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for Vital Services.**



**San Francisco
Water Power Sewer**
Services of the San Francisco Public Utilities Commission



Hetch Hetchy Water and Power and CleanPowerSF

**Financial Statements June 30, 2025 and 2024
(With Independent Auditor's Reports Thereon)**

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), an enterprise fund of the City and County of San Francisco (City), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, 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 each major fund of the Hetch Hetchy as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hetch Hetchy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 present only the Hetch Hetchy and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Hetch Hetchy's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Auditor's 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 auditor's 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 the 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 November 5, 2025 on our consideration of the 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 the 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 the Hetch Hetchy's internal control over financial reporting and compliance.



Walnut Creek, California
November 5, 2025

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

(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, 2025 and 2024. 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.

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

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

Organization and Business

The San Francisco Public Utilities Commission (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 Water and Power. 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 70% 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 (SFMTA), Recreation and Parks Department, the Port of San Francisco, San Francisco International Airport (SFO) and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, City streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The remaining 30% of electricity generated was provided to other commercial/residential developments and 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.

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Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

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

Hetchy Power is San Francisco's publicly owned utility which provides 100% greenhouse gas-free electric power to serve the City and County of San Francisco's municipal customers, other commercial and residential developments. It includes approximately 160 miles of transmission lines from Yosemite to the Bay