Hetchy Power's debt activity is presented in Notes 6, 7 and 8 to the financial statements.

### CleanPowerSF

CleanPowerSF did not have any debt outstanding as of June 30, 2021 and 2020.

#### Table 4 - Hetchy Power Outstanding Debt, Net of Unamortized Costs As of June 30, 2021, 2020, and 2019

|   |    |         |         |         | 2021-2020 | 2020-2019 |
|---|----|---------|---------|---------|-----------|-----------|
|   |    | 2021    | 2020    | 2019    | Change    | Change    |
| Clean Renewable Energy Bonds 2008                 | \$ | 823     | 1,231   | 1,639   | (408)     | (408)     |
| Certificates of Participation 2009 Series C       |    | 838     | 1,235   | 1,619   | (397)     | (384)     |
| Certificates of Participation 2009 Series D (BABs | .) | 12,593  | 12,593  | 12,593  | _         | _         |
| Qualified Energy Conservation Bonds 2011          |    | 3,687   | 4,229   | 4,765   | (542)     | (536)     |
| New Clean Renewable Energy Bonds 2012             |    | _       | 130     | 713     | (130)     | (583)     |
| New Clean Renewable Energy Bonds 2015             |    | 1,779   | 3,190   | 3,422   | (1,411)   | (232)     |
| 2015 Series A Revenue Bonds                       |    | 35,297  | 35,444  | 35,585  | (147)     | (141)     |
| 2015 Series B Revenue Bonds                       |    | 4,726   | 5,584   | 6,422   | (858)     | (838)     |
| Commercial Paper                                  |    | 114,671 | 63,535  | 50,724  | 51,136    | 12,811    |
| Total   | \$ | 174,414 | 127,171 | 117,482 | 47,243    | 9,689     |

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

The increase of \$47,243 was mainly due to an increase of \$51,136 in commercial paper issuance, offset by \$2,402 in principal repayments, \$1,272 in return of unspent bond proceeds for 2015 NCREBs, and \$219 in amortization of premium and discount.

*Credit Ratings and Bond Insurance* – The Power Enterprise's 2015 Series AB Power Revenue Bonds have been rated "AA-" by Fitch Inc and "AA" by Standard and Poor's (S&P) as of June 30, 2021 and 2020, respectively.

In December 2020, Moody's Investors Service, ("Moody's") assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook. Hetch Hetchy Water and Power contains the Power Enterprise as a separate enterprise fund, with CleanPowerSF a component unit of the Power Enterprise. CleanPowerSF is tracked and audited as a standalone fund, with financial statements, including revenues and expenses, separate and discrete from the Power Enterprise. As such, CleanPowerSF is deemed to be a separate credit from the Power Enterprise, with its own credit rating.

**Debt Service Coverage** – Pursuant to the Indenture, the Power Enterprise is required to collect sufficient net revenues each fiscal year, together with any Available Funds (except Bond Reserve Funds) which include unappropriated fund balances and reserves, and cash and book value of investments held by the Treasurer for the Hetchy Power, that the SFPUC reasonably expects would be available, to pay principal and interest becoming due and payable on all outstanding bonds as provided in the Indenture, less any refundable credits, at least equal to 1.25 times annual debt service for said fiscal year. The Series 2015 AB power revenue bonds represent the first series of senior lien revenue bonds of Hetchy Power. Pursuant to Power's Master Trust Indenture, senior lien debt service coverage excludes debt service on subordinate obligations, such as Hetchy Power's existing CREBS, NCREBs, and QECBs. Because interest on the Series 2015 AB power revenue bonds was capitalized, Hetchy Power was not obligated to make debt service payments on the Series 2015 AB power revenue bonds until fiscal year 2018. Therefore, Hetchy Power did not calculate and report the Indenture-based debt service coverage ratio prior to fiscal year 2018. During fiscal year 2021, the Power Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Power Enterprise's Indenture (see Note 8).

**Debt Authorization** – Pursuant to Charter Section 9.107(6), the Power Enterprise can incur indebtedness upon three-fourths vote of the Board of Supervisors, for the purpose of the reconstruction or replacement of existing water facilities and electric power facilities, or combinations thereof, under the jurisdiction of the Public Utilities Commission. Pursuant to Charter Section 9.107(8), the Power Enterprise can issue revenue bonds, without voter approval, upon an affirmative vote of the Board of Supervisors, for the purpose of the acquisition, construction, installation, equipping, improvement, or rehabilitation of equipment or facilities for renewable energy and energy conservation. Pursuant to Proposition A, approved by the San Francisco voters on June 5, 2018, City Charter Section 8B.124 is amended to authorize the Power Enterprise to enter into indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors to reconstruct, replace, expand, repair, improve or construct new power facilities under the jurisdiction of SFPUC or for any other purpose of the Power Enterprise, and in compliance with City Charter Section 8B.124. Proposition A expressly prohibits the SFPUC from issuing bonds to finance the construction of power plants that generate electricity using fossil fuels or nuclear energy. As of June 30, 2021 and 2020, \$39,555 of Hetchy Power revenue bonds were issued against existing authorization of \$535,699 and \$392,728, respectively.

**Cost of Debt Capital** – The Power Enterprise's outstanding long-term senior lien debt consists of the 2015 Series AB Power Revenue Bonds issued in May 2015, which are the first series of bonds issued under the Master Indenture and are senior in lien to all the other Enterprise's outstanding debt obligations. Coupon

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

interest rates range from 3.0% to 5.0%. The Power Enterprise has previously issued and incurred debt service on Tax Credit Bonds and certificates of participation, which constitute subordinate obligations. Interest rates on the Tax Credit Bonds, which include QECBs and NCREBs, ranging from 1.2% to 1.5% (net of the federal tax subsidy). Certificates of participation carried interest rates ranging from 2.0% to 6.5%. The Power Enterprise's short-term debt issued under its commercial paper program has interest rates ranging from 0.1% to 0.2% and 0.2% to 4.0% during fiscal years 2021 and 2020, respectively.

# **Rates and Charges**

## Hetchy Water

Hetchy Water charges for services relates to the storage and delivery of water. Assessment fees from the Water Enterprise, which cover the water-related upcountry costs, were \$44,149 and \$34,585 for the years ended June 30, 2021 and 2020, respectively. In fiscal year 2022, the assessment fees will be \$45,815, an increase of \$1,666 or 3.8% as reflected in the fiscal year 2022 adopted budget.

## Hetchy Power

## **Municipal Rates**

Hetchy Power charges for services relates to power generation and electricity delivery to contractual and municipal customers. For municipal power services, customers are typically charged a General Use rate or Enterprise rate. Enterprise rates are charged based on projected PG&E equivalent rates by customer class. General fund department customers are mostly charged a General Use rate, a rate that is currently below cost of service. These General Use rates, however, are moving closer towards cost of service and increasing by \$0.01 per kWh on an annual basis beginning July 1, 2020. The General Use rates have been adopted every two years.

On May 10, 2020, the Commission adopted two years of General Use rates effective July 1, 2020 through June 30, 2022. The adopted General Use rate for fiscal years 2021 and 2022 are \$0.08877/kWh and \$0.09877/kWh, respectively. The Power Enterprise continues to develop rates under the cost of service analysis model and has started work on the next power rate study which is projected to be completed in 2022.

# Retail Rates

The Commission approved a new schedule of retail electric rates, fees, and charges for residential, commercial, and industrial customers where Hetch Hetchy has been designated as the power provider for retail customers to be applied to meter readings on or after July 1, 2016. Total bundled service charges for residential service rates and low-income residential service rates are calculated using the total rates, monthly, based on monthly meter reading, plus any applicable taxes.

To date, Hetchy Power has prepared service standards, developed system plans and specifications, acquired materials and equipment, and initiated construction of primary distribution facilities.

Pursuant to City and County of San Francisco Charter Section 8B.125, an independent rate study is performed at least once every five years. The rate study is undertaken to examine future revenue requirements and cost-of-service of the Power Enterprise. In fall 2015, SFPUC engaged a consultant to perform a cost-of-service study. The informed rate setting from this study resulted in recommendation and approval by the Commission in the spring 2016 for rates to be effective July 1, 2016. Work is underway on

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

the next power rate study which is projected to be completed in 2022 and provide power rates effective for fiscal year 2023. The SFPUC Rates Schedules and Fees is available at <u>https://sfpuc.org/accounts-services/water-power-and-sewer-rates</u>.

# CleanPowerSF

CleanPowerSF began offering services in May 2016, giving residential and commercial electricity consumers in San Francisco a choice of having their electricity supplied from clean renewable sources, such as solar and wind, at competitive rates. CleanPowerSF offers two products: a "Green" product comprised of at least 48% renewable energy and a "SuperGreen" product comprised of 100% renewable energy. Most customers take service under the "Green" product rates and remaining customers have opted to upgrade to "SuperGreen" product rates. On May 25, 2021, Commission approved a CleanPowerSF rate adjustment formula. Through Resolution 21-0085 CleanPowerSF rates will be formulaically adjusted, when PG&E rates change to the lesser of no more than 5% higher than PG&E generation rates or rates that recover program costs. The CleanPowerSF Rates Schedules are available at <a href="http://cleanpowersf.org/residential">http://cleanpowersf.org/residential</a> for commercial customers.

CleanPowerSF revenues are adequate to support its own operations; the SFPUC intends that these rates be sufficient to pay for impending projects, and be financially independent from Hetch Hetchy in the future. CleanPowerSF is subject to Section 8B.125 of the City Charter, which requires an independent rate study be performed at least once every five years, and the Commission sets rates and charges for the program. CleanPowerSF rates will be included in the next power rate study which is projected to be completed in 2022.

# Request for Information

This report is designed to provide our citizens, customers, investors, and creditors with an overview of Hetch Hetchy's finances and to demonstrate Hetch Hetchy's respective accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102.

This report is available at https://sfpuc.org/about-us/reports/audited-financial-statements-reports.

#### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Net Position June 30, 2021 and 2020

| ( | In | thousands)    |  |
|---|----|---------------|--|
| ( |    | (IIIOusalius) |  |

|  | Hetchy<br>Water | Hetchy<br>Power           | CleanPowerSF     | 2021<br>Total      | Hetchy<br>Water | Hetchy<br>Power           | CleanPowerSF            | Elimination* | 2020<br>Total      |
|--|-----------------|---------------------------|------------------|--------------------|-----------------|---------------------------|-------------------------|--------------|--------------------|
| Assets   |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Current assets:  |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Cash and investments with City Treasury \$   | 89,373          | 190,719                   | 90,838           | 370,930            | 79,172          | 191,687                   | 84,192                  | -            | 355,051            |
| Cash and investments outside City Treasury   | 1               | 611                       | -                | 612                | 1               | 1                         | -                       | -            | 2                  |
| Receivables:   |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Charges for services (net of allowance for doubtful accounts from                  |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Hetchy Power of \$1,258 and CleanPowerSF of \$5,485 as of June 30,                 |                 |                           |                  |                    |                 |                           |                         |              |                    |
| 2021; and Hetchy Power of \$591 and CleanPowerSF of \$1,810 as of                  | 442             | 19,024                    | 28,265           | 47,731             | 29              | 2,967                     | 34,712                  | -            | 37,708             |
| June 30, 2020)   |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Due from other City departments, current portion                                   | -               | 7,413                     | -                | 7,413              | 104             | 2,874                     | -                       | (1,800)      | 1,178              |
| Due from other governments   | 579             | 267                       | -                | 846                | 2,575           | 1,644                     | -                       | -            | 4,219              |
| Interest   | 21              | 125                       | 55               | 201                | 183             | 580                       | 215                     | -            | 978                |
| Restricted interest and other receivables  |                 | 11,800                    |                  | 11,800             | 24              | 168                       |                         |              | 192                |
| Total current receivables  | 1,042           | 38,629                    | 28,320           | 67,991             | 2,915           | 8,233                     | 34,927                  | (1,800)      | 44,275             |
| Prepaid charges, advances, and other receivables, current portion                  | 402             | 2,666                     | 2,184            | 5,252              | 512             | 2,247                     | 2,760                   | -            | 5,519              |
| Inventory  | 191             | 1,820                     | -                | 2,011              | 187             | 1,609                     | -                       | -            | 1,796              |
| Restricted cash and investments outside City Treasury, current portion             | -               | 153                       | _                | 153                | -               | 151                       | -                       | -            | 151                |
| Total current assets   | 91,009          | 234,598                   | 121,342          | 446,949            | 82,787          | 203,928                   | 121,879                 | (1,800)      | 406,794            |
| Non-current assets:  |                 |                           |                  |                    |                 | -                         |                         |              |                    |
| Restricted cash and investments with City Treasury                                 | 6,990           | 5,241                     | -                | 12,231             | 9,768           | 8,060                     | -                       | -            | 17,828             |
| Restricted cash and investments outside City Treasury, less current portion        | -               | 3,690                     | -                | 3,690              | -               | 3,795                     | -                       | -            | 3,795              |
| Capital assets, not being depreciated and amortized                                | 38,571          | 174,555                   | _                | 213,126            | 27,566          | 168,129                   | -                       | _            | 195,695            |
| Capital assets, net of accumulated depreciation and amortization                   | 138,910         | 317,501                   | _                | 456,411            | 133,216         | 277,300                   | -                       | -            | 410,516            |
| Prepaid charges, advances, and other receivables, less current portion             | 152             | 753                       | -                | 905                | 156             | 767                       | -                       | -            | 923                |
| Due from other City departments, less current portion                              | -               | 4,993                     | -                | 4,993              | -               | 12,295                    | -                       | -            | 12,295             |
| Total non-current assets   | 184,623         | 506,733                   |                  | 691,356            | 170,706         | 470,346                   | _                       |              | 641,052            |
| Total assets   | 275,632         | 741,331                   | 121,342          | 1,138,305          | 253,493         | 674,274                   | 121,879                 | (1,800)      | 1,047,846          |
| Deferred outflows of resources:  |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Pensions   | 7,799           | 9,531                     | 803              | 18,133             | 7,950           | 9,716                     | 572                     | _            | 18.238             |
| Other post-employment benefits   | 3,725           | 4,552                     | 442              | 8,719              | 2,332           | 2,850                     | 270                     | _            | 5,452              |
| Total deferred outflows of resources   | 11,524          | 14,083                    | 1,245            | 26,852             | 10,282          | 12,566                    | 842                     |              | 23,690             |
|  |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Liabilities  |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Current liabilities:   | 1 000           | 00.000                    | 45.050           | 40.000             | 050             | 44.405                    | 04.000                  |              | 07.040             |
| Accounts payable   | 4,262<br>1,042  | 22,909<br>2,596           | 15,859<br>291    | 43,030<br>3,929    | 958<br>888      | 14,185<br>2,298           | 21,906<br>200           | -            | 37,049             |
| Accrued payroll<br>Accrued vacation and sick leave, current portion                | 1,042           | 2,590                     | 205              | 3,929              | 911             | 1,596                     | 175                     | _            | 3,386<br>2,682     |
| Accrued workers' compensation, current portion                                     | 197             | 378                       |                  | 575                | 201             | 384                       |                         | _            | 585                |
| Damage claims liability, current portion   | 218             | 409                       | 6                | 633                | 274             | 705                       | 53                      | -            | 1,032              |
| Due to other City departments, current portion                                     |                 | 369                       | _                | 369                | 240             | 231                       | 1,809                   | (1,800)      | 480                |
| Unearned revenues, refunds, and other, current portion                             | 22              | 5,141                     | 1,028            | 6,191              | 18              | 4,852                     | 848                     | -            | 5,718              |
| Bond and loan interest payable<br>Bonds, current portion                           | _               | 459<br>1,928              | _                | 459<br>1,928       | _               | 508<br>2,115              | _                       | _            | 508<br>2,115       |
| Certificates of participation, current portion                                     | _               | 405                       | _                | 405                | _               | 384                       | _                       | _            | 384                |
| Commercial paper   | -               | 114,671                   | _                | 114,671            | _               | 63,535                    | _                       | -            | 63,535             |
| Current liabilities payable from restricted assets                                 | 9,057           | 15,393                    |                  | 24,450             | 3,279           | 8,459                     |                         |              | 11,738             |
| Total current liabilities  | 15,857          | 166,435                   | 17,389           | 199,681            | 6,769           | 99,252                    | 24,991                  | (1,800)      | 129,212            |
| Long-term liabilities:   |                 |                           |                  |                    |                 |                           |                         |              |                    |
| Other post-employment benefits obligations   | 14,444          | 17,653                    | 2,909            | 35,006             | 16,350          | 19,983                    | 2,197                   | -            | 38,530             |
| Net pension liability<br>Accrued vacation and sick leave, less current portion     | 26,645<br>1,126 | 32,566<br>1,840           | 3,008<br>195     | 62,219<br>3,161    | 21,477<br>735   | 26,249<br>1,361           | 1,805<br>116            | _            | 49,531<br>2,212    |
| Accrued workers' compensation, less current portion                                | 923             | 1,740                     | - 100            | 2,663              | 986             | 1,816                     | -                       | _            | 2,802              |
| Damage claims liability, less current portion                                      | 307             | 699                       | _                | 1,006              | 284             | 1,517                     | 53                      | _            | 1,854              |
| Due to other City departments, less current portion                                | -               | -                         | _                | · –                | -               | 369                       | -                       | -            | 369                |
| Bonds, less current portion  | _               | 44,384                    | _                | 44,384             | _               | 47,693                    | -                       | -            | 47,693             |
| Unearned revenues, refunds, and other, less current portion                        | 116             | 852                       | 9,000            | 9,968              | 609             | 2,790                     | -                       | -            | 3,399              |
| Certificates of participation, less current portion<br>Total long-term liabilities | 43,561          | 13,026                    | 15,112           | 13,026<br>171,433  | 40,441          | <u>13,444</u><br>115,222  | 4,171                   |              | 13,444<br>159,834  |
| Total liabilities  | 59,418          | 279,195                   | 32,501           |                    | 40,441          | 214,474                   | 29,162                  |              |                    |
| Deferred inflows of resources:   | 39,410          | 279,195                   | 52,501           | 371,114            | 47,210          | 214,474                   | 29,102                  | (1,800)      | 289,046            |
| Related to pensions  | 988             | 1,207                     | 1,093            | 3,288              | 4,335           | 5,298                     | 1,210                   | _            | 10.843             |
| Other post-employment benefits   | 2,085           | 2,548                     | 1,093            | 5,288<br>6,546     | 4,335           | 1,461                     | 1,210                   | _            | 3,867              |
| Total deferred inflows of resources  | 3,073           | 3,755                     | 3,006            | 9,834              | 5,530           | 6,759                     | 2,421                   |              | 14,710             |
| Net position:  |                 |                           |                  | ., '               |                 | .,                        |                         |              | ,                  |
| Net investment in capital assets   | 177,481         | 323,066                   | _                | 500,547            | 160,782         | 322,204                   | _                       | -            | 482,986            |
| Restricted for debt service  | -               | 99                        | -                | 99                 |                 | 142                       | -                       | -            | 142                |
| Restricted for capital projects<br>Unrestricted                                    |                 | 1/0 000                   | 07 000           | 283 563            | 6,513<br>43 740 | 1/2 061                   | 01 4 20                 | _            | 6,513<br>278 139   |
| Total net position \$  | 47,184 224,665  | <u>149,299</u><br>472,464 | 87,080<br>87,080 | 283,563<br>784,209 | 43,740 211,035  | <u>143,261</u><br>465,607 | <u>91,138</u><br>91,138 |              | 278,139<br>767,780 |
| φ  | 22-7,000        |                           |                  | 101,200            | 211,000         |                           | 51,100                  |              | 101,100            |

\*Included interfund loan receivable and loan payable of \$1,800 for fiscal year ended 2020 between Hetchy Power and CleanPowerSF.

See accompanying notes to financial statements.

#### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Statements of Revenues, Expenses, and Changes in Net Position Years ended June 30, 2021 and 2020

(In thousands)

|   |    | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2021<br>Total | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2020<br>Total |
|---|----|-----------------|-----------------|--------------|---------------|-----------------|-----------------|--------------|---------------|
| Operating revenues:                                 | -  |                 |                 |              |               |                 |                 |              |               |
| Charges for services                                | \$ | 46,979          | 136,247         | 207,698      | 390,924       | 34,797          | 140,680         | 245,460      | 420,937       |
| Rents and concessions                               |    | 111             | 136             | -            | 247           | 156             | 191             | _            | 347           |
| Total operating revenues                            |    | 47,090          | 136,383         | 207,698      | 391,171       | 34,953          | 140,871         | 245,460      | 421,284       |
| Operating expenses:                                 |    |                 |                 |              |               |                 |                 |              |               |
| Personnel services                                  |    | 19,871          | 40,756          | 7,641        | 68,268        | 16,304          | 40,712          | 7,920        | 64,936        |
| Contractual services                                |    | 2,415           | 8,726           | 7,028        | 18,169        | 1,642           | 7,742           | 7,557        | 16,941        |
| Transmission/distribution and other power costs     |    | -               | 36,711          | 1,012        | 37,723        | -               | 41,405          | 220          | 41,625        |
| Purchased electricity                               |    | -               | 5,982           | 189,977      | 195,959       | -               | 7,426           | 174,550      | 181,976       |
| Materials and supplies                              |    | 1,272           | 1,990           | 26           | 3,288         | 1,337           | 2,260           | 57           | 3,654         |
| Depreciation and amortization                       |    | 6,009           | 15,627          | -            | 21,636        | 5,276           | 15,723          | -            | 20,999        |
| Services provided by other departments              |    | 2,517           | 6,137           | 3,928        | 12,582        | 1,853           | 6,426           | 2,728        | 11,007        |
| General and administrative and other                | _  | 18,433          | 29,709          | 3,104        | 51,246        | 18,461          | 26,433          | 2,994        | 47,888        |
| Total operating expenses                            |    | 50,517          | 145,638         | 212,716      | 408,871       | 44,873          | 148,127         | 196,026      | 389,026       |
| Operating income (loss)                             |    | (3,427)         | (9,255)         | (5,018)      | (17,700)      | (9,920)         | (7,256)         | 49,434       | 32,258        |
| Non-operating revenues (expenses):                  | _  |                 |                 |              |               |                 |                 |              |               |
| Federal and state grants                            |    | 1,349           | 1,483           | -            | 2,832         | 2,859           | 1,885           | -            | 4,744         |
| Interest and investment (loss) income               |    | (232)           | 24              | 51           | (157)         | 1,932           | 5,746           | 1,771        | 9,449         |
| Interest expenses                                   |    | -               | (1,970)         | (18)         | (1,988)       | -               | (2,740)         | (69)         | (2,809)       |
| Amortization of premium and discount                |    | -               | 219             | -            | 219           | -               | 228             | _            | 228           |
| Net gain from sale of assets                        |    | -               | -               | -            | _             | 4               | 5               | _            | 9             |
| Other non-operating revenues                        |    | 3               | 17,790          | 927          | 18,720        | 998             | 23,116          | 1            | 24,115        |
| Other non-operating expenses                        | _  | (63)            | (902)           |              | (965)         | (11)            | (1,060)         |              | (1,071)       |
| Net non-operating revenues                          |    | 1,057           | 16,644          | 960          | 18,661        | 5,782           | 27,180          | 1,703        | 34,665        |
| Change in net position before transfers             | -  | (2,370)         | 7,389           | (4,058)      | 961           | (4,138)         | 19,924          | 51,137       | 66,923        |
| Transfers from the City and County of San Francisco |    | 16,000          | -               | -            | 16,000        | 14,000          | -               | -            | 14,000        |
| Transfers to the City and County of San Francisco   |    | -               | (532)           |              | (532)         | _               | (32)            |              | (32)          |
| Net transfers                                       |    | 16,000          | (532)           |              | 15,468        | 14,000          | (32)            |              | 13,968        |
| Change in net position                              | _  | 13,630          | 6,857           | (4,058)      | 16,429        | 9,862           | 19,892          | 51,137       | 80,891        |
| Net position at beginning of year                   | _  | 211,035         | 465,607         | 91,138       | 767,780       | 201,173         | 445,715         | 40,001       | 686,889       |
| Net position at end of year                         | \$ | 224,665         | 472,464         | 87,080       | 784,209       | 211,035         | 465,607         | 91,138       | 767,780       |

See accompanying notes to financial statements.

## HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

#### Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

|  |    | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2021<br>Total | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2020<br>Total |
|--|----|-----------------|-----------------|--------------|---------------|-----------------|-----------------|--------------|---------------|
| Cash flows from operating activities:  |    |                 |                 |              |               |                 |                 |              |               |
| Cash received from customers, including cash deposits                          | \$ | 46,176          | 120,981         | 223,325      | 390,482       | 34,843          | 142,063         | 245,843      | 422,749       |
| Cash received from tenants for rent  |    | 116             | 142             | -            | 258           | 127             | 157             | -            | 284           |
| Cash paid to employees for services  |    | (19,597)        | (40,236)        | (5,344)      | (65,177)      | (15,959)        | (39,924)        | (4,401)      | (60,284)      |
| Cash paid to suppliers for goods and services                                  |    | (20,967)        | (81,743)        | (212,085)    | (314,795)     | (21,185)        | (77,267)        | (184,310)    | (282,762)     |
| Cash paid for judgments and claims   | _  | (563)           | (4,361)         | (153)        | (5,077)       | (343)           | (1,572)         | (208)        | (2,123)       |
| Net cash provided by (used in) operating activities                            |    | 5,165           | (5,217)         | 5,743        | 5,691         | (2,517)         | 23,457          | 56,924       | 77,864        |
| Cash flows from non-capital and related financing activities:                  | _  |                 |                 |              |               |                 |                 |              |               |
| Cash received from grants  |    | 3,345           | 2,860           | -            | 6,205         | 3,195           | 842             | -            | 4,037         |
| Cash received for license fees   |    | -               | 3,151           | -            | 3,151         | -               | 5,712           | -            | 5,712         |
| Cash received from miscellaneous revenues                                      |    | 3               | 13,427          | 927          | 14,357        | 998             | 16,252          | 1            | 17,251        |
| Cash received from settlements   |    | -               | 797             | -            | 797           | -               | -               | -            | -             |
| Cash paid for rebates, program incentives, and other                           |    | (63)            | (902)           | -            | (965)         | (11)            | (1,060)         | -            | (1,071)       |
| Cash paid for Hetchy Power loan interest                                       |    | -               | -               | (235)        | (235)         | -               | -               | -            | -             |
| Transfers from the City and County of San Francisco                            |    | 16,000          | -               | -            | 16,000        | 14,000          | -               | -            | 14,000        |
| Transfers to the City and County of San Francisco                              |    | -               | (532)           | -            | (532)         | -               | (32)            | -            | (32)          |
| Net cash provided by non-capital financing activities                          | _  | 19,285          | 18,801          | 692          | 38,778        | 18,182          | 21,714          | 1            | 39,897        |
| Cash flows from capital and related financing activities:                      | _  |                 |                 |              |               |                 |                 |              |               |
| Acquisition and construction of capital assets                                 |    | (16,981)        | (62,461)        | -            | (79,442)      | (19,075)        | (66,390)        | -            | (85,465)      |
| Proceeds from sale of capital assets   |    | -               | -               | -            | -             | 4               | 5               | -            | 9             |
| Principal payments on long-term debt   |    | -               | (3,674)         | -            | (3,674)       | -               | (2,894)         | -            | (2,894)       |
| Proceeds from commercial paper borrowings                                      |    | -               | 51,136          | -            | 51,136        | -               | 12,811          | -            | 12,811        |
| Interest paid on long-term debt  |    | -               | (2,970)         | -            | (2,970)       | -               | (3,096)         | -            | (3,096)       |
| Interest paid on commercial paper borrowings                                   |    | -               | (132)           | -            | (132)         | -               | (805)           | -            | (805)         |
| Federal interest income subsidy  | _  | -               | 511             |              | 511           |                 | 467             |              | 467           |
| Net cash used in capital and related financing activities                      | _  | (16,981)        | (17,590)        |              | (34,571)      | (19,071)        | (59,902)        |              | (78,973)      |
| Cash flows from investing activities:  |    |                 |                 |              |               |                 |                 |              |               |
| Interest Income  |    | 739             | 1,986           | 802          | 3,527         | 1,816           | 5,847           | 1,187        | 8,850         |
| Proceeds from sale of investments outside City Treasury                        |    | -               | 3,968           | -            | 3,968         | -               | 5,028           | -            | 5,028         |
| Purchases of investments outside City Treasury                                 | _  | -               | (3,968)         |              | (3,968)       |                 | (5,028)         |              | (5,028)       |
| Net cash provided by investing activities                                      |    | 739             | 1,986           | 802          | 3,527         | 1,816           | 5,847           | 1,187        | 8,850         |
| Increase (decrease) in cash and cash equivalents                               | _  | 8,208           | (2,020)         | 7,237        | 13,425        | (1,590)         | (8,884)         | 58,112       | 47,638        |
| Cash and cash equivalents:   |    |                 |                 |              |               |                 |                 |              |               |
| Beginning of year  | _  | 88,068          | 202,285         | 83,527       | 373,880       | 89,658          | 211,169         | 25,415       | 326,242       |
| End of year  | \$ | 96,276          | 200,265         | 90,764       | 387,305       | 88,068          | 202,285         | 83,527       | 373,880       |
| Reconciliation of cash and cash equivalents to the statements of net position: |    |                 |                 |              |               |                 |                 |              |               |
| Cash and investments with City Treasury:                                       |    |                 |                 |              |               |                 |                 |              |               |
| Unrestricted   | \$ | 89,373          | 190,719         | 90,838       | 370,930       | 79,172          | 191,687         | 84,192       | 355,051       |
| Restricted   |    | 6,990           | 5,241           | -            | 12,231        | 9,768           | 8,060           | -            | 17,828        |
| Less: Unrealized gain on investments   |    | (88)            | (149)           | (74)         | (311)         | (873)           | (1,409)         | (665)        | (2,947)       |
| Cash and investments outside City Treasury:                                    |    |                 |                 |              |               |                 |                 |              |               |
| Unrestricted   |    | 1               | 611             | -            | 612           | 1               | 1               | -            | 2             |
| Restricted   |    | -               | 3,843           | -            | 3,843         | -               | 3,946           | -            | 3,946         |
| Cash and cash equivalents at end of year on statements of cash flows           | \$ | 96,276          | 200,265         | 90,764       | 387,305       | 88,068          | 202,285         | 83,527       | 373,880       |

#### HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

#### Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

|   | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2021<br>Total | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | 2020<br>Total |
|---|-----------------|-----------------|--------------|---------------|-----------------|-----------------|--------------|---------------|
| Reconciliation of operating income (loss) to net cash provided by ( | used in)        |                 |              |               |                 |                 |              |               |
| operating activities:   |                 |                 |              |               |                 |                 |              |               |
| Operating income (loss)   | \$ (3,427)      | (9,255)         | (5,018)      | (17,700)      | (9,920)         | (7,256)         | 49,434       | 32,258        |
| Adjustments to reconcile operating income (loss) to net cash        |                 |                 |              |               |                 |                 |              |               |
| provided by (used in) operating activities:                         |                 |                 |              |               |                 |                 |              |               |
| Depreciation and amortization                                       | 6,009           | 15,627          | -            | 21,636        | 5,276           | 15,723          | -            | 20,999        |
| Provision for uncollectible accounts                                | -               | 667             | 3,675        | 4,342         | -               | 572             | 1,225        | 1,797         |
| Write-off of capital assets   | 51              | 8,333           | -            | 8,384         | 1,062           | 11,175          | -            | 12,237        |
| Changes in operating assets and liabilities:                        |                 |                 |              |               |                 |                 |              |               |
| Receivables:  |                 |                 |              |               |                 |                 |              |               |
| Charges for services  | (413)           | (16,724)        | 2,772        | (14,365)      | 50              | 2,265           | (1,148)      | 1,167         |
| Prepaid charges, advances, and other                                | 114             | (12,172)        | 576          | (11,482)      | (46)            | 1,994           | (216)        | 1,732         |
| Due from other City departments                                     | 104             | 2,437           | -            | 2,541         | (104)           | (1,627)         | -            | (1,731)       |
| Inventory   | (4)             | (211)           | -            | (215)         | 11              | (192)           | -            | (181)         |
| Accounts payable  | 3,304           | 8,724           | (6,047)      | 5,981         | 358             | 65              | 5,696        | 6,119         |
| Accrued payroll   | 154             | 298             | 91           | 543           | 243             | 494             | 41           | 778           |
| Other post-employment benefits obligations                          | (2,409)         | (2,945)         | 1,242        | (4,112)       | (277)           | (337)           | 1,889        | 1,275         |
| Pension obligations   | 1,972           | 2,411           | 855          | 5,238         | 45              | 56              | 1,509        | 1,610         |
| Accrued vacation and sick leave                                     | 539             | 660             | 109          | 1,308         | 258             | 314             | 80           | 652           |
| Accrued workers' compensation                                       | (67)            | (82)            | -            | (149)         | (51)            | (61)            | -            | (112)         |
| Damage claims liability   | (33)            | (1,114)         | (100)        | (1,247)       | 334             | 169             | 99           | 602           |
| Due to other City departments                                       | (240)           | (231)           | (1,592)      | (2,063)       | 240             | 250             | (1,991)      | (1,501)       |
| Unearned revenues, refunds, and other liabilities                   | (489)           | (1,640)         | 9,180        | 7,051         | 4               | (147)           | 306          | 163           |
| Total adjustments   | 8,592           | 4,038           | 10,761       | 23,391        | 7,403           | 30,713          | 7,490        | 45,606        |
| Net cash provided by (used in) operating activities                 | \$ 5,165        | (5,217)         | 5,743        | 5,691         | (2,517)         | 23,457          | 56,924       | 77,864        |
| Noncash transactions:   |                 |                 |              |               |                 |                 |              |               |
| Accrued capital asset costs   | \$ 9,057        | 15,393          | -            | 24,450        | 3,279           | 8,459           | -            | 11,738        |
| Payables to Hetchy Power  | _               | _               | -            | -             | _               | _               | 1,800        | 1,800         |
| Receivables from CleanPowerSF                                       | -               | -               | _            | _             | -               | 1,800           | -            | 1,800         |
| Receivables from Wastewater   | _               | 739             | -            | 739           | -               | 847             | -            | 847           |
| Unrealized gain on investments                                      | (88)            | (149)           | (74)         | (311)         | (873)           | (1,409)         | (665)        | (2,947)       |

See accompanying notes to financial statements.

# (1) Description of Reporting Entity

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 81% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 19% balance of electricity is sold to CleanPowerSF and the wholesale electric market. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the CAISO. Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Until August 1, 2008, the San Francisco Public Utilities Commission (SFPUC) consisted of five members, all appointed by the Mayor. Proposition E, a City and County of San Francisco Charter amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the SFPUC, changed the process for appointing new members, and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the SFPUC, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four-year terms for SFPUC members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have expertise in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

The SFPUC is a department of the City, and as such, the financial operations of Hetch Hetchy, Wastewater, and the Water Enterprises are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of Hetch Hetchy. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2021 and 2020, and the changes in its financial position, or, where applicable, the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles (GAAP).

## (2) Significant Accounting Policies

## (a) Basis of Accounting and Measurement Focus

The accounts of Hetch Hetchy are organized on the basis of proprietary fund types and are included as enterprise funds of the City. The activities of Hetch Hetchy and each fund are accounted for with a separate set of self-balancing accounts that comprise Hetch Hetchy's and each fund's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of Hetch Hetchy are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with operations are included on the Statements of Net Position, revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Operating revenues are defined as charges to customers and rental income.

Hetch Hetchy applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

#### (b) Cash and Cash Equivalents

Hetch Hetchy considers its pooled deposits and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the Enterprise. Non-pooled restricted deposits and restricted deposits and investments held outside the City Treasury with original maturities of three months or less are considered to be cash equivalents.

#### (c) Investments

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based upon quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

#### (d) Inventory

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

# (e) Capital Assets

Capital assets are defined as assets with an initial individual cost of more than \$5 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been recorded at cost. All donated capital assets are valued at estimated fair value at the time of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 1 to 100 years for equipment and 1 to 200 years for buildings, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

# (f) Intangible Assets

Under GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, licenses, and permits. The accounting pronouncement also provides guidance on the capitalization of internally generated intangible assets, such as the development and installation of computer software by or on behalf of the reporting entity.

According to the standard, Hetch Hetchy is required to capitalize intangible assets with a useful life extending beyond one reporting period. Hetch Hetchy has established a capitalization threshold of \$100. GASB Statement No. 51 also requires amortization of intangible assets over the benefit period, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor and, therefore, are not amortized (see Note 4).

# (g) Construction Work in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of construction projects that are discontinued are recorded as expenses in the year in which the decision is made to discontinue such projects.

# (h) Capitalization of Interest

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets (see Note 4).

# (i) Bond Discount, Premium, and Issuance Costs

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method.

# (j) Accrued Vacation and Sick Leave

Accrued vacation pay, which may be accumulated up to 10 weeks per employee, is charged to expense as earned. Sick leave earned subsequent to December 6, 1978 is non-vesting and may be accumulated up to six months per employee.

#### (k) Workers' Compensation

The Enterprise is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 12(b)).

## (I) General Liability

The Enterprise is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development and estimated incurred but not reported claims (see Note 12(a)).

## (m) Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements of the Clean Renewable Energy Bonds (CREBs), the Qualified Energy Conservation Bonds (QECBs), and the New Clean Renewable Energy Bonds (NCREBs) stipulate that the first payment of excess investment earnings, if any, is required to be rebated to the federal government, no later than 60 days after the end of the fifth bond year of the agreement. Hetch Hetchy did not have any arbitrage liability as of June 30, 2021 and 2020.

#### (n) Income Taxes

As a department of a government agency, the Enterprise is exempt from both federal income taxes and California State franchise taxes.

#### (o) Revenue Recognition

Water and power revenues are based on water and power consumption and billing rates. Generally, customers are billed monthly. Revenues earned but unbilled are accrued as charges for services receivables on the Statements of Net Position. The unbilled amounts for the fiscal years ending June 30, 2021 and 2020 are as follows:

|      | Hetchy  | Hetchy |              |        |
|------|---------|--------|--------------|--------|
|      | Water   | Power  | CleanPowerSF | Total  |
| 2021 | \$<br>_ | 13,823 | 12,600       | 26,423 |
| 2020 | _       | 350    | 15,730       | 16,080 |

# (p) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

# (q) Eliminations

Eliminations for internal activities between the Hetchy Power and CleanPowerSF are made in the Statements of Net Position. There were activities requiring eliminations during the fiscal year ended June 30, 2020. There were no activities requiring eliminations for fiscal year ended June 30, 2021.

# (r) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the Design Phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include, but are not limited to, asbestos or lead paint removal; leaking of sewage in underground pipes or neighboring areas; chemical spills; removal and disposal of known toxic waste; harmful biological and chemical pollution of water; or contamination of surrounding soils by underground storage tanks (see Note 13(d)).

# (s) Other Post-employment Benefits (OPEB)

As prescribed under GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value.

# (t) New Accounting Standards Adopted in Fiscal Year 2021

- 1) In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for state and local governments to identify fiduciary activities and how those activities should be reported. The new standard is effective for periods beginning after December 15, 2019. The Enterprise adopted the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.
- 2) In August 2018, the GASB issued Statement No. 90, Accounting and Financial Reporting for Majority Equity Interests. GASB Statement No. 90 provides clarification when a government should report a majority equity interest in a legally separate organization as either a component unit or an investment. The new standard is effective for periods beginning after December 15, 2019. The Enterprise adopted the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.
- 3) In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. GASB Statement No. 97 clarifies rules related to reporting of fiduciary activities under Statements No. 14 and No. 84 and enhances the accounting and financial reporting of IRS Code section 457 plans that meet the definition of a pension plan. The new standard is effective for periods beginning after June 15, 2021. The Enterprise adopted early the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.
- 4) In October 2021, the GASB issued Statement No. 98, The Annual Comprehensive Financial Report. GASB Statement No. 98 updates existing accounting standards by changing the name of the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report. The new standard is effective for periods ending after December 15, 2021. The Enterprise adopted the provisions of this Statement in fiscal year 2021, which did not have a significant effect on its financial statements.

# (u) GASB Statements Implemented in Fiscal Year 2020

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. The Enterprise adopted the provisions of this Statement in fiscal year 2020.

# (v) Future Implementation of New Accounting Standards

- 1) In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease liabilities that currently are not reported. The new standard is effective for periods beginning after June 15, 2021. The Enterprise will implement the provisions of Statement No. 87 in fiscal year 2022.
- 2) In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. GASB Statement No. 89 establishes accounting

requirements for interest cost incurred before the end of a construction period. The new standard is effective for periods beginning after December 15, 2020. The Enterprise will implement the provisions of Statement No. 89 in fiscal year 2022.

- 3) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the compatibility and consistency of conduit debt obligation reporting and reporting of related transactions by State and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The Enterprise will implement the provisions of Statement No. 91 in fiscal year 2023.
- 4) In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB Statement No. 92 addresses practice issues that have been identified during implementation and application of certain GASB Statements. The new standard is effective for periods beginning after June 15, 2021. The Enterprise will implement the provisions of Statement No. 92 in fiscal year 2022.
- 5) In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The new standard is effective for periods beginning after June 15, 2021. The Enterprise will implement the provisions of Statement No. 93 in fiscal year 2022.
- 6) In March 2020, the GASB Issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The new standard is effective for periods beginning after June 15, 2022. The Enterprise will implement the provisions of Statement No. 94 in fiscal year 2023.
- 7) In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government. The new standard is effective for periods beginning after June 15, 2022. The Enterprise will implement the provisions of Statement No. 96 in fiscal year 2023.

# (3) Cash, Cash Equivalents, and Investments

Hetch Hetchy's cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio, which may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to Hetch Hetchy's average daily cash balances. The primary objectives of Hetch Hetchy's investment policy are consistent with the City's policy.

Restricted assets are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The balances as of June 30, 2021 and 2020 were \$3,843 and \$3,946, respectively. The Enterprise held all investments in guaranteed investment contracts, treasury and

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

# Notes to Financial Statements June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

government obligations, commercial paper, corporate bonds, and notes, as well as money market mutual funds consisting of treasury and government obligations. The balance as of June 30, 2021 included 2015 Series A bonds proceeds of \$2,193, certificates of participation proceeds of \$1,115, \$612 held at a commercial bank in a non-interest-bearing checking account that is covered by depository insurance, 2015 Series B bonds proceeds of \$516, and commercial paper of \$19. The balance as of June 30, 2020 included 2015 Series A bonds proceeds of \$2,193, certificates of participation proceeds of \$1,220, 2015 Series B bonds proceeds of \$516, commercial paper of \$17, and \$2 held at a commercial bank in a non-interest-bearing checking account that is covered by depository insurance.

Hetch Hetchy did not have any unrealized gain and loss in the restricted cash and investments outside City Treasury as of June 30, 2021 and 2020.

Hetch Hetchy categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

The following is a summary of the Hetch Hetchy restricted and unrestricted cash and investments outside City Treasury and the fair value hierarchy as of June 30, 2021 and 2020.

|                                  | Hetch He              | etchy Cash ar | nd I | nvestments | outside City Treas | ury           |               |              |
|----------------------------------|-----------------------|---------------|------|------------|--------------------|---------------|---------------|--------------|
|                                  |                       |               |      |            |                    | Fair Valu     | ie Measuremei | nts Using    |
|                                  |                       |               |      |            |                    | Quoted prices |               |              |
|                                  |                       |               |      |            |                    | in active     | Significant   |              |
|                                  |                       |               |      |            |                    | markets for   | other         |              |
|                                  |                       |               |      |            | Investments        | identical     | observable    | Unobservable |
|                                  | Credit Ratings        | June          | 30,  | 2021       | exempt from        | assets        | inputs        | Inputs       |
| Investments                      | (S&P/Moody's)         | Maturities    |      | Fair Value | fair value         | (Level 1)     | (Level 2)     | (Level 3)    |
| Hetchy Water                     |                       |               |      |            |                    |               |               |              |
| Cash and Cash Equivalents        | N/A                   |               | \$   | 1          | 1                  | -             | _             | -            |
| Total Cash and Cash Equivalen    | ts outside City Treas | sury          | \$   | 1          | 1                  |               |               | -            |
| Hetchy Power                     |                       |               | -    |            |                    |               |               |              |
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf           | < 90 days     | \$   | 3,824      | 3,824              | -             | -             | _            |
| Cash and Cash Equivalents        | N/A                   |               |      | 19         | 19                 | -             | -             | -            |
| Total Restricted Cash and Inve   | stments outside City  | y Treasury    | \$   | 3,843      | 3,843              | -             |               | _            |
| Cash and Cash Equivalents        | N/A                   |               | \$   | 611        | 611                |               |               |              |
| Total Cash and Cash Equivalen    | ts outside City Treas | sury          | \$   | 611        | 611                | _             |               |              |

#### Hetch Hetchy Cash and Investments outside City Treasury

|                                  |                    |                 |                  |       |                                 | Fair Value Measurements Usin  |  |                        |  |
|----------------------------------|--------------------|-----------------|------------------|-------|---------------------------------|---|--|------------------------|--|
| laucetra ente                    | Credit Ratings     | June 30, 2020   |                  |       | -<br>Investments<br>exempt from | Quoted<br>prices in<br>active<br>markets for<br>identical<br>assets | Significant<br>other<br>observable<br>inputs | Unobservable<br>Inputs |  |
| Investments (S&P/Moody's)        |                    | Maturities      | s <u>Fair Va</u> |       | fair value                      | (Level 1)   | (Level 2)                                    | (Level 3)              |  |
| Hetchy Water                     |                    |                 |                  |       |                                 |   |  |                        |  |
| Cash and Cash Equivalents        | N/A                |                 | \$               | 1     | 1                               | -   | -  | -                      |  |
| Total Cash and Cash Equiva       | lents outside City | Treasury        | \$               | 1     | 1                               |   |  |                        |  |
| Hetchy Power                     |                    |                 |                  |       |                                 |   |  |                        |  |
| U.S. Treasury Money Market Funds | AAAm/Aaa-mf        | < 90 days       | \$               | 3,929 | 3,929                           | _   | _  | -                      |  |
| Cash and Cash Equivalents        | N/A                |                 |                  | 17    | 17                              | -   | _  | -                      |  |
| Total Restricted Cash and Ir     | vestments outsid   | e City Treasury | \$               | 3,946 | 3,946                           |   |  | -                      |  |
| Cash and Cash Equivalents        | N/A                |                 | \$               | 1     | 1                               | _   | _  | _                      |  |
| Total Cash and Cash Equiva       | lents outside City | Treasury        | \$               | 1     | 1                               |   |  |                        |  |

For fiscal years 2021 and 2020, proceeds from 2015 Series A and B bonds held as restricted cash and investments outside City Treasury in the amount of \$2,709 were invested in U.S. Treasury Money Market with maturity date less than 90 days. The credit ratings of the U.S. Treasury Money Market as of June 30, 2021 and 2020 were "AAAm" by S&P and "Aaa-mf" by Moody's.

Hetch Hetchy's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as of June 30, 2021 and 2020:

|   | _              | Hetchy<br>Water           | Hetchy<br>Power              | CleanPowerSF           | Total 2021            |
|---|----------------|---------------------------|------------------------------|------------------------|-----------------------|
| Current assets:   | _              |                           |                              |                        |                       |
| Cash and investments with C ty Treasury   | \$             | 89,373                    | 190,719                      | 90,838                 | 370,930               |
| Cash and investments outside City Treasury  |                | 1                         | 611                          | _                      | 612                   |
| Restricted cash and investments outside C ty Treasury   |                | _                         | 153                          | -                      | 153                   |
| Non-current assets:   |                |                           |                              |                        |                       |
| Restricted cash and investments wth City Treasury   |                | 6,990                     | 5,241                        | _                      | 12,231                |
| Restricted cash and investments outside C ty Treasury   |                | _                         | 3,690                        | _                      | 3,690                 |
| Total cash, cash equivalents, and investments   | \$             | 96,364                    | 200,414                      | 90,838                 | 387,616               |
|   |                |                           |                              |                        |                       |
|   |                | Hetchy<br>Water           | Hetchy<br>Power              | CleanPowerSF           | Total 2020            |
| Current assets:   | _              | •                         | -                            | CleanPowerSF           | Total 2020            |
|   | <br>\$         | •                         | -                            | CleanPowerSF<br>84,192 | Total 2020<br>355,051 |
|   | _<br>\$        | Water                     | Power                        |                        |                       |
| Cash and investments w th City Treasury   | \$             | Water 79,172              | Power<br>191,687             |                        | 355,051               |
| Cash and investments with City Treasury<br>Cash and investments outside C ty Treasury   | \$             | Water 79,172              | Power<br>191,687<br>1        |                        | 355,051<br>2          |
| Cash and investments with City Treasury<br>Cash and investments outside C ty Treasury<br>Restricted cash and investments outside C ty Treasury                        | <u>-</u><br>\$ | Water 79,172              | Power<br>191,687<br>1        |                        | 355,051<br>2          |
| Cash and investments with City Treasury<br>Cash and investments outside C ty Treasury<br>Restricted cash and investments outside C ty Treasury<br>Non-current assets: | \$             | Water<br>79,172<br>1<br>- | Power<br>191,687<br>1<br>151 |                        | 355,051<br>2<br>151   |

The following table shows the percentage distribution of the City's pooled investment by maturity:

|               |         | Investment maturities (in months) |                   |          |  |  |  |  |  |  |  |
|---------------|---------|-----------------------------------|-------------------|----------|--|--|--|--|--|--|--|
| Fiscal years  |         |                                   |                   |          |  |  |  |  |  |  |  |
| ended June 30 | Under 1 | 1 to less than 6                  | 6 to less than 12 | 12 to 60 |  |  |  |  |  |  |  |
| 2021          | 14.5%   | 27.6%                             | 29.7%             | 28.2%    |  |  |  |  |  |  |  |
| 2020          | 30.1%   | 32.4%                             | 15.6%             | 21.9%    |  |  |  |  |  |  |  |

# (4) Capital Assets

Capital assets with a useful life of 50 years or greater include buildings and structures, reservoirs, dams, power stations, certain water mains and pipelines, transmission and distribution systems, tunnels, and bridges.

a) Hetch Hetchy capital assets as of June 30, 2021 and 2020 consist of the following:

|   |    | 2020      | Increases | Decreases  | 2021      |
|---|----|-----------|-----------|------------|-----------|
| Cap tal assets not being depreciated and amortized:       |    |           |           |            |           |
| Land and rights-of-way                                    | \$ | 5,181     | _         | _          | 5,181     |
| Intangible assets   |    | 1,437     | _         | _          | 1,437     |
| Construction work in progress                             |    | 189,077   | 92,645    | (75,214) * | 206,508   |
| Total cap tal assets not being depreciated and amortized  | -  | 195,695   | 92,645    | (75,214)   | 213,126   |
| Cap tal assets being depreciated and amortized:           | _  |           |           |            |           |
| Facilities and improvements                               |    | 723,182   | 59,781    | _          | 782,963   |
| Intangible assets   |    | 45,715    | _         | _          | 45,715    |
| Machinery and equipment                                   |    | 136,573   | 7,750     | _          | 144,323   |
| Total cap tal assets being depreciated and amortized      | _  | 905,470   | 67,531    | * _        | 973,001   |
| Less accumulated depreciation and amortization for:       | _  |           |           |            |           |
| Facilities and improvements                               |    | (389,294) | (16,152)  | _          | (405,446) |
| Intangible assets   |    | (21,759)  | (461)     | _          | (22,220)  |
| Machinery and equipment                                   |    | (83,901)  | (5,023)   | _          | (88,924)  |
| Total accumulated depreciation and amortization           | -  | (494,954) | (21,636)  |            | (516,590) |
| Total capital assets being depreciated and amortized, net | _  | 410,516   | 45,895    |            | 456,411   |
| Total capital assets, net                                 | \$ | 606,211   | 138,540   | (75,214)   | 669,537   |

\* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by \$8,384 in capital project write-offs, mainly related to Bay Corridor Project, Transmission and Distribution System Project, and Treasure Island Capital Improvement Project. The remaining difference of \$701 was offset by direct additions to machinery and equipment.

|   |    | 2019      | Increases | Decreases  | 2020      |
|---|----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:       | _  |           |           |            |           |
| Land and rights-of-way                                    | \$ | 5,181     | _         | _          | 5,181     |
| Intangible assets   |    | 1,437     | _         | _          | 1,437     |
| Construction work in progress                             |    | 159,610   | 87,794    | (58,327) * | 189,077   |
| Total cap tal assets not being depreciated and amortized  | _  | 166,228   | 87,794    | (58,327)   | 195,695   |
| Capital assets being depreciated and amortized:           |    |           |           |            |           |
| Facilities and improvements                               |    | 679,362   | 43,820    | —          | 723,182   |
| Intangible assets   |    | 45,715    | -         | —          | 45,715    |
| Machinery and equipment                                   |    | 133,377   | 3,289     | (93)       | 136,573   |
| Total cap tal assets being depreciated and amortized      | _  | 858,454   | 47,109    | * (93)     | 905,470   |
| Less accumulated depreciation and amortization for:       |    |           |           |            |           |
| Facilities and improvements                               |    | (374,449) | (14,848)  | 3          | (389,294) |
| Intangible assets   |    | (21,298)  | (461)     | _          | (21,759)  |
| Machinery and equipment                                   |    | (78,304)  | (5,690)   | 93         | (83,901)  |
| Total accumulated depreciation and amortization           | _  | (474,051) | (20,999)  | 96         | (494,954) |
| Total capital assets being depreciated and amortized, net |    | 384,403   | 26,110    | 3          | 410,516   |
| Total capital assets, net                                 | \$ | 550,631   | 113,904   | (58,324)   | 606,211   |

\* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by \$12,237 in capital project write-offs, mainly related to Transmission and Distribution System Improvement Project, Transbay Cable Project, Treasure Island Submarine Project and Alternative Transmission Project. The remaining difference of \$1,019 was offset by direct additions to machinery and equipment.

# b) Hetchy Water capital assets as of June 30, 2021 and 2020 consist of the following:

|  |      | 2020      | Increases | Decreases  | 2021      |
|--|------|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:      |      |           |           |            |           |
| Land and rights-of-way                                   | \$   | 3,232     | _         | _          | 3,232     |
| Intangible assets  |      | 6         | _         | _          | 6         |
| Construction work in progress                            |      | 24,328    | 22,586    | (11,581) * | 35,333    |
| Total capital assets not being depreciated and amortized | _    | 27,566    | 22,586    | (11,581)   | 38,571    |
| Capital assets being depreciated and amortized:          | _    |           |           |            |           |
| Facil ties and improvements                              |      | 284,480   | 11,488    | _          | 295,968   |
| Intangible assets  |      | 20,522    | _         | _          | 20,522    |
| Machinery and equipment                                  |      | 27,303    | 215       | _          | 27,518    |
| Total capital assets being depreciated and amortized     | _    | 332,305   | 11,703    | * _        | 344,008   |
| Less accumulated depreciation and amortization for:      |      |           |           |            |           |
| Facil ties and improvements                              |      | (169,874) | (4,821)   | _          | (174,695) |
| Intangible assets  |      | (9,739)   | (208)     | _          | (9,947)   |
| Machinery and equipment                                  |      | (19,476)  | (980)     | _          | (20,456)  |
| Total accumulated depreciation and amortization          |      | (199,089) | (6,009)   |            | (205,098) |
| Total capital assets being depreciated and amortized, ne | et 🗌 | 133,216   | 5,694     |            | 138,910   |
| Total capital assets, net                                | \$   | 160,782   | 28,280    | (11,581)   | 177,481   |

\* Decrease in construction in progress included \$51 in capital project write-offs, mainly related to Hetchy Water's share of road improvement projects and 2018 Moccasin Strom project. The remaining difference of \$173 was offset by direct additions to machinery and equipment.

|   |     | 2019      | Increases | Decreases  | 2020      |
|---|-----|-----------|-----------|------------|-----------|
| Cap tal assets not being depreciated and amortized:       |     |           |           |            |           |
| Land and rights-of-way                                    | \$  | 3,232     | _         | _          | 3,232     |
| Intangible assets   |     | 6         | _         | _          | 6         |
| Construction work in progress                             |     | 37,625    | 17,669    | (30,966) * | 24,328    |
| Total capital assets not being depreciated and amortized  | -   | 40,863    | 17,669    | (30,966)   | 27,566    |
| Cap tal assets being depreciated and amortized:           | _   |           |           |            |           |
| Facil ties and improvements                               |     | 254,630   | 29,850    | _          | 284,480   |
| Intangible assets   |     | 20,522    | _         | _          | 20,522    |
| Machinery and equipment                                   |     | 26,932    | 399       | (28)       | 27,303    |
| Total capital assets being depreciated and amortized      |     | 302,084   | 30,249    | * (28)     | 332,305   |
| Less accumulated depreciation and amortization for:       |     |           |           |            |           |
| Facil ties and improvements                               |     | (166,017) | (3,860)   | 3          | (169,874) |
| Intangible assets   |     | (9,532)   | (207)     | _          | (9,739)   |
| Machinery and equipment                                   |     | (18,295)  | (1,209)   | 28         | (19,476)  |
| Total accumulated depreciation and amortization           |     | (193,844) | (5,276)   | 31         | (199,089) |
| Total cap tal assets being depreciated and amortized, net |     | 108,240   | 24,973    | 3          | 133,216   |
| Total cap tal assets, net                                 | \$_ | 149,103   | 42,642    | (30,963)   | 160,782   |
|   | _   |           |           |            |           |

\* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by \$1,062 in capital project write-offs, mainly related to Hetchy Water's share of 2018 Moccasin Storm Project and Lower Cherry Aqueduct Project. The remaining difference of \$345 was offset by direct additions to machinery and equipment.

# c) Hetchy Power capital assets as of June 30, 2021 and 2020 consist of the following:

|  |    | 2020      | Increases | Decreases  | 2021      |
|--|----|-----------|-----------|------------|-----------|
| Cap tal assets not being depreciated and amortized:      | -  |           |           |            |           |
| Land and rights-of-way                                   | \$ | 1,949     | _         | _          | 1,949     |
| Intangible assets  |    | 1,431     | _         | _          | 1,431     |
| Construction work in progress                            |    | 164,749   | 70,059    | (63,633) * | 171,175   |
| Total cap tal assets not being depreciated and amortized |    | 168,129   | 70,059    | (63,633)   | 174,555   |
| Cap tal assets being depreciated and amortized:          | _  |           |           |            |           |
| Facilities and improvements                              |    | 438,702   | 48,293    | —          | 486,995   |
| Intangible assets  |    | 25,193    | -         | _          | 25,193    |
| Machinery and equipment                                  |    | 109,270   | 7,535     | _          | 116,805   |
| Total cap tal assets being depreciated and amortized     |    | 573,165   | 55,828    | *          | 628,993   |
| Less accumulated depreciation and amortization for:      | _  |           |           |            |           |
| Facilities and improvements                              |    | (219,420) | (11,331)  | —          | (230,751) |
| Intangible assets  |    | (12,020)  | (253)     | —          | (12,273)  |
| Machinery and equipment                                  |    | (64,425)  | (4,043)   | _          | (68,468)  |
| Total accumulated depreciation and amortization          |    | (295,865) | (15,627)  |            | (311,492) |
| Total cap tal assets being depreciated and amortized, ne | t_ | 277,300   | 40,201    |            | 317,501   |
| Total cap tal assets, net                                | \$ | 445,429   | 110,260   | (63,633)   | 492,056   |

\* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by \$8,333 in capital project write-offs, mainly related to Bay Corridor Project, Transmission and Distribution System Project, and Treasure Island Capital Improvement Project. The remaining difference of \$528 was offset by direct additions to machinery and equipment.

|   |     | 2019      | Increases | Decreases  | 2020      |
|---|-----|-----------|-----------|------------|-----------|
| Capital assets not being depreciated and amortized:       | _   |           |           |            |           |
| Land and rights-of-way                                    | \$  | 1,949     | _         | _          | 1,949     |
| Intangible assets   |     | 1,431     | -         | _          | 1,431     |
| Construction work in progress                             | _   | 121,985   | 70,125    | (27,361) * | 164,749   |
| Total cap tal assets not being depreciated and amortized  |     | 125,365   | 70,125    | (27,361)   | 168,129   |
| Capital assets being depreciated and amortized:           |     |           |           |            |           |
| Facilities and improvements                               |     | 424,732   | 13,970    | _          | 438,702   |
| Intangible assets   |     | 25,193    | _         | _          | 25,193    |
| Machinery and equipment                                   | _   | 106,445   | 2,890     | (65)       | 109,270   |
| Total cap tal assets being depreciated and amortized      | _   | 556,370   | 16,860    | * (65)     | 573,165   |
| Less accumulated depreciation and amortization for:       |     |           |           |            |           |
| Facilities and improvements                               |     | (208,432) | (10,988)  | _          | (219,420) |
| Intangible assets   |     | (11,766)  | (254)     | _          | (12,020)  |
| Machinery and equipment                                   | _   | (60,009)  | (4,481)   | 65         | (64,425)  |
| Total accumulated depreciation and amortization           | _   | (280,207) | (15,723)  | 65         | (295,865) |
| Total cap tal assets being depreciated and amortized, net | : _ | 276,163   | 1,137     |            | 277,300   |
| Total capital assets, net                                 | \$  | 401,528   | 71,262    | (27,361)   | 445,429   |

\* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by \$11,175 in capital project write-offs, mainly related to Transmission and Distribution System Improvement Project, Transbay Cable Project, Treasure Island Submarine Project and Alternative Transmission Project. The remaining difference of \$674 was offset by direct additions to machinery and equipment.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements, requires that interest expense incurred during construction of assets be capitalized.

Interest included in the construction work in progress and total interest expense incurred during the years ended June 30, 2021 and 2020 are as follows:

| Hetchy Power                                       | 2021        | 2020  |
|--|-------------|-------|
| Interest expensed                                  | \$<br>1,970 | 2,740 |
| Interest included in construction work in progress | 1,083       | 1,127 |
| Total interest incurred                            | \$<br>3,053 | 3,867 |

## (5) Restricted Assets

Pursuant to the Hetchy Power Trust Indenture (the "Indenture"), established in fiscal year 2015, net revenues of the Hetchy Power are pledged first to the 2015 Series AB Bonds, and have a priority lien on the pledge of net revenues to the outstanding CREBs, QECBs, and NCREBs (the "Subordinate Obligations"). The Lease/Purchase Agreements for the Subordinate Obligations pledge the net revenues of the Hetchy Power to these bonds, and such pledge is subordinate in lien to the net revenues pledge for the 2015 Series AB Bonds (the "Bonds" or "Bond").

In the Indenture, the SFPUC covenants and agrees that it will pay into the Revenue Fund as received all Revenues of Hetchy Power and shall be used and applied, as provided by the Indenture, solely for the purposes of operating and maintaining Hetchy Power and paying all costs, charges, and expenses in connection therewith and for the purpose of making repairs, renewals, and replacements to Hetchy Power and constructing additions, betterments, and extensions thereto.

The Indenture provides that Revenues deposited in the Revenue Fund shall be disbursed in the following order of priority:

- 1. The payment of operation and maintenance expenses;
- 2. Any priority reconstruction and replacement fund deposits;
- 3. Deposit in the interest account of each Bond Fund;
- 4. Deposit in the bond retirement account of each Bond Fund;
- 5. Deposit in the reserve fund;
- 6. (i) Payment of principal and premium, if any, and interest on any Subordinate Obligations; (ii) deposit into a reserve fund securing any Subordinate Obligations; (iii) Swap Agreement payments pursuant to Swap Agreements entered into by the SFPUC with respect to any Subordinate Obligations; and (iv) payment to any financial institution or insurance company providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal or interest on any Subordinate Obligations; in each case in any order of priority within this paragraph which may be hereafter established by the SFPUC resolution;
- 7. Any additional reconstruction and replacement fund deposits into the reconstruction and replacement fund;
- 8. Any necessary or desirable capital additions or improvements to the Hetchy Power;
- 9. Any payment under a Take-or-Pay Power Purchase Agreement that does not constitute an operation and maintenance expense;
- 10. Any payment under a Swap Agreement that does not constitute a Swap Agreement payment; and
- 11. Any other lawful purpose of the SFPUC.

In the Indenture, the SFPUC covenants and agrees to transfer to the Trustee for deposit in the Interest Account of each applicable Bond Fund all Refundable Credits received by the SFPUC.

In accordance with the Agreements, Hetch Hetchy maintains certain restricted cash and investment balances in trust.

(a) Hetchy Water has the following restricted assets held in trust as of June 30, 2021 and 2020:

|   | 2021        | 2020  |
|---|-------------|-------|
| Cash and investments with City Treasury:<br>Hetch Hetchy bond construction fund | \$<br>6,990 | 9,768 |
| Interest receivable:  |             |       |
| Hetch Hetchy bond construction fund   | _           | 24    |
| Total restricted assets   | \$<br>6,990 | 9,792 |

(b) Hetchy Power has the following restricted assets held in trust as of June 30, 2021 and 2020:

|   | 2021   | 2020   |
|---|--------|--------|
| Cash and investments with City Treasury:                      |        |        |
| Hetch Hetchy bond construction fund \$                        | 5,241  | 8,060  |
| Cash and investments outside City Treasury:                   |        |        |
| 2009 Series C Certificates of participation - 525 Golden Gate | 223    | 247    |
| 2009 Series D Certificates of participation - 525 Golden Gate | 892    | 973    |
| 2015 Series A Revenue Bonds                                   | 2,193  | 2,193  |
| 2015 Series B Revenue Bonds                                   | 516    | 516    |
| Commercial Paper  | 19     | 17     |
| Total restricted cash and investments outside City Treasury   | 3,843  | 3,946  |
| Interest and other receivables:                               |        |        |
| Hetch Hetchy bond construction fund                           | 11,800 | 168    |
| Total restricted assets \$                                    | 20,884 | 12,174 |

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetch Hetchy Revenue Fund.

# (6) Short-Term Debt

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the Commission and Board of Supervisors authorized the issuance of up to \$250,000 in commercial paper notes for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the commercial paper ranged from 0.1% to 0.2% and 0.2% to 4.0% in fiscal years 2021 and 2020, respectively. The Enterprise had \$114,671 and \$63,535 commercial paper outstanding as of June 30, 2021 and 2020, respectively. The Enterprise had \$135,329 and \$186,465 in unused authorization as of June 30, 2021 and 2020, respectively.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Significant Events of default as specified in the Reimbursement Agreements include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements and 3) bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2021, there were no such events described herein.

# (7) Changes in Long-Term Liabilities

a) Hetch Hetchy's long-term liability activities for the years ended June 30, 2021 and 2020 are as follows:

|  | Interest<br>rate | Maturity<br>(Calendar Yea | ar) | 2020    | Additions | Reductions | 2021    | Due within<br>one year |
|--|------------------|---------------------------|-----|---------|-----------|------------|---------|------------------------|
| Bonds:   |                  |                           | _   |         |           |            |         |                        |
| Clean Renewable Energy Bonds                       | 0.00             | % 2022                    | \$  | 1,265   | _         | (422)      | 843     | 422                    |
| Qualified Energy Conservation Bonds                | 4.74             | 2027                      |     | 4,229   | _         | (542)      | 3,687   | 549                    |
| New Clean Renewable Energy Bonds 2012              | 4.74             | 2020                      |     | 130     | _         | (130)      | -       | _                      |
| New Clean Renewable Energy Bonds 2015              | 4.62             | 2032                      |     | 3,190   | _         | (1,411)    | 1,779   | 142                    |
| 2015 Series A Revenue Bonds                        | 4.00 - 5.00      | 2045                      |     | 32,025  | _         | _          | 32,025  | _                      |
| 2015 Series B Revenue Bonds                        | 3.00 - 4.00      | 2026                      |     | 5,335   | _         | (785)      | 4,550   | 815                    |
| Less issuance discount                             |                  |                           |     | (34)    | _         | 14         | (20)    | _                      |
| Add issuance premiums                              |                  |                           |     | 3,668   | _         | (220)      | 3,448   | _                      |
| Total bonds payable                                |                  |                           |     | 49,808  |           | (3,496)    | 46,312  | 1,928                  |
| 2009 Series C Certificates of participation (COPs) | ) 2.00 - 5.00    | 2022                      |     | 1,214   | _         | (384)      | 830     | 405                    |
| 2009 Series C COPs issuance premiums               |                  |                           |     | 21      | _         | (13)       | 8       | _                      |
| 2009 Series D COPs (Build America)                 | 6.36 - 6.49      | 2041                      |     | 12,593  | _         | _          | 12,593  | _                      |
| Other post-employment benefits obligations         |                  |                           |     | 38,530  | 5,646     | (9,170)    | 35,006  | _                      |
| Net pension liability                              |                  |                           |     | 49,531  | 28,918    | (16,230)   | 62,219  | _                      |
| Accrued vacation and sick leave                    |                  |                           |     | 4,894   | 2,932     | (1,624)    | 6,202   | 3,041                  |
| Accrued workers' compensation                      |                  |                           |     | 3,387   | 113       | (262)      | 3,238   | 575                    |
| Damage claims liability                            |                  |                           |     | 2,886   | 4,843     | (6,090)    | 1,639   | 633                    |
| Due to other City departments                      |                  |                           |     | 840     | _         | (471)      | 369     | 369                    |
| Unearned revenues, refunds, and other              |                  |                           |     | 9,117   | 28,750    | (21,708)   | 16,159  | 6,191                  |
| Total  |                  |                           | \$  | 172,821 | 71,202    | (59,448)   | 184,575 | 13,142                 |

|   | Interest<br>rate | Maturity<br>(Calendar Yea | ar) | 2019    | Additions | Reductions | 2020    | Due within<br>one year |
|---|------------------|---------------------------|-----|---------|-----------|------------|---------|------------------------|
| Bonds:  |                  | _^                        |     |         |           |            |         |                        |
| Clean Renewable Energy Bonds                      | 0.00 %           | % 2022                    | \$  | 1,687   | _         | (422)      | 1,265   | 422                    |
| Qualified Energy Conservation Bonds               | 4.74             | 2027                      |     | 4,765   | _         | (536)      | 4,229   | 542                    |
| New Clean Renewable Energy Bonds 2012             | 4.74             | 2020                      |     | 713     | _         | (583)      | 130     | 130                    |
| New Clean Renewable Energy Bonds 2015             | 4.62             | 2032                      |     | 3,422   | _         | (232)      | 3,190   | 236                    |
| 2015 Series A Revenue Bonds                       | 4.00 - 5.00      | 2045                      |     | 32,025  | _         | _          | 32,025  | _                      |
| 2015 Series B Revenue Bonds                       | 3.00 - 4.00      | 2026                      |     | 6,090   | _         | (755)      | 5,335   | 785                    |
| Less issuance discount                            |                  |                           |     | (48)    | _         | 14         | (34)    | _                      |
| Add issuance premiums                             |                  |                           |     | 3,892   | _         | (224)      | 3,668   | _                      |
| Total bonds payable                               |                  |                           | _   | 52,546  |           | (2,738)    | 49,808  | 2,115                  |
| 2009 Series C Certificates of participation (COPs | ) 2.00 - 5.00    | 2022                      |     | 1,580   | _         | (366)      | 1,214   | 384                    |
| 2009 Series C COPs issuance premiums              |                  |                           |     | 39      | _         | (18)       | 21      | _                      |
| 2009 Series D COPs (Build America)                | 6.36 - 6.49      | 2041                      |     | 12,593  | -         | -          | 12,593  | -                      |
| Other post-employment benefits obligations        |                  |                           |     | 35,472  | 7,109     | (4,051)    | 38,530  | _                      |
| Net pension liability                             |                  |                           |     | 46,380  | 14,521    | (11,370)   | 49,531  | _                      |
| Accrued vacation and sick leave                   |                  |                           |     | 4,242   | 2,241     | (1,589)    | 4,894   | 2,682                  |
| Accrued workers' compensation                     |                  |                           |     | 3,499   | 336       | (448)      | 3,387   | 585                    |
| Damage claims liability                           |                  |                           |     | 2,284   | 10,039    | (9,437)    | 2,886   | 1,032                  |
| Due to other City departments                     |                  |                           |     | 350     | 14,330    | (13,840)   | 840     | 471                    |
| Unearned revenues, refunds, and other             |                  |                           |     | 8,954   | 19,215    | (19,052)   | 9,117   | 5,718                  |
| Total   |                  |                           | \$  | 167,939 | 67,791    | (62,909)   | 172,821 | 12,987                 |

b) Hetchy Water's long-term liability activities for the years ended June 30, 2021 and 2020 are as follows:

|  |  |                                    |                                      |   | Due within                 |
|--|--|------------------------------------|--------------------------------------|---|----------------------------|
|  | 2020                                     | Additions                          | Reductions                           | 2021                                      | one year                   |
| Other post-employment benefits obligations   | \$<br>16,350                             | 1,818                              | (3,724)                              | 14,444                                    |                            |
| Net pension liability  | 21,477                                   | 12,119                             | (6,951)                              | 26,645                                    | _                          |
| Accrued vacation and sick leave  | 1,646                                    | 1,034                              | (495)                                | 2,185                                     | 1,059                      |
| Accrued workers' compensation  | 1,187                                    | 18                                 | (85)                                 | 1,120                                     | 197                        |
| Damage claims liability  | 558                                      | 478                                | (511)                                | 525                                       | 218                        |
| Due to other City departments  | 240                                      | -                                  | (240)                                | _   | _                          |
| Unearned revenues, refunds, and other  | 627                                      | 629                                | (1,118)                              | 138                                       | 22                         |
| Total  | \$<br>42,085                             | 16,096                             | (13,124)                             | 45,057                                    | 1,496                      |
|  |  |                                    |                                      |   |                            |
|  |  |                                    |                                      |   | Due within                 |
|  | 2019                                     | Additions                          | Reductions                           | 2020                                      | Due within<br>one year     |
| Other post-employment benefits obligations   | \$<br><b>2019</b><br>15,404              | Additions<br>2,206                 | Reductions (1,260)                   | <b>2020</b><br>16,350                     |                            |
| Other post-employment benefits obligations<br>Net pension liability  | \$                                       |                                    |                                      |   |                            |
|  | \$<br>15,404                             | 2,206                              | (1,260)                              | 16,350                                    |                            |
| Net pension liability  | \$<br>15,404<br>20,390                   | 2,206<br>5,611                     | (1,260)<br>(4,524)                   | 16,350<br>21,477                          | one year<br>               |
| Net pension liability<br>Accrued vacation and sick leave   | \$<br>15,404<br>20,390<br>1,388          | 2,206<br>5,611<br>653              | (1,260)<br>(4,524)<br>(395)          | 16,350<br>21,477<br>1,646                 | one year<br>-<br>-<br>911  |
| Net pension liability<br>Accrued vacation and sick leave<br>Accrued workers' compensation                            | \$<br>15,404<br>20,390<br>1,388<br>1,238 | 2,206<br>5,611<br>653<br>75        | (1,260)<br>(4,524)<br>(395)<br>(126) | 16,350<br>21,477<br>1,646<br>1,187        | one year<br><br>911<br>201 |
| Net pension liability<br>Accrued vacation and sick leave<br>Accrued workers' compensation<br>Damage claims liability | \$<br>15,404<br>20,390<br>1,388<br>1,238 | 2,206<br>5,611<br>653<br>75<br>550 | (1,260)<br>(4,524)<br>(395)<br>(126) | 16,350<br>21,477<br>1,646<br>1,187<br>558 | one year<br>               |

# c) Hetchy Power's long-term liability activities for the years ended June 30, 2021 and 2020 are as follows:

| 1010W3.  | Interest    | Maturity      |     |          |           |            |         | Due within |
|--|-------------|---------------|-----|----------|-----------|------------|---------|------------|
|  | rate        | (Calendar Yea | ır) | 2020     | Additions | Reductions | 2021    | one year   |
| Bonds:   |             |               |     | <u> </u> |           |            |         |            |
| Clean Renewable Energy Bonds                       | 0.00        | % 2022        | \$  | 1,265    | -         | (422)      | 843     | 422        |
| Qualified Energy Conservation Bonds                | 4.74        | 2027          |     | 4,229    | -         | (542)      | 3,687   | 549        |
| New Clean Renewable Energy Bonds 2012              | 4.74        | 2020          |     | 130      | -         | (130)      | -       | -          |
| New Clean Renewable Energy Bonds 2015              | 4.62        | 2032          |     | 3,190    | -         | (1,411)    | 1,779   | 142        |
| 2015 Series A Revenue Bonds                        | 4.00 - 5.00 | 2045          |     | 32,025   | -         | _          | 32,025  | -          |
| 2015 Series B Revenue Bonds                        | 3.00 - 4.00 | 2026          |     | 5,335    | -         | (785)      | 4,550   | 815        |
| Less issuance discount                             |             |               |     | (34)     | -         | 14         | (20)    | -          |
| Add issuance premiums                              |             |               |     | 3,668    | -         | (220)      | 3,448   | -          |
| Total bonds payable                                |             |               |     | 49,808   |           | (3,496)    | 46,312  | 1,928      |
| 2009 Series C Certificates of participation (COPs) | 2.00 - 5.00 | 2022          |     | 1,214    | -         | (384)      | 830     | 405        |
| 2009 Series C COPs issuance premiums               |             |               |     | 21       | -         | (13)       | 8       | -          |
| 2009 Series D COPs (Build America)                 | 6.36 - 6.49 | 2041          |     | 12,593   | -         | _          | 12,593  | -          |
| Other post-employment benefits obligations         |             |               |     | 19,983   | 2,223     | (4,553)    | 17,653  | _          |
| Net pension liability                              |             |               |     | 26,249   | 14,812    | (8,495)    | 32,566  | -          |
| Accrued vacation and sick leave                    |             |               |     | 2,957    | 1,763     | (1,103)    | 3,617   | 1,777      |
| Accrued workers' compensation                      |             |               |     | 2,200    | 95        | (177)      | 2,118   | 378        |
| Damage claims liability                            |             |               |     | 2,222    | 4,212     | (5,326)    | 1,108   | 409        |
| Due to other City departments                      |             |               |     | 600      | -         | (231)      | 369     | 369        |
| Unearned revenues, refunds, and other              |             |               |     | 7,642    | 8,560     | (10,209)   | 5,993   | 5,141      |
| Total  |             |               | \$  | 125,489  | 31,665    | (33,987)   | 123,167 | 10,407     |

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

# Notes to Financial Statements

# June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

|  | Interest<br>rate | Maturity<br>(Calendar Ye | ear) | 2019    | Additions | Reductions | 2020    | Due within<br>one year |
|--|------------------|--------------------------|------|---------|-----------|------------|---------|------------------------|
| Bonds:   |                  |                          |      |         |           |            |         |                        |
| Clean Renewable Energy Bonds                       | 0.00             | % 2022                   | \$   | 1,687   | -         | (422)      | 1,265   | 422                    |
| Qualified Energy Conservation Bonds                | 4.74             | 2027                     |      | 4,765   | -         | (536)      | 4,229   | 542                    |
| New Clean Renewable Energy Bonds 2012              | 4.74             | 2020                     |      | 713     | -         | (583)      | 130     | 130                    |
| New Clean Renewable Energy Bonds 2015              | 4.62             | 2032                     |      | 3,422   | -         | (232)      | 3,190   | 236                    |
| 2015 Series A Revenue Bonds                        | 4.00 - 5.00      | 2045                     |      | 32,025  | -         | -          | 32,025  | _                      |
| 2015 Series B Revenue Bonds                        | 3.00 - 4.00      | 2026                     |      | 6,090   | _         | (755)      | 5,335   | 785                    |
| Less issuance discount                             |                  |                          |      | (48)    | -         | 14         | (34)    | _                      |
| Add issuance premiums                              |                  |                          |      | 3,892   | -         | (224)      | 3,668   | -                      |
| Total bonds payable                                |                  |                          | -    | 52,546  | _         | (2,738)    | 49,808  | 2,115                  |
| 2009 Series C Certificates of participation (COPs) | 2.00 - 5.00      | 2022                     |      | 1,580   | -         | (366)      | 1,214   | 384                    |
| 2009 Series C COPs issuance premiums               |                  |                          |      | 39      | -         | (18)       | 21      | -                      |
| 2009 Series D COPs (Build America)                 | 6.36 - 6.49      | 2041                     |      | 12,593  | -         | -          | 12,593  | -                      |
| Other post-employment benefits obligations         |                  |                          |      | 18,826  | 2,697     | (1,540)    | 19,983  | _                      |
| Net pension liability                              |                  |                          |      | 24,920  | 6,858     | (5,529)    | 26,249  | _                      |
| Accrued vacation and sick leave                    |                  |                          |      | 2,643   | 1,474     | (1,160)    | 2,957   | 1,596                  |
| Accrued workers' compensation                      |                  |                          |      | 2,261   | 261       | (322)      | 2,200   | 384                    |
| Damage claims liability                            |                  |                          |      | 2,053   | 9,182     | (9,013)    | 2,222   | 705                    |
| Due to other City departments                      |                  |                          |      | 350     | 14,090    | (13,840)   | 600     | 231                    |
| Unearned revenues, refunds, and other              |                  |                          |      | 7,789   | 5,815     | (5,962)    | 7,642   | 4,852                  |
| Total  |                  |                          | \$   | 125,600 | 40,377    | (40,488)   | 125,489 | 10,267                 |

# d) CleanPowerSF's long-term liability activities for the years ended June 30, 2021 and 2020 are as follows:

|  |    |       |           |            |        | Due within |
|--|----|-------|-----------|------------|--------|------------|
|  |    | 2020  | Additions | Reductions | 2021   | one year   |
| Other post-employment benef ts obligations | \$ | 2,197 | 1,605     | (893)      | 2,909  |            |
| Net pension liabil ty                      |    | 1,805 | 1,987     | (784)      | 3,008  | _          |
| Accrued vacation and sick leave            |    | 291   | 135       | (26)       | 400    | 205        |
| Damage claims liabil ty                    |    | 106   | 153       | (253)      | 6      | 6          |
| Unearned revenues, refunds, and other      | _  | 848   | 19,561    | (10,381)   | 10,028 | 1,028      |
| Total                                      | \$ | 5,247 | 23,441    | (12,337)   | 16,351 | 1,239      |

|  |             |           |            |       | Due within |
|--|-------------|-----------|------------|-------|------------|
|  | 2019        | Additions | Reductions | 2020  | one year   |
| Other post-employment benef ts obligations | \$<br>1,242 | 2,206     | (1,251)    | 2,197 |            |
| Net pension liabil ty                      | 1,070       | 2,052     | (1,317)    | 1,805 | _          |
| Accrued vacation and sick leave            | 211         | 114       | (34)       | 291   | 175        |
| Damage claims liabil ty                    | 7           | 307       | (208)      | 106   | 53         |
| Unearned revenues, refunds, and other      | 542         | 13,376    | (13,070)   | 848   | 848        |
| Total                                      | \$<br>3,072 | 18,055    | (15,880)   | 5,247 | 1,076      |

# GASB Statement No. 88 Implemented in Fiscal Year 2019

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This Statement applies to all Hetchy Power bonds and is discussed in each bond hereafter.

# (a) Clean Renewable Energy Bonds

In November 2008, Hetchy Power issued \$6,325 of taxable CREBs to finance the installation of solar energy equipment on City-owned facilities, including Chinatown Branch Library, Maxine Hall Medical Center, City Distribution Division Warehouse, North Point Wastewater Plant, Chinatown Public Health Center, Municipal Transportation Agency Woods, and Municipal Transportation Agency Ways and Structures. The CREBs were non-rated and privately-placed with Banc of America Leasing. The net effective interest rate on the CREBs, after the federal tax subsidy, is 0% through 2022. Hetchy Power began making principal payments in the amount of \$422 on December 15, 2008 and will continue annual payments for 15 years until December 15, 2022. Funding for these payments will be guaranteed by net power revenues. Interest payments are not required, since the effective equivalent of interest on the bonds is paid in the form of federal tax credits in lieu of interest paid by the issuer.

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults, 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2021, there were no such events described herein. The future annual debt service relating to the CREBs outstanding as of June 30, 2021 is as follows:

| Fiscal years ending June 30:          |    | rincipal |
|---------------------------------------|----|----------|
| 2022                                  | \$ | 422      |
| 2023                                  |    | 421      |
|                                       |    | 843      |
| Less: Current portion                 |    | (422)    |
| Less: Unamortized bond discount       |    | (20)     |
| Long-term portion as of June 30, 2021 | \$ | 401      |

# (b) Qualified Energy Conservation Bonds

In December 2011, Hetchy Power issued \$8,291 of taxable QECBs. The QECBs were issued to fund certain qualified green components for the SFPUC's 525 Golden Gate Headquarters project. The QECBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the QECBs, after the federal tax subsidy, is 1.2% through 2028.

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2021, there were no such events described herein.

The future annual debt service relating to the QECBs outstanding as of June 30, 2021 is as follows:

| Fiscal years ending June 30:          | Principal   | Interest<br>before<br>subsidy | Federal<br>interest<br>subsidy* | Interest<br>net of<br>subsidy |
|---------------------------------------|-------------|-------------------------------|---------------------------------|-------------------------------|
| 2022                                  | \$<br>549   | 168                           | (119)                           | 49                            |
| 2023                                  | 555         | 142                           | (100)                           | 42                            |
| 2024                                  | 562         | 116                           | (82)                            | 34                            |
| 2025                                  | 569         | 89                            | (63)                            | 26                            |
| 2026                                  | 576         | 62                            | (44)                            | 18                            |
| 2027-2028                             | 876         | 42                            | (28)                            | 14                            |
|                                       | 3,687       | 619                           | (436)                           | 183                           |
| Less: Current portion                 | (549)       |                               |                                 |                               |
| Long-term portion as of June 30, 2021 | \$<br>3,138 |                               |                                 |                               |

\* The SFPUC received IRS notice dated June 29, 2021 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$26 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same.

# (c) New Clean Renewable Energy Bonds 2012

In April 2012, Hetchy Power issued \$6,600 of taxable NCREBs. The NCREBs were issued to fund certain qualified facilities that provide clean, renewable energy at Davies Symphony Hall, City Hall, and University Mound Reservoir. The NCREBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the NCREBs, after the federal tax subsidy, is 1.5% through 2021. \$288 and \$2,523 of principal were prepaid in fiscal year 2017 and 2016, respectively. There was no prepayment thereafter. 2012 NCREBs have been fully repaid as of June 30, 2021.

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2021, there were no such events described herein.

# (d) New Clean Renewable Energy Bonds 2015

In October 2015, Hetchy Power issued \$4,100 of taxable 2015 NCREBs. The 2015 NCREBs were issued to fund certain qualified clean, renewable energy solar generation facilities at the Marina Middle School and the San Francisco Police Academy. The 2015 NCREBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the 2015 NCREBs, after the federal tax subsidy, is 1.4% through 2033. \$1,272 and \$0 of principal were prepaid in fiscal years 2021 and 2020, respectively.

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2021, there were no such events described herein.

The future annual debt service relating to the 2015 NCREBs outstanding as of June 30, 2021 is as follows:

|                                       |             | Interest<br>before | Federal<br>interest | Interest<br>net of |
|---------------------------------------|-------------|--------------------|---------------------|--------------------|
| Fiscal years ending June 30:          | Principal   | subsidy            | subsidy*            | subsidy            |
| 2022                                  | \$<br>142   | 81                 | (53)                | 28                 |
| 2023                                  | 146         | 74                 | (49)                | 25                 |
| 2024                                  | 148         | 67                 | (44)                | 23                 |
| 2025                                  | 150         | 60                 | (40)                | 20                 |
| 2026                                  | 152         | 53                 | (35)                | 18                 |
| 2027-2031                             | 792         | 159                | (105)               | 54                 |
| 2032-2033                             | 249         | 12                 | (8)                 | 4                  |
|                                       | 1,779       | 506                | (334)               | 172                |
| Less: Current portion                 | (142)       |                    |                     |                    |
| Long-term portion as of June 30, 2021 | \$<br>1,637 |                    |                     |                    |

\* The SFPUC received IRS notice dated June 29, 2021 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$20 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same.

## (e) Power Revenue Bonds 2015 Series A (Green) and Series B

In May 2015, Hetchy Power issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of \$32,025 with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of \$7,530 with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the SFPUC's Hetch Hetchy project, to fund capitalized interest on the 2015 Series AB Bonds, to fund a debt service reserve account for the 2015 Series AB Bonds, and to pay costs of issuance of the 2015 Series AB bonds. The bonds were rated "A+" and "AA-" by S&P and Fitch, respectively. Final maturity for 2015 Series AB are November 1, 2045 and November 1, 2026, respectively. The true interest cost is 3.95%. As of June 30, 2021 and 2020, the outstanding principal amounts were \$36,575 and \$37,360, respectively.

Significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds) include 1) non-payment, 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2021, there were no such events described herein.

The future annual debt service relating to the 2015 Series AB Bonds outstanding as of June 30, 2021 are as follows:

| •                                     |              | •        | •      |
|---------------------------------------|--------------|----------|--------|
| Fiscal years ending June 30:          | Principal    | Interest | Total  |
| 2022                                  | \$<br>_      | 1,593    | 1,593  |
| 2023                                  | _            | 1,593    | 1,593  |
| 2024                                  | _            | 1,593    | 1,593  |
| 2025                                  | _            | 1,593    | 1,593  |
| 2026                                  | _            | 1,593    | 1,593  |
| 2027-2031                             | 5,235        | 7,388    | 12,623 |
| 2032-2036                             | 6,860        | 5,873    | 12,733 |
| 2037-2041                             | 8,755        | 3,931    | 12,686 |
| 2042-2046                             | 11,175       | 1,452    | 12,627 |
|                                       | 32,025       | 26,609   | 58,634 |
| Add: Unamortized bond premium         | 3,272        |          |        |
| Long-term portion as of June 30, 2021 | \$<br>35,297 |          |        |

#### Hetchy Power - Power Revenue Bonds 2015 Series A (Green)

#### Hetchy Power - Power Revenue Bonds 2015 Series B

| Fiscal years ending June 30:          | Principal   | Interest | Total |
|---------------------------------------|-------------|----------|-------|
| 2022                                  | \$<br>815   | 157      | 972   |
| 2023                                  | 850         | 124      | 974   |
| 2024                                  | 880         | 93       | 973   |
| 2025                                  | 910         | 62       | 972   |
| 2026                                  | 945         | 25       | 970   |
| 2027                                  | 150         | 3        | 153   |
|                                       | 4,550       | 464      | 5,014 |
| Less: Current portion                 | (815)       |          |       |
| Add: Unamortized bond premium         | 176         |          |       |
| Long-term portion as of June 30, 2021 | \$<br>3,911 |          |       |

#### (f) Certificates of Participation Issued for the 525 Golden Gate Headquarters Building

In October 2009, the City issued \$167,670 in certificates of participation to fund construction of the headquarters of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C certificates were issued for \$38,120 and 2009 Series D for \$129,550 as "Build America Bonds" (BABs) on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and mature on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041. After adjusting Series D for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D certificates, respectively.

Under the terms of a Memorandum of Understanding between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City's use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. It is anticipated these lease costs will be offset with reductions in costs associated with current office rental expense. Hetchy Power's share is reflected on the Hetchy Power fund statements. There are no events of default stated in this memorandum of understanding.

The Power, Water, and Wastewater Enterprises have ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Power (12%). Similarly, each Enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of base rental payments for the Enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Power (9.7%). The future annual debt service relating to the certificates of participation 2009 Series C and D outstanding as of June 30, 2021 are as follow:

| Fiscal years ending June 30:          | Principal | Interest | Total |
|---------------------------------------|-----------|----------|-------|
| 2022                                  | \$<br>405 | 31       | 436   |
| 2023                                  | 425       | 10       | 435   |
|                                       | 830       | 41       | 871   |
| Less: Current portion                 | (405)     |          |       |
| Add: Unamortized bond premium         | 8         |          |       |
| Long-term portion as of June 30, 2021 | \$<br>433 |          |       |

#### Hetchy Power - Certificates of Participation 2009 Series C (Tax Exempt)

#### Hetchy Power - Certificates of Participation 2009 Series D (Taxable BABs)

| Fiscal years ending June 30:          | Principal    | Interest<br>before<br>subsidv | Federal<br>interest<br>subsidv* | Interest<br>net of<br>subsidy |
|---------------------------------------|--------------|-------------------------------|---------------------------------|-------------------------------|
| 2022                                  | \$<br>       | 812                           | (268)                           | 544                           |
| 2023                                  | _            | 812                           | (268)                           | 544                           |
| 2024                                  | 445          | 798                           | (263)                           | 535                           |
| 2025                                  | 463          | 769                           | (254)                           | 515                           |
| 2026                                  | 483          | 739                           | (244)                           | 495                           |
| 2027-2031                             | 2,736        | 3,199                         | (1,056)                         | 2,143                         |
| 2032-2036                             | 3,370        | 2,218                         | (732)                           | 1,486                         |
| 2037-2041                             | 4,155        | 1,002                         | (331)                           | 671                           |
| 2042                                  | 941          | 32                            | (10)                            | 22                            |
|                                       |              | 10,381                        | (3,426)                         | 6,955                         |
| Long-term portion as of June 30, 2021 | \$<br>12.593 |                               |                                 |                               |

Long-term portion as of June 30, 2021 \$ 12,593

\* The SFPUC received IRS notice dated June 29, 2021 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$207 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same.

#### (8) Revenue Pledge

Hetchy Power has pledged future power revenues to repay the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs. Additionally, Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2046 and are solely payable from net revenues of Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF Notes to Financial Statements June 30, 2021 and 2020

(Dollars in thousands, unless otherwise stated)

The original amount of bonds issued, total principal and interest remaining, principal and interest paid during fiscal years 2021 and 2020, applicable net revenues, and funds available for debt service are as follows:

| Hetchy Power  | 2021         | 2020   |
|---|--------------|--------|
| Bonds issued with revenue pledge                            | \$<br>64,871 | 64,871 |
| Principal and interest remaining due at the end of the year | 71,082       | 76,829 |
| Principal and interest paid during the year*                | 5,368        | 4,743  |
| Net revenues for the year ended June 30                     | 10,609       | 34,522 |
| Funds available for debt service                            | 34,178       | 80,561 |

\*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was \$2,567.

# (9) Other Non-Operating Revenues – Transbay Cable Construction and Licensing Fees

In 2007, the Board of Supervisors adopted the resolution to enter into two non-exclusive licenses with the Transbay Cable LLC (the Licensee) for the Transbay Cable Project. The Licensee proposed to install, operate, and maintain approximately 53 miles of high-voltage direct current transmission cable running from the City of Pittsburg to the City. The first license is a Construction License to install a 400 MW high-voltage transmission line, with a four-year term. The Licensee has paid Hetchy Power \$3,500 in Renewable Energy, Transmission and Grid Reliability. Of this amount, \$1,905 of the payments were spent for study and development of two City-owned transmission projects, a Newark-San Francisco project, and a Potrero-Embarcadero project. In 2020, the Board of Supervisors adopted an ordinance to use \$1,593 of the remaining funds from this license to analyze the proposed purchase of power assets from Pacific Gas & Electric Company. The entire licensing fees were fully spent as of 2020.

The second license is an operational license for operation of the transmission line with 25-year term and an option to renew for 10 years. The Licensee agrees to pay Hetchy Power in excess of \$20,000 in 10 separate installments of \$2,000 annually with adjustments for inflation, as the "San Francisco Electric Reliability Payment" to implement, advance, promote, or enhance policies and projects consistent with City Energy Policies. The project came on line November 29, 2010, and Hetchy Power received the first installment of \$2,000. As of June 30, 2021, cumulative revenues to date of \$22,708 were recorded, with final payment of \$2,574 received in fiscal year 2020. Per agreement, the SFPUC shall consult with Departments of Environment and Public Health, as well as community members, including the Power Plant Task Force, in developing its proposals to the Board of Supervisors on how to spend the San Francisco Electricity Reliability Payment, and shall consider specifically renewable energy, conservation, and environmental health programs, which benefit lowincome, at-risk, and environmentally disadvantaged communities. The San Francisco Electricity Reliability Payment shall also be partly used for green jobs training and placement programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. As of June 30, 2021, cumulative expenses of \$9,611 have been incurred, with \$1,254 and \$843 in fiscal years 2021 and 2020, respectively.

# (10) Employee Benefits

# (a) Pension Plan

**Retirement Plan** – Hetch Hetchy participates in a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). The Plan is administered by the San Francisco City and County Employees' Retirement System (SFERS). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about

# HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements June 30, 2021 and 2020

(Dollars in thousands, unless otherwise stated)

the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68 requires that the SFERS Plan reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

|                         | Fiscal Year 2021                       | Fiscal Year 2020                       |
|-------------------------|--|--|
| Valuation Date (VD)     | June 30, 2019 updated to June 30, 2020 | June 30, 2018 updated to June 30, 2019 |
| Measurement Date (MD)   | June 30, 2020                          | June 30, 2019                          |
| Measurement Period (MP) | July 1, 2019 to June 30, 2020          | July 1, 2018 to June 30, 2019          |

**SFERS Plan** – The City is an employer of the plan with a proportionate share of 94.39% as of June 30, 2020 (measurement date), 0.26% increased from prior year. Hetch Hetchy's allocation percentage was determined based on its employer contributions divided by the City's total employer contributions for fiscal years 2020 and 2019. Hetch Hetchy's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on its allocated percentage. Hetch Hetchy's allocation of the City's proportionate share was 1.22%, of which 0.52% for Hetchy Water, 0.64% for Hetchy Power, and 0.06% for CleanPowerSF as of June 30, 2020 (measurement date). Hetch Hetchy's allocation of the City's proportionate share was 1.17%, of which 0.51% for Hetchy Water, 0.62% for Hetchy Power, and 0.04% for CleanPowerSF as of June 30, 2019 (measurement date).

**Plan Description** – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The Plan also provides pension continuation benefits to qualified survivors. The City Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website or by writing to the San Francisco Employees' Retirement System, 1145 Market Street, 5<sup>th</sup> Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

**Benefits** – The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of Plan members are:

- a) Miscellaneous Non-Safety Members staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- b) Sheriff's Department and Miscellaneous Safety members sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.

- c) Firefighter Members firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- d) Police Members police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members. Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

# Funding and Contribution Policy

**SFERS** *Plan* – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 13.0% as a percentage of gross covered salary in fiscal years 2021 and 2020. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2019 actuarial report, the required employer contribution rate for fiscal year 2021 range from 22.40% to 26.90%. Based on the July 1, 2018 actuarial report, the required employer contribution rate for fiscal year 2020 range from 20.69% to 25.19%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2020 and 2019 (measurement years) were

\$701,307 and \$607,408, respectively. Hetchy Water's allocation of employer contributions were \$3,574 and \$3,073 or 45%, and Hetchy Power's allocation of employer contributions were \$4,369 and \$3,756 or 55%, respectively, for fiscal years 2020 and 2019 (measurement periods). CleanPowerSF's allocation of employer contributions were \$300 and \$161, respectively, for fiscal years 2020 and 2019 (measurement periods).

# Pension Liabilities, Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

## Fiscal Year 2021

As of June 30, 2021, the City reported net pension liabilities (NPL) for its proportionate share of the net pension liability of the SFERS Plan of \$5,107,270. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2020 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2021 was \$62,219, of which \$26,645 for Hetchy Water, \$32,566 for Hetchy Power, and \$3,008 for CleanPowerSF.

For the year ended June 30, 2021, the City's recognized pension expense was \$962,576 (which includes Retirement Benefit Plan pension expense of \$25,243), including amortization of deferred outflows/inflows related pension items. Hetch Hetchy's allocation of pension expense including amortization of deferred outflows/inflows related pension items were \$14,883, of which \$6,103 for Hetchy Water, \$7,459 for Hetchy Power, and \$1,321 for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

|   | Schedules of Deferred Outflows and Inflows of Resources |         |               |        |                     |        |              |       |  |  |  |
|---|---|---------|---------------|--------|---------------------|--------|--------------|-------|--|--|--|
|   |   | Deferre | d Outflows of |        | Deferred Inflows of |        |              |       |  |  |  |
|   |   | Re      | esources      |        |                     | R      | esources     |       |  |  |  |
|   | Hetchy  | Hetchy  |               |        | Hetchy              | Hetchy |              |       |  |  |  |
| Fiscal Year 2021  | Water   | Power   | CleanPowerSF  | Total  | Water               | Power  | CleanPowerSF | Total |  |  |  |
| Pension contributions subsequent to the \$ measurement date | 4,130   | 5,048   | 466           | 9,644  | -                   | -      | _            | -     |  |  |  |
| Differences between expected and actual                     |   |         |               |        |                     |        |              |       |  |  |  |
| experience  | 905   | 1,106   | 102           | 2,113  | 83                  | 102    | 9            | 194   |  |  |  |
| Changes in assumptions                                      | 1,463   | 1,788   | 165           | 3,416  | 462                 | 564    | 52           | 1,078 |  |  |  |
| Net difference between projected and actual                 |   |         |               |        |                     |        |              |       |  |  |  |
| earnings on pension plan investments                        | 558   | 682     | 63            | 1,303  | -                   | -      | _            | -     |  |  |  |
| Change in employer's proportion                             | 743   | 907     | 7             | 1,657  | 443                 | 541    | 1,032        | 2,016 |  |  |  |
| Total \$  | 7,799   | 9,531   | 803           | 18,133 | 988                 | 1,207  | 1,093        | 3,288 |  |  |  |

At June 30, 2021, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows:

| Fiscal<br>years | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Total |
|-----------------|-----------------|-----------------|--------------|-------|
| years           | <br>Water       | TOWEI           | Clean OwerSt | Total |
| 2022            | \$<br>(115)     | (141)           | (472)        | (728) |
| 2023            | 665             | 812             | (195)        | 1,282 |
| 2024            | 1,160           | 1,418           | (90)         | 2,488 |
| 2025            | 971             | 1,187           | 1            | 2,159 |
|                 | \$<br>2,681     | 3,276           | (756)        | 5,201 |

# Fiscal Year 2020

As of June 30, 2020, the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of \$4,213,808. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 (measurement date), 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, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension liability for the Plan as of June 30, 2020 was \$49,531, of which \$21,477 for Hetchy Water, \$26,249 for Hetchy Power, and \$1,805 for CleanPowerSF.

For the year ended June 30, 2020, the City's recognized pension expense was \$883,395 including amortization of deferred outflow/inflow related pension items. Hetch Hetchy's allocation of pension expense including amortization of deferred outflow/inflow related pension items were \$9,852, of which \$3,619 for Hetchy Water, \$4,424 for Hetchy Power, and \$1,809 for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

|   | Schedules of Deferred Outflows and Inflows of Resources |                      |              |        |                     |                 |              |        |
|---|---|----------------------|--------------|--------|---------------------|-----------------|--------------|--------|
|   |   | Deferred Outflows of |              |        | Deferred Inflows of |                 |              |        |
|   |   | Resources            |              |        | Resources           |                 |              |        |
|   | Hetchy<br>Water   | Hetchy<br>Power      | CleanPowerSF | Total  | Hetchy<br>Water     | Hetchy<br>Power | CleanPowerSF | Total  |
| Fiscal Year 2020  |   |                      |              |        |                     |                 |              |        |
| Pension contribution subsequent to the measurement date | 3,574   | 4,369                | 300          | 8,243  | _                   | _               |              |        |
| Differences between expected and actual                 |   |                      |              |        |                     |                 |              |        |
| experience  | 159   | 194                  | 13           | 366    | 236                 | 289             | 20           | 545    |
| Changes in assumptions                                  | 3,055   | 3,733                | 257          | 7,045  | -                   | -               | -            | _      |
| Net difference between projected and actual             |   |                      |              |        |                     |                 |              |        |
| earnings on pension plan investments                    | -   | -                    | -            | -      | 3,958               | 4,837           | 333          | 9,128  |
| Change in employer's proportion                         | 1,162   | 1,420                | 2            | 2,584  | 141                 | 172             | 857          | 1,170  |
| Total S   | 7,950   | 9,716                | 572          | 18,238 | 4,335               | 5,298           | 1,210        | 10,843 |

At June 30, 2020, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows:

| Fiscal | Hetchy      | Hetchy  |              |         |
|--------|-------------|---------|--------------|---------|
| years  | <br>Water   | Power   | CleanPowerSF | Total   |
| 2021   | \$<br>1,197 | 1,464   | (235)        | 2,426   |
| 2022   | (1,047)     | (1,280) | (425)        | (2,752) |
| 2023   | (293)       | (359)   | (181)        | (833)   |
| 2024   | 184         | 224     | (97)         | 311     |
|        | \$<br>41    | 49      | (938)        | (848)   |

# Actuarial Assumptions

## Fiscal Year 2021

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for SFERS Plan as of June 30, 2020 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2019 actuarial valuation. Refer to the July 1, 2019 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website <u>http://mysfers.org</u>.

| Key Actuarial Assumptions  |               | SFERS Plan  |                        |                     |                     |  |  |  |
|----------------------------|---------------|---|------------------------|---------------------|---------------------|--|--|--|
| Valuation Date             | -             | June 30, 2019 updated to June 30, 2020  |                        |                     |                     |  |  |  |
| Measurement Date           |               | June 30, 2020   |                        |                     |                     |  |  |  |
| Actuarial Cost Method      |               | Entry-Age Normal Cost   |                        |                     |                     |  |  |  |
| Expected Rate of Return    |               | 7.40% net of pension pla  | n investment, includir | ginflation          |                     |  |  |  |
| Municipal Bond Yield       |               | 3.50% as of June 30, 2019   |                        |                     |                     |  |  |  |
|                            |               | 2.21% as of June 30, 202  | 20                     |                     |                     |  |  |  |
|                            |               | Bond Buyer 20-Bond GO Index, June 27, 2019 and June 25, 2020                  |                        |                     |                     |  |  |  |
| Inflation                  |               | 2.75%   |                        |                     |                     |  |  |  |
| Projected salary increases |               | 3.50% plus merit component based employee classification and years of service |                        |                     |                     |  |  |  |
| Discount Rate              |               | 7.40% as of June 30, 2019   |                        |                     |                     |  |  |  |
|                            |               | 7.40% as of June 30, 202  | 20                     |                     |                     |  |  |  |
| Administrative Expenses    |               | 0.60% of payroll as of June 30, 2019  |                        |                     |                     |  |  |  |
|                            |               | 0.60% of payroll as of June 30, 2020  |                        |                     |                     |  |  |  |
|                            |               |   |                        | Old Police & Fire   | Old Police & Fire   |  |  |  |
|                            |               | Old Miscellaneous and   | Old Police & Fire      | Charters A8.595 and | Charters A8.559 and |  |  |  |
| Basic COLA                 |               | all New Plans   | Pre 7/1/75             | A8.596              | A8.585              |  |  |  |
|                            | June 30, 2019 | 2.00%   | 2.50%                  | 3.10%               | 4.20%               |  |  |  |
|                            | June 30, 2020 | 2.00%   | 2.50%                  | 3.10%               | 4.20%               |  |  |  |

For healthy annuitants, the sex distinct 2009 CalPERS healthy annuitant mortality table, adjusted 1.014 for females and 0.909 for males. For active members, the sex distinct 2009 CalPERS employee mortality tables, adjusted 0.918 for females and 0.948 for males. Rates are projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used at the June 30, 2020 measurement date was based upon the result of a demographic experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2019.

#### Fiscal Year 2020

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2019 (measurement period) is provided below, including any assumptions that differ from those used in the July 1, 2018 actuarial valuation. Refer to the July 1, 2018 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website <u>http://mysfers.org</u>.

| Key Actuarial Assumptions |  |  |                    |                    |  |  |  |  |
|---------------------------|--|--|--------------------|--------------------|--|--|--|--|
| Valuation Date            | June 30, 2018 updated to June 30, 2019   |  |                    |                    |  |  |  |  |
| Measurement Date          | June 30, 2019  |  |                    |                    |  |  |  |  |
| Actuarial Cost Method     | Entry-Age Normal Cost  |  |                    |                    |  |  |  |  |
| Expected Rate of Return   | 7.40% net of pension plan investment, including inflation                        |  |                    |                    |  |  |  |  |
| Municipal Bond Yield      | 3.87% as of June 30, 2018  |  |                    |                    |  |  |  |  |
|                           | 3.50% as of June 30, 20  | 3.50% as of June 30, 2019                                    |                    |                    |  |  |  |  |
|                           | Bond Buyer 20-Bond GO  | Bond Buyer 20-Bond GO Index, June 28, 2018 and June 27, 2019 |                    |                    |  |  |  |  |
| Inflation                 | 2.75%  |  |                    |                    |  |  |  |  |
| Salary Increases          | 3.50% plus merit component based on employee classification and years of service |  |                    |                    |  |  |  |  |
| Discount Rate             | 7.50% as of June 30, 2018  |  |                    |                    |  |  |  |  |
|                           | 7.40% as of June 30, 2019  |  |                    |                    |  |  |  |  |
| Administrative Expenses   | 0.60% of payroll as of June 30, 2018   |  |                    |                    |  |  |  |  |
|                           | 0.60% of payroll as of June 30, 2019   |  |                    |                    |  |  |  |  |
|                           |  |  |                    |                    |  |  |  |  |
|                           |  |  | Old Police & Fire, | Old Police & Fire, |  |  |  |  |
|                           | Old Miscellaneous and  | Old Police & Fire,   | Charters A8.595    | Charters A8.559    |  |  |  |  |
| Basic COLA                | All New Plans  | pre 7/1/75   | and A8.596         | and A8.585         |  |  |  |  |
| June 30, 2018             |  | 2.50%  | 3.10%              | 4.20%              |  |  |  |  |
| June 30, 2019             | 2.00%  | 2.50%  | 3.10%              | 4.20%              |  |  |  |  |

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

# **Discount Rate**

# Fiscal Year 2021

**SFERS** *Plan* – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.40% as of June 30, 2020 (measurement date) and June 30, 2019 (measurement date).

The discount rate used to measure the Total Pension Liability as of the June 30, 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2019 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age, normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013

is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll, so payments increase 3.50% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 1997 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2020 for the probability and amount of Supplemental COLA for each future year. There were no excess earnings during the fiscal year ending June 30, 2020; consequently, no Supplemental COLA will be paid effective July 1, 2020. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

| Fiscal years | 96 - Prop C | Before 11/6/96<br>or After Prop C |
|--------------|-------------|-----------------------------------|
| 2022         | 0.75 %      | 0.19 %                            |
| 2024         | 0.75        | 0.27                              |
| 2026         | 0.75        | 0.30                              |
| 2028         | 0.75        | 0.33                              |
| 2030         | 0.75        | 0.35                              |
| 2032         | 0.75        | 0.37                              |
| 2034+        | 0.75        | 0.38                              |

#### Assumed Supplemental COLA for Members with a 2.00% Basic COLA

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.21% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2020 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

| Asset Class                  | Target<br>Allocation | Long-Term Expected Real<br>Rate of Return |
|------------------------------|----------------------|---|
| Global Equ ty                | 31.0 %               | 4.9 %                                     |
| Private Equ ty               | 18.0                 | 7.9                                       |
| Real Assets                  | 17.0                 | 5.7                                       |
| Hedge Funds/Absolute Returns | 15.0                 | 3.0                                       |
| Private Cred t               | 10.0                 | 4.8                                       |
| Treasuries                   | 6.0                  | (0.5)                                     |
| Liquid Credit                | 3.0                  | 2.7                                       |
| Total                        | 100.0                |   |

#### Fiscal Year 2020

The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.40% as of June 30, 2019 (measurement date) and 7.50% as of June 30, 2018 (measurement date), respectively.

The discount rate used to measure the Total Pension Liability as of the June 30, 2019 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2018 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll, so payments increase 3.50% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of

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### Notes to Financial Statements

#### June 30, 2021 and 2020 (Dollars in thousands, unless otherwise stated)

the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 1997 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, the following assumptions were developed for the probability and amount of Supplemental COLA for each future year. The City has assumed that a full Supplemental COLA will be paid to all Post 1997 Retirees effective July 1, 2019. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

| Fiscal years | 96 - Prop C | Before 11/6/96<br>or After Prop C |
|--------------|-------------|-----------------------------------|
| 2021         | 0.75 %      | 0.27 %                            |
| 2023         | 0.75        | 0.34                              |
| 2025         | 0.75        | 0.36                              |
| 2027         | 0.75        | 0.37                              |
| 2030+        | 0.75        | 0.38                              |

#### Assumed Supplemental COLA for Members with a 2.00% Basic COLA

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.50% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2019 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

|                              | Target     | Long-Term Expected Real |
|------------------------------|------------|-------------------------|
| Asset Class                  | Allocation | Rate of Return          |
| Global Equity                | 31.0 %     | 5.3 %                   |
| Private Equity               | 18.0       | 8.3                     |
| Real Assets                  | 17.0       | 5.4                     |
| Hedge Funds/Absolute Returns | 15.0       | 3.9                     |
| Private Credit               | 10.0       | 5.2                     |
| Treasuries                   | 6.0        | 0.9                     |
| Liquid Credit                | 3.0        | 3.6                     |
| Total                        | 100.0      |                         |

#### Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Hetch Hetchy's allocation of the employer's proportionate share of the net pension liability for the SFERS Plan, calculated using the discount rate, as well as what Hetch Hetchy's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| Hetchy       | Hetchy  |  |  |   |
|--------------|---|--|--|---|
| Water        | Power   | CleanPowerSF   | Total  |   |
| \$<br>47,111 | 57,580  | 5,318  | 110,009  |   |
| 26,645       | 32,566  | 3,008  | 62,219   |   |
| 9,736        | 11,899  | 1,099  | 22,734   |   |
|              |   |  |  |   |
| Hetchy       | Hetchy  |  |  |   |
| Water        | Power   | CleanPowerSF   | Total  |   |
| \$<br>40,539 | 49,547  | 3,407  | 93,493   |   |
| 21,477       | 26,249  | 1,805  | 49,531   |   |
| 5 7 2 7      | 6 999   | 481  | 13 207   |   |
|              | Water           47,111           26,645           9,736           Hetchy           Water           \$ 40,539           21,477 | Water         Power           \$ 47,111         57,580           26,645         32,566           9,736         11,899           Hetchy         Hetchy           Water         Power           \$ 40,539         49,547           21,477         26,249 | Water         Power         CleanPowerSF           \$ 47,111         57,580         5,318           26,645         32,566         3,008           9,736         11,899         1,099           Hetchy         Hetchy         CleanPowerSF           \$ 40,539         49,547         3,407           21,477         26,249         1,805 | Water         Power         CleanPowerSF         Total           \$ 47,111         57,580         5,318         110,009           26,645         32,566         3,008         62,219           9,736         11,899         1,099         22,734           Hetchy         Hetchy         Fower         CleanPowerSF         Total           \$ 40,539         49,547         3,407         93,493 |

#### (b) Other Post-Employment Benefits

Hetch Hetchy participates in a single-employer defined benefit other post-employment plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides post-employment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other post-employment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

| San Francisco Health Service System Retiree Plan - | Single-Employer |
|--|-----------------|
|--|-----------------|

|                         | Fiscal Year 2021              | Fiscal Year 2020                       |
|-------------------------|-------------------------------|--|
| Valuation Date (VD)     | June 30, 2020                 | June 30, 2018 updated to June 30, 2019 |
| Measurement Date (MD)   | June 30, 2020                 | June 30, 2019                          |
| Measurement Period (MP) | July 1, 2019 to June 30, 2020 | July 1, 2018 to June 30, 2019          |

Hetch Hetchy's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the year ended June 30, 2020. Hetch Hetchy's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on its allocated percentage. Hetch Hetchy's proportionate share of the City's OPEB elements was 0.92%, of which 0.38% for Hetchy Water, 0.46% for Hetchy Power, and 0.08% for CleanPowerSF as of June 30, 2020 (measurement date). Hetch Hetchy's proportionate share of the City's OPEB elements was 0.99%, of which 0.42% for Hetchy Water, 0.51% for Hetchy Power, and 0.06% for CleanPowerSF as of June 30, 2019 (measurement date).

#### Benefits

Permanent full-time and elected employees are eligible to retire and receive post-retirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

| Normal Retirement                                     | Miscellaneous | Age 50 with 20 years of credited service <sup>1</sup>                               |
|---|---------------|---|
|   |               | Age 60 with 10 years of credited service  |
|   | Safety        | Age 50 with 5 years of credited service   |
| Disabled Retirement <sup>2</sup><br>Terminated Vested |               | Any age with 10 years of credited service 5 years of credited service at separation |

<sup>1</sup> Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012.

 $^{2}$  No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

| Medical: | PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-                                    |
|----------|---|
|          | insured)  |
|          | HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)  |
| Dental:  | Delta Dental, DeltaCare USA and United Healthcare Dental  |
| Vision:  | Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan. |

Projections of the sharing of benefit related costs are based on an established pattern of practice.

#### Contributions

Benefits provided under the Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1<sup>st</sup> of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1<sup>st</sup> of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1<sup>st</sup> of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's Actuary has determined that the City's portion of the Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

#### Fiscal Year 2021

For the fiscal year ended June 30, 2021, the City's funding was based on "pay-as-you-go" plus a contribution of \$39,555 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was \$206,439 for a total contribution of \$245,994 for the fiscal year ended June 30, 2021. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2021 were \$2,252: \$929 for Hetchy Water, \$1,136 for Hetchy Power, and \$187 for CleanPowerSF.

#### Fiscal Year 2020

For the fiscal year ended June 30, 2020, the City's funding was based on "pay-as-you-go" plus a contribution of \$39,518 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was \$196,445 for a total contribution of \$235,963 for the fiscal year ended June 30, 2020. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2020 were \$2,321: \$985 for Hetchy Water, \$1,204 for Hetchy Power, and \$132 for CleanPowerSF.

#### OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

#### Fiscal Year 2021

As of June 30, 2021, the City reported net OPEB liabilities related to the Plan of \$3,823,334. Hetch Hetchy's proportionate share of the City's net OPEB liability as of June 30, 2021 was \$35,006: \$14,444 for Hetchy Water, \$17,653 for Hetchy Power, and \$2,909 for CleanPowerSF.

For the year ended June 30, 2021, the City's recognized OPEB expense was \$320,684. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's reduction of OPEB expense was \$1,859: \$1,480 for Hetchy Water and \$1,809 for Hetchy Power, offset by an increase of \$1,430 expense for CleanPowerSF.

As of June 30, 2021, Hetch Hetchy reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

|   | Schedules of Deferred Outflows and Inflows of Resources |                                   |              |       |                                  |        |              |       |
|---|---|-----------------------------------|--------------|-------|----------------------------------|--------|--------------|-------|
|   |   | Deferred Outflows of<br>Resources |              |       | Deferred Inflows of<br>Resources |        |              |       |
|   | Hetchy  | Hetchy                            |              |       | Hetchy                           | Hetchy |              |       |
|   | Water   | Power                             | CleanPowerSF | Total | Water                            | Power  | CleanPowerSF | Total |
| Contributions subsequent to measurement date \$ | 929   | 1,136                             | 187          | 2,252 | _                                | _      |              | -     |
| Differences between expected and actual         |   |                                   |              |       |                                  |        |              |       |
| experience                                      | 524   | 640                               | 106          | 1,270 | 2,070                            | 2,529  | 417          | 5,016 |
| Changes in assumptions                          | 731   | 894                               | 147          | 1,772 | -                                | -      | _            | -     |
| Net difference between projected and actual     |   |                                   |              |       |                                  |        |              |       |
| earnings on plan investments                    | 9   | 12                                | 2            | 23    | -                                | -      | _            | -     |
| Change in proportion                            | 1,532   | 1,870                             | -            | 3,402 | 15                               | 19     | 1,496        | 1,530 |
| Total \$  | 3,725   | 4,552                             | 442          | 8,719 | 2,085                            | 2,548  | 1,913        | 6,546 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

| _               | Deferred Outflows/(Inflows) of Resources |     |         |       |  |  |  |  |  |
|-----------------|--|-----|---------|-------|--|--|--|--|--|
| Fiscal<br>years |  |     |         |       |  |  |  |  |  |
| 2022 \$         | 90                                       | 110 | (328)   | (128) |  |  |  |  |  |
| 2023            | 96                                       | 117 | (326)   | (113) |  |  |  |  |  |
| 2024            | 94                                       | 116 | (326)   | (116) |  |  |  |  |  |
| 2025            | 99                                       | 120 | (326)   | (107) |  |  |  |  |  |
| 2026            | 245                                      | 299 | (222)   | 322   |  |  |  |  |  |
| Thereafter      | 87                                       | 106 | (130)   | 63    |  |  |  |  |  |
| Total \$        | 711                                      | 868 | (1,658) | (79)  |  |  |  |  |  |

#### Fiscal Year 2020

As of June 30, 2020, the City reported net OPEB liabilities related to the Plan of \$3,915,814. Hetch Hetchy's proportionate share of the City net OPEB liability as of June 30, 2020 was \$38,530: \$16,350 for Hetchy Water, \$19,983 for Hetchy Power, and \$2,197 for CleanPowerSF.

For the year ended June 30, 2020, the City's recognized OPEB expense was \$330,673. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's OPEB expense was \$3,595: \$708 for Hetchy Water, \$866 for Hetchy Power, and \$2,021 for CleanPowerSF.

As of June 30, 2020, Hetch Hetchy reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

|   | Schedules of Deferred Outflows and Inflows of Resources |        |              |                                  |        |        |              |       |
|---|---|--------|--------------|----------------------------------|--------|--------|--------------|-------|
|   | Deferred Outflows of<br>Resources                       |        |              | Deferred Inflows of<br>Resources |        |        |              |       |
|   | Hetchy  | Hetchy |              |                                  | Hetchy | Hetchy |              |       |
|   | Water   | Power  | CleanPowerSF | Total                            | Water  | Power  | CleanPowerSF | Total |
| Contributions subsequent to measurement date \$ | 985   | 1,204  | 132          | 2,321                            | _      | -      |              | -     |
| Differences between expected and actual         |   |        |              |                                  |        |        |              |       |
| experience                                      | 694   | 849    | 93           | 1,636                            | 1,150  | 1,406  | 155          | 2,711 |
| Changes in assumptions                          | 331   | 405    | 45           | 781                              | -      | -      | _            | -     |
| Net difference between projected and actual     |   |        |              |                                  |        |        |              |       |
| earnings on plan investments                    | _   | -      | -            | -                                | 26     | 31     | 3            | 60    |
| Change in proportion                            | 322   | 392    | _            | 714                              | 19     | 24     | 1,053        | 1,096 |
| Total \$  | 2,332   | 2,850  | 270          | 5,452                            | 1,195  | 1,461  | 1,211        | 3,867 |

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

|                 | Deferred Outflows/(Inflows) of Resources |                 |                 |              |       |  |  |  |  |
|-----------------|--|-----------------|-----------------|--------------|-------|--|--|--|--|
| Fiscal<br>years |  | Hetchy<br>Water | Hetchy<br>Power | CleanPowerSF | Total |  |  |  |  |
| 2021            | \$                                       | (8)             | (9)             | (195)        | (212) |  |  |  |  |
| 2022            |  | (8)             | (9)             | (195)        | (212) |  |  |  |  |
| 2023            |  | (1)             | (2)             | (195)        | (198) |  |  |  |  |
| 2024            |  | (3)             | (3)             | (195)        | (201) |  |  |  |  |
| 2025            |  | 2               | 2               | (195)        | (191) |  |  |  |  |
| Thereafter      |  | 170             | 206             | (98)         | 278   |  |  |  |  |
| Total           | \$_                                      | 152             | 185             | (1,073)      | (736) |  |  |  |  |

#### Actuarial Assumptions

#### Fiscal Year 2021

## A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2020 (measurement year) is provided below:

| Key Actuarial Assumptions              |  |                    |                                |                  |                   |  |  |
|--|--|--------------------|--------------------------------|------------------|-------------------|--|--|
| Valuation Date                         | June 30, 2020  | )                  |                                |                  |                   |  |  |
| Measurement Date                       | June 30, 2020  | )                  |                                |                  |                   |  |  |
| Actuarial Cost Method                  | The Entry Age A  | Actuarial Cost Met | thod is used to measure the    | e Plan's Total O | PEB Liability     |  |  |
| Healthcare Cost Trend Rates            | Pre-Medicare t   | rend starts at 4.0 | 0% in 2022, 7.00% in 2023      | 3, trending dov  | vn to ultimate ra |  |  |
|  | Medicare trend starts at 1.00% in 2022, 7.50% in 2023, trending down to ultimate rate of 4.04% in 2075 |                    |                                |                  |                   |  |  |
|  | 10-County ave  | rage trend starts  | at 4.5% in 2022, 5.50% in 2    | 2023, trending   | gdown to ultima   |  |  |
|  | Vision and exp   | enses trend rema   | ains a flat 3.0% for all years |                  |                   |  |  |
| Expected Rate of Return on Plan Assets | 7.00%  |                    |                                |                  |                   |  |  |
| Salary Increase Rate                   | Wage Inflation Component: 3.25%  |                    |                                |                  |                   |  |  |
|  | Additional Mer   | rit Component (de  | pendent on years of service    | e):              |                   |  |  |
|  | Police: 0.509  | % - 7.50%          |                                |                  |                   |  |  |
|  | Fire: 0.50% -  | 14.00%             |                                |                  |                   |  |  |
|  | Muni Drivers   | : 0.00% - 16.00%   |                                |                  |                   |  |  |
|  | Craft: 0.50%   | - 3.75%            |                                |                  |                   |  |  |
|  | Misc: 0.30%  | - 5.50%            |                                |                  |                   |  |  |
| Inflation Rate                         | Wage Inflation   | : 3.25% compoun    | ided annually                  |                  |                   |  |  |
|  | Consumer Pric  | e Inflation: 2.50% | compounded annually            |                  |                   |  |  |
| Mortality Tables                       | Base mortality   | tables are develo  | pped by multiplying a publish  | ned table by ar  | n adjustment fa   |  |  |
|  |  | -                  | ending June 30, 2019.          |                  |                   |  |  |
|  | Non-Annuitant  | S                  |                                |                  |                   |  |  |
|  |  |                    |                                | •                | ent Factor        |  |  |
|  |  |                    | Published Table                | Male             | Female            |  |  |
|  | -  | Miscellaneous      | PubG-2010 Employee             | 0.834            | 0.866             |  |  |
|  | L  | Safety             | PubS-2010 Employee             | 1.011            | 0.979             |  |  |
|  | Healthy Retire   | es                 |                                |                  |                   |  |  |
|  |  |                    |                                | Adjustm          | ent Factor        |  |  |
|  |  |                    | Published Table                | Male             | Female            |  |  |
|  |  | Miscellaneous      | PubG-2010 Employee             | 1.031            | 0.977             |  |  |
|  | L  | Safety             | PubS-2010 Employee             | 0.947            | 1.044             |  |  |
|  | Disabled Retire  | ees                |                                |                  |                   |  |  |
|  | Γ  |                    |                                | Adjustm          | ent Factor        |  |  |
|  |  |                    | Published Table                | Male             | Female            |  |  |
|  | Ē  | Miscellaneous      | PubG-2010 Employee             | 1.045            | 1.003             |  |  |
|  | F  | Safety             | PubS-2010 Employee             | 0.916            | 0.995             |  |  |
|  | L<br>Beneficiaries   |                    |                                |                  | •                 |  |  |
|  |  |                    |                                | Adjustm          | ent Factor        |  |  |
|  |  |                    | Published Table                | Male             | Female            |  |  |
|  |  |                    |                                | maic             | i cinale          |  |  |

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

PubG-2010 Employee

PubG-2010 Employee

1.031

1.031

0.977

0.977

Miscellaneous

Safety

#### Fiscal Year 2020

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2019 (measurement year) is provided below:

| Key Actuarial Assumptions              |   |                             |                     |                                   |  |  |  |  |
|--|---|-----------------------------|---------------------|-----------------------------------|--|--|--|--|
| Valuation Date                         | June 30, 2018 updated   | to June 30, 2019            |                     |                                   |  |  |  |  |
| Measurement Date                       | June 30, 2019   |                             |                     |                                   |  |  |  |  |
| Actuarial Cost Method                  | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability            |                             |                     |                                   |  |  |  |  |
| Healthcare Cost Trend Rates            | Pre-Medicare trend starts at 6.35% in 2021 and trends down to ultimate rate of 3.93% in 2076      |                             |                     |                                   |  |  |  |  |
|  | Medicare trend starts at  | 7.00% in 2021 and trends    | s down to ultima    | ate rate of 3.93% in 2076         |  |  |  |  |
|  | 10-County average trend starts at 5.82% in 2021 and trends down to ultimate rate of 3.93% in 2076 |                             |                     |                                   |  |  |  |  |
|  | Vision and expenses trend remains a flat 3.50% for all years                                      |                             |                     |                                   |  |  |  |  |
| Expected Rate of Return on Plan Assets | 7.40%   |                             |                     |                                   |  |  |  |  |
| Discount Rate                          | 7.40%   |                             |                     |                                   |  |  |  |  |
| Salary Increase Rate                   | Wage Inflation Compone  | ent: 3.50%                  |                     |                                   |  |  |  |  |
| -                                      | Additional Merit Compor   | nent (dependent on years o  | of service):        |                                   |  |  |  |  |
|  | Police: 1.50% - 8.00%   |                             | ,                   |                                   |  |  |  |  |
|  | Fire: 1.50% - 15.00%  |                             |                     |                                   |  |  |  |  |
|  | Muni Drivers: 0.00% - 1   | 15.00%                      |                     |                                   |  |  |  |  |
|  | Craft: 0.00% - 3.50%  |                             |                     |                                   |  |  |  |  |
|  | Misc: 0.00% - 5.25%   |                             |                     |                                   |  |  |  |  |
| Inflation Rate                         | Wage Inflation: 3.50% co  | ompounded annually          |                     |                                   |  |  |  |  |
|  |   | : 2.75% compounded ann      | ually               |                                   |  |  |  |  |
| Mortality Tables                       | Base mortality tables are   | e developed by multiplying  | a published tab     | le by an adjustment factor        |  |  |  |  |
|  | developed in SFERS exp  | erience study for the perio | d ending June 3     | 0,2014.                           |  |  |  |  |
|  | Non-Annuitant - CalPERS   | employee mortality tables   | s without scale B   | BB projection                     |  |  |  |  |
|  | Gender  | Adjustment Factor           | Base Year           |                                   |  |  |  |  |
|  | Female  | 0.918                       | 2009                |                                   |  |  |  |  |
|  | Male  | 0.948                       | 2009                |                                   |  |  |  |  |
|  | Healthy Annuitants - CalF   | PERS healthy annuitant mo   | ortality table with | nout scale BB projection          |  |  |  |  |
|  | Gender  | Adjustment Factor           | Base Year           |                                   |  |  |  |  |
|  | Female  | 1.014                       | 2009                |                                   |  |  |  |  |
|  | Male  | 0.909                       | 2009                |                                   |  |  |  |  |
|  | Miscellaneous Disabled  | Annuitants - RP-2014 Disa   | bled Retiree Ta     | bles without MP-2014 projection   |  |  |  |  |
|  | Gender  | Adjustment Factor           | Base Year           |                                   |  |  |  |  |
|  | Female  | 1.066                       | 2006                |                                   |  |  |  |  |
|  | Male  | 0.942                       | 2006                |                                   |  |  |  |  |
|  |   | ļ                           | <u>I</u>            | l                                 |  |  |  |  |
|  |   |                             | <u> </u>            | table without scale BB projection |  |  |  |  |
|  | Gender  | Adjustment Factor           | Base Year           |                                   |  |  |  |  |

| Gender | Adjustment Factor | Base Year |
|--------|-------------------|-----------|
| Female | 0.983             | 2009      |
| Male   | 0.909             | 2009      |

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

#### Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what its allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2021 and June 30, 2020:

|                  | Hetchy       | Hetchy |              |            |
|------------------|--------------|--------|--------------|------------|
|                  | Water        | Power  | CleanPowerSF | Total 2021 |
| 1% Decrease      | \$<br>12,488 | 15,264 | 2,515        | 30,267     |
| Hea thcare Trend | 14,444       | 17,653 | 2,909        | 35,006     |
| 1% Increase      | 16,992       | 20,767 | 3,422        | 41,181     |
|                  |              |        |              |            |
|                  | Hetchy       | Hetchy |              |            |
|                  | Water        | Power  | CleanPowerSF | Total 2020 |
| 1% Decrease      | \$<br>14,150 | 17,295 | 1,901        | 33,346     |
| Hea thcare Trend | 16,350       | 19,983 | 2,197        | 38,530     |
| 1% Increase      | 19,080       | 23,320 | 2,563        | 44,963     |

#### **Discount Rate**

#### Fiscal Year 2021

The discount rate used to measure the total OPEB liability as of June 30, 2020 was 7.00%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.00% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

|   | Tourse               |   | Long-term                       |   |
|---|----------------------|---|---------------------------------|---|
| Asset Class   | Target<br>Allocation |   | Expected Real<br>Rate of Return |   |
| Equities  |                      | • |                                 | - |
| U.S. Large Cap  | 28.0                 | % | 8.4                             | % |
| U.S. Small Cap  | 3.0                  |   | 9.8                             |   |
| Developed Market Equity (non-U.S.)                        | 15.0                 |   | 9.6                             |   |
| Emerging Market Equ ty                                    | 13.0                 |   | 11.7                            |   |
| Credit  |                      |   |                                 |   |
| Bank Loans  | 3.0                  |   | 4.9                             |   |
| High Yield Bonds  | 3.0                  |   | 4.9                             |   |
| Emerging Market Bonds                                     | 3.0                  |   | 4.8                             |   |
| Rate Securities   |                      |   |                                 |   |
| Investment Grade Bonds                                    | 9.0                  |   | 2.2                             |   |
| Long-term Government Bonds                                | 4.0                  |   | 3.1                             |   |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0                  |   | 1.9                             |   |
| Private Markets   |                      |   |                                 |   |
| Private Equity  | 5.0                  |   | 12.5                            |   |
| Core Private Real Estate                                  | 5.0                  |   | 6.4                             |   |
| Risk Mitigating Strategies                                |                      |   |                                 |   |
| Global Macro  | 5.0                  |   | 4.1                             |   |
| Total   | 100.0                | % |                                 |   |

The asset allocation targets summarized above have a 20-year return estimate of 6.90%, which was weighted against a 10-year model estimating a 6.93% return, resulting in the ultimate long-term expected rate of return of 7.00%.

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what Hetch Hetchy's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

|                     | Hetchy       | Hetchy |              |        |
|---------------------|--------------|--------|--------------|--------|
|                     | Water        | Power  | CleanPowerSF | Total  |
| 1% Decrease 6.00%   | \$<br>16,761 | 20,486 | 3,376        | 40,623 |
| Discount Rate 7.00% | 14,444       | 17,653 | 2,909        | 35,006 |
| 1% Increase 8.00%   | 12,551       | 15,341 | 2,528        | 30,420 |

#### Fiscal Year 2020

The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.40%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.40% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

| Target     | Long-term<br>Expected Real  |
|------------|---|
| Allocation | Rate of Return  |
|            |   |
| 41.0 %     | 8.1 %   |
| 20.0       | 8.5   |
| 16.0       | 10.4  |
|            |   |
| 3.0        | 6.5   |
| 3.0        | 6.1   |
| 3.0        | 5.2   |
|            |   |
| 9.0        | 3.9   |
| 5.0        | 3.6   |
| 100.0 %    |   |
|            | Allocation<br>41.0 %<br>20.0<br>16.0<br>3.0<br>3.0<br>3.0<br>9.0<br>5.0 |

The asset allocation targets summarized above have a 20-year return estimate of 8.30%, which was weighted against a 10-year model estimating a 7.50% return, resulting in the ultimate long-term expected rate of return of 7.40%.

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what Hetch Hetchy's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

|                     | Hetchy       | Hetchy |              |        |
|---------------------|--------------|--------|--------------|--------|
|                     | Water        | Power  | CleanPowerSF | Total  |
| 1% Decrease 6.40%   | \$<br>18,879 | 23,074 | 2,536        | 44,489 |
| Discount Rate 7.40% | 16,350       | 19,983 | 2,197        | 38,530 |
| 1% Increase 8.40%   | 14,283       | 17,457 | 1,919        | 33,659 |

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's post-employment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

#### (11) Related Parties

#### (a) Hetch Hetchy

Various common costs incurred by the SFPUC are allocated among Hetch Hetchy, Water, and Wastewater Enterprises. The allocations are based on the SFPUC management's best estimate and may change from year to year depending on the activities incurred by each Enterprise and the information available. For the years ended June 30, 2021 and 2020, the SFPUC allocated \$20,099 or 20.5% and \$18,948 or 20.5% respectively, in administrative costs including COVID-19 Project expenses, which is presented in the financial statements under various expense categories. These costs are then allocated to Hetchy Water, Hetchy Power, and CleanPowerSF in the Hetch Hetchy financial statements, using the periodically reviewed department overhead allocation model.

The City performs certain administrative services such as maintenance of accounting records and investment of cash for all fund groups within the City. The various funds are charged for these services based on the City's indirect cost allocation plan. Some City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges totaling approximately \$12,582 and \$11,007 for the years ended June 30, 2021 and 2020, respectively, have been included in services provided by other departments in the accompanying financial statements.

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. Total payment under this agreement is \$6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. As of June 30, 2021, Hetch Hetchy's allocable shares of expenses and prepayment were \$17 and \$922, respectively, and as of June 30, 2020 were \$18 and \$939, respectively.

#### (b) Hetchy Water

For the years ended June 30, 2021 and 2020, the SFPUC allocated \$4,585 or 4.7%, and \$4,326 or 4.7%, respectively, in administrative costs including COVID-19 Project expense to Hetchy Water.

The Water Enterprise purchases water from Hetchy Water. Included in the operating revenues are the water assessment fees of \$44,149 and \$34,585 for the years ended June 30, 2021 and 2020, respectively. The water assessment fees represent a recovery to fund upcountry, water-related costs that are not otherwise funded through Hetchy water-related revenue or Water revenue bonds.

Hetchy Water received \$16,000 and \$14,000 for the years ended June 30, 2021 and 2020, respectively, from the Water Enterprise to fund upcountry projects.

Hetchy Water had no receivable or payable with other City departments as of June 30, 2021. As of June 30, 2020, Hetchy Water had \$240 in payable and \$104 in receivable with the City Attorney's Office for legal services.

#### (c) Hetchy Power

For the years ended June 30, 2021 and 2020, the SFPUC allocated \$13,202 or 13.5%, and \$12,581 or 13.6% respectively, in administrative costs including COVID-19 Project expense to Hetchy Power.

As of June 30, 2021, and 2020, operating revenues in sales of power to departments within the City were \$82,129 and \$99,797, respectively.

The Water Enterprise also purchases electricity and gas from Hetchy Power. This amount totaled \$9,790 and \$9,909 for the years ended June 30, 2021 and 2020, respectively.

The Wastewater Enterprise purchases electricity and gas from Hetchy Power. This amount totaled \$10,122 and \$10,760 for the years ended June 30, 2021 and 2020, respectively.

The Low Carbon Fuel Standard (LCFS) program is a regulatory program overseen by the California Air Resources Board (CARB). The LCFS program seeks to reduce the carbon intensity of California's transportation fuel by 20% by 2030. Transportation fuel suppliers can achieve this goal by either reducing the carbon intensity of their fuels or purchasing LCFS credits from other fuel suppliers that have a lower carbon intensity. In 2017, the San Francisco Municipal Transportation Agency (SFMTA) joined the LCFS program, signing up its transit fleet of electric buses, cable cars, and light rail vehicles and generating LCFS credits. Through a Memorandum of Understanding (MOU) with SFMTA, approved by the SFPUC Commission in Resolution 17-0199, net proceeds from the sale of LCFS credits would be shared 50/50 between SFMTA and Hetchy Power, Under the MOU. Hetchy Power would take responsibility for selling the LCFS credits. In Ordinance 0199-19, the Board of Supervisors authorized Hetchy Power to establish the Low Carbon Fuel Standard Fund to account for the revenue and expenditure from the sale of LCFS credits. The Ordinance also allowed Hetchy Power to sell LCFS credits on behalf of other City agencies. During fiscal year ended June 30, 2021, Hetchy Power received total payments of \$2,362 for the LCSF credits, of which \$1,181 or 50% was reallocated to SFMTA and the remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position. During fiscal year ended June 30, 2020, Hetchy Power received total payments of \$13,840 for the LCSF credits, of which \$6,920 or 50% was reallocated to SFMTA and the remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

Hetchy Power facilitates all electric and gas service connections between PG&E and City departments. In this capacity, Hetchy Power facilitates and coordinates the terms and payment for the service connections that are performed by PG&E. As of June 30, 2021 and 2020, there was no outstanding amount due from City departments related to this work. In the event Hetchy Power received money from PG&E after project completion, monies are to be refunded to the City departments for their respective credits.

Due from other City departments was \$12,406 and \$13,369 with elimination of \$0 and \$1,800 working capital loan to CleanPowerSF for the years ended June 30, 2021 and 2020, respectively. Hetchy Power serves as the City's department for energy efficiency projects and maintains the Sustainable Energy Account (SEA) (formerly known as the Mayor's Energy Conservation Account) fund to sponsor and financially support such projects at various City departments. In this role, Hetchy Power may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2021 and 2020, projects completed or under way throughout the City amounted to \$4,556 and \$5,062, respectively, and are recorded as due from other government agencies.

Hetch Hetchy funded a project for the Treasure Island Development Authority and recorded a receivable in connection with an upgraded submarine power cable for the Treasure Island as due from other government agencies. This amount totaled \$6,627 and \$6,581 for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, Hetchy Power recorded receivables of \$739 and \$847, respectively, due from Wastewater Enterprise for its share of costs relating to SFPUC Headquarters Living Machine System. Details of due from other City departments are as follows:

|   | _  | 2021    | 2020    |
|---|----|---------|---------|
| Treasure Island Development Authority             | \$ | 6,627   | 6,581   |
| SEA-related project: Moscone Center               |    | 4,556   | 5,062   |
| Wastewater - 525 Golden Gate Headquarters Project |    | 739     | 847     |
| San Francisco Recreation and Park                 |    | 419     | 524     |
| City Attorney's Office                            |    | _       | 331     |
| Department of Public Works                        |    | 65      | 24      |
| Total due from other City departments             | _  | 12,406  | 13,369  |
| Less: current portion                             |    | (7,413) | (1,074) |
| Long-term portion as of June 30, net              | \$ | 4,993   | 12,295  |

As of June 30, 2021, Hetchy Power had payables of \$369 to the Port of San Francisco for Pier 70 Shoreside Power Project. As of June 30, 2020, Hetchy Power had payables in the amount of \$600, of which \$369 to the Port of San Francisco for Pier 70 Shoreside Power Project and \$231 to the City Attorney's Office for legal services.

#### (d) CleanPowerSF

For the years ended June 30, 2021 and 2020, the SFPUC allocated \$2,312 or 2.4%, and \$2,041 or 2.2%, respectively, in administrative costs to CleanPowerSF.

As of June 30, 2021, and 2020, operating revenue in sales of power to Hetchy Power were \$1,072 and \$694, respectively. Operating expenses in purchase of power from Hetchy Power were \$2,456 and \$339, respectively. Wholesale sales of energy, capacity and/or other electric power related products may be made between the CleanPowerSF and Hetchy Power, when available. CleanPowerSF and Hetchy Power transact for such products at prevailing market prices.

CleanPowerSF received program support services from Hetchy Power. This amount totaled \$2,224 and \$1,685 for the years ended June 30, 2021 and 2020, respectively.

CleanPowerSF had \$0 and \$9 in payables due to the other City departments for legal services as of June 30, 2021 and 2020, respectively.

#### (12) Risk Management

The Enterprise's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Enterprise Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the Enterprise's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism are generally more economical, as the SFPUC in coordination with the City Attorney's Office administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the Enterprise obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The Enterprise does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance Program. In the past three

years, there were no settlements that exceeded insurance coverage.

|     | Risk                           | Coverage Approach                       |
|-----|--------------------------------|---|
| (a) | General Liability              | Self-Insured                            |
| (b) | Workers' Compensation          | Self-Insured Through City-wide Pool     |
| (c) | Property                       | Purchased Insurance and Self-Insured    |
| (d) | Public Officials Liability     | Purchased Insurance                     |
| (e) | Employment Practices Liability | Purchased Insurance                     |
| (f) | Cyber Liability                | Purchased Insurance                     |
| (g) | Crime                          | Purchased Insurance                     |
| (h) | Electronic Data Processing     | Purchased Insurance and Self-Insured    |
| (i) | Surety Bonds                   | Purchased and Contractual Risk Transfer |
| (j) | Errors and Omissions           | Purchased and Contractual Risk Transfer |
| (k) | Builders' Risk                 | Contractual Risk Transfer               |

#### (a) General Liability

Through coordination with the Controller's Office and City Attorney's Office, the general liability risk exposure is actuarially determined and is addressed through pay-as-you-go funding as part of the budgetary process. Associated costs and estimates are recorded as expenses as required under GAAP for financial statement purposes for both the Enterprise and the City and County of San Francisco's Annual Comprehensive Financial Report. The claim expense allocations are determined based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The changes for the general liability (damage claims) for the years ended June 30, 2021 and 2020 are as follows:

| Fiscal years | ginning<br>f year | Claims and changes<br>in estimates | Claims<br>paid | End of<br>year |
|--------------|-------------------|------------------------------------|----------------|----------------|
| Hetch Hetchy |                   |                                    |                |                |
| 2021         | \$<br>2,886       | 4,843                              | (6,090)        | 1,639          |
| 2020         | 2,284             | 10,039                             | (9,437)        | 2,886          |
| Hetchy Water |                   |                                    |                |                |
| 2021         | \$<br>558         | 478                                | (511)          | 525            |
| 2020         | 224               | 550                                | (216)          | 558            |
| Hetchy Power |                   |                                    |                |                |
| 2021         | \$<br>2,222       | 4,212                              | (5,326)        | 1,108          |
| 2020         | 2,053             | 9,182                              | (9,013)        | 2,222          |
| CleanPowerSF |                   |                                    |                |                |
| 2021         | \$<br>106         | 153                                | (253)          | 6              |
| 2020         | 7                 | 307                                | (208)          | 106            |

#### (b) Workers' Compensation

The City actuarially determines and allocates workers' compensation costs to the Enterprise according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the Enterprise's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to

lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

The changes for the workers' compensation liabilities for the years ended June 30, 2021 and 2020 are as follows:

| Fiscal years  | Beginning<br>of year |       | Claims and changes<br>in estimates | Claims<br>paid | End of<br>year |
|---------------|----------------------|-------|------------------------------------|----------------|----------------|
| Hetch Hetchy* |                      |       |                                    |                |                |
| 2021          | \$                   | 3,387 | 113                                | (262)          | 3,238          |
| 2020          |                      | 3,499 | 336                                | (448)          | 3,387          |
| Hetchy Water  |                      |       |                                    |                |                |
| 2021          | \$                   | 1,187 | 18                                 | (85)           | 1,120          |
| 2020          |                      | 1,238 | 75                                 | (126)          | 1,187          |
| Hetchy Power  |                      |       |                                    |                |                |
| 2021          | \$                   | 2,200 | 95                                 | (177)          | 2,118          |
| 2020          |                      | 2,261 | 261                                | (322)          | 2,200          |

\*CleanPowerSF had no workers' compensation liabilities as of June 30, 2021 and 2020.

#### (c) Property

The Enterprise's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the Enterprise requires each contractor to provide its own insurance, while ensuring the full scope of work is covered with satisfactory levels to limit the Enterprise's risk exposure. Once construction is complete, the Enterprise performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for (1) revenue generating facilities, (2) debt-financed facilities, (3) mandated coverage to meet statutory requirements for bonding of various public officials, or (4) high-value, mission-critical property or equipment.

#### (d) Public Officials Liability

All Enterprise public officials with financial oversight responsibilities are provided coverage through a commercial Public Officials Liability Policy.

#### (e) Employment Practices Liability

An Employment Practices Liability Policy is retained to protect against employment-related claims and liabilities.

#### (f) Cyber Liability

A Cyber Liability Policy is retained to protect against cyber-related claims and liabilities.

#### (g) Crime

The Enterprise also retains a Commercial Crime Policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

#### (h) Electronic Data Processing

The Electronic Data Processing policy protects selected high-value electronic property in case of damage or loss.

#### (i) Surety Bonds

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

#### (j) Errors and Omissions

Errors and omissions, also known as Professional Liability, are commonly transferred through contract to the contracted professional, or retained through self insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

#### (k) Builders' Risk

Builders' Risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

#### (I) Energy Risk Management

Similar to other electric utilities with a heavy reliance on hydroelectric generation, Hetch Hetchy is exposed to risks that could impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the Hetch Hetchy revenues can vary with watershed hydrology, unexpected generator outages, and market prices for energy. Given the inherent risk for all hydroelectric generation, several risk management interventions have been developed to mitigate exposure.

#### (m) Enterprise Risk Management

The Power Enterprise adopted the ISO 31000 standard for Hetchy Power and the CleanPowerSF program as the framework for implementing Enterprise Risk Management (ERM). The Enterprise utilizes this framework to systematically and proactively identify and mitigate risks that threatens its business objectives. Since not all risks are insurable or transferable contractually, the ERM program provides an additional method to manage risks and protect the Enterprise's current and expanding business allowing for increased operational resiliency and the ability to capitalize on opportunities.

#### (13) Commitments and Litigation

#### (a) Commitments

As of June 30, 2021, and 2020, Hetch Hetchy, has outstanding commitments with third parties of \$143,404 and \$103,508, respectively, for various capital projects and other purchase agreements for materials and services.

#### **Hetchy Water**

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. The payment amounts were \$5,069 and \$4,979 for fiscal years 2021 and 2020, respectively. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of \$1,400 is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52%, while the Districts are responsible for 48% of the costs.

#### **Hetchy Power**

#### Wholesale Distribution Tariff (WDT) and Key Operating Agreements for Grid Access

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City continues to negotiate with PG&E and, where necessary, file complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, traffic signal and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal years 2021 and 2020, Hetchy Power purchased distribution services for \$8,868 and \$9,270, respectively, from PG&E under the terms of the Service Agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of the electric grid in San Francisco.

#### Western System Power Pool and other Market Purchases and Sales

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal years 2021 and 2020, Hetchy Power purchased \$0 and \$2,041 of power and other related products, respectively. Sales of excess power, after meeting Hetch Hetchy's obligations, were \$469 or 110,043 MWh for 2021 and \$3,105 or 134,574 MWh for 2020, respectively.

#### Power Purchase Agreement (PPA)

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a local solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year PPA with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility.

The PPA sets the starting purchase price of generated energy at \$235/MWh, increasing by 3% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2021, the facility generated 6,598 MWh and the rate was at \$324/MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2021 and 2020, purchases of energy under the Agreement were \$2,127, or 6,598 MWh, and \$2,135, or 6,877 MWh, respectively.

#### CleanPowerSF

CleanPowerSF began serving customers in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. Calpine did not have any reserve balance requirement in fiscal years 2021 and 2020. Since its launch, CleanPowerSF has added multiple additional short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy and capacity with renewable energy developers sPower, Terra-Gen, NextEra and EDF Renewables. These contracts have been entered to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide enrollment into the CleanPowerSF program. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. The total power purchase cost, net of wholesale sales, equaled \$188,533 and \$174,432 in fiscal years 2021 and 2020, respectively.

CleanPowerSF entered into a contract with Noble Americas Energy Solutions in November 2015 for a three-year term, not to exceed \$5,600 to provide data management, billing administration and customer care services. On December 1, 2016, Noble Americas Energy Solutions was acquired by Calpine Corporation and was renamed Calpine Energy Solutions. Subsequently, CleanPowerSF's contract was assigned to Calpine Energy Solutions under its new name and ownership. In August 2018, CleanPowerSF exercised its option under the contract to extend the term for three years, through October 31, 2021, and increased the contract's not-to-exceed value to \$18,769. During fiscal years 2021 and 2020, amounts paid were \$6,664 and \$6,240, respectively.

#### CleanPowerSF Power Purchase Agreement (PPA)

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2021, CleanPowerSF received cash collateral of \$9,000 for Development Assurance and Performance Assurance from the Seller.

#### CleanPowerSF Guarantee

In March 2018, CleanPowerSF entered into a five-year, \$75,000 Credit Agreement with JPMorgan Chase Bank, National Association ("Bank") to provide letters of credit or loans from the Bank to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs, if necessary. The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling \$13,810 and \$17,985 for fiscal years ending June 30, 2021 and 2020, respectively. CleanPowerSF did not draw on the Credit Agreement during fiscal years 2021 and 2020. Accordingly, the uncommitted credit capacity under the Credit Agreement was \$61,190 and \$57,015 during fiscal years 2021 and 2020, respectively.

Financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. As of June 30, 2021, CleanPowerSF was not in compliance with this financial covenant as calculated for the four consecutive fiscal quarters ended on such date, resulting in a covenant event of default under the Credit Agreement. In connection with subsequent amendments to the Credit Agreement, JPMorgan Chase granted a waiver of such event of default for the period ended June 30, 2021. See Note 14(a), Subsequent Events, for additional details. CleanPowerSF was in compliance with other covenants and requirements of the Credit Agreement as of June 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* requires the disclosure of certain information related to debt, including unused letters of credit. Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

#### (b) Litigation

Hetch Hetchy is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of these legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of Hetch Hetchy.

#### (c) Grants

Grants that the Enterprise received are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

#### (d) Environmental Issue

As of June 30, 2021, and 2020, there was no pollution remediation liability recorded.

#### (14) Subsequent Events

#### (a) CleanPowerSF Guarantee

On November 10, 2021, CleanPowerSF and JPMorgan Chase Bank, National Association executed amendments to the March 2018 Credit Agreement. In connection with the amendments, JPMorgan waived the debt service coverage covenant event of default described in Note 13(a). Among other things, the amendments provided for a decrease in the Credit Agreement amount to \$20,000 from \$75,000 at the request of CleanPowerSF, and extended the agreement to March 2024. Additional changes to the agreement include elimination of target reserve requirements, revisions to debt service coverage and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable.

#### (b) Power Enterprise, Issuance of Commercial Paper Notes

On December 8, 2021, the SFPUC issued \$23,000 in Power Enterprise commercial paper notes to finance a portion of the design, acquisition and construction of various capital projects in furtherance of the SFPUC's Power Enterprise capital improvement program. The commercial paper notes were refinanced with proceeds of the Power Revenue Bonds Series 2021 AB issuance on December 22, 2021.

#### (c) Power Revenue Bonds Series 2021 AB Issuance

On December 21, 2021, the SFPUC issued its San Francisco Power Revenue Bonds, 2021 Sub-Series A (Green), and Sub-Series B together with an aggregate principal of \$124,000 to refund approximately \$137,714 aggregate principal amount of commercial paper notes issued pursuant to the Power Enterprise's commercial paper program to finance or refinance a portion of the design, acquisition and construction of various capital projects in furtherance of the SFPUC's Power Enterprise capital improvement program.

#### (d) SFPUC's Claim to California State for Arrearages Relief

The California Department of Community Services & Development is administering funds to energy utilities for the California Arrearage Payment Program (Program) during fiscal year 2022, sourced by the American Rescue Plan Act. The Program was created to provide relief for unpaid bills related to the COVID-19 pandemic. The SFPUC has submitted surveys to the Department of Community Services & Development. Hetch Hetchy received notice from California Department of Community Services & Development on October 28, 2021 stating that \$1,218 will be allocated to Hetchy Power and \$2,424 will be allocated to CleanPowerSF. Funds for energy arrearage relief are expected to reach the agency sometime in early 2022.



KPMG LLP Suite 1400 55 Second Street San Francisco, CA 94105

#### 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*

The Honorable Mayor and Board of Supervisors City and County of San Francisco, California:

We have audited, in accordance with the 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 the business-type activities and each fund of San Francisco Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), an enterprise fund of the City and County of San Francisco, California (the City), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2022.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hetch Hetchy's internal control over financial reporting (internal control) as a basis for designing 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 Hetch Hetchy's internal control. Accordingly, we do not express an opinion on the effectiveness of Hetch Hetchy'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 Hetch Hetchy'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 financial statements. 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 Hetch Hetchy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hetch Hetchy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LIP

San Francisco, California January 27, 2022



San Francisco Public Utilities Commission An Enterprise Department of the City and County of San Francisco, California

# **Our mission**

To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.

Cover photo: Moccasin Powerhouse and Reservoir Back photo: Street lights at Civic Center Plaza Photo by: Robin Scheswohl

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Communications Division Date of Publication: January 2022

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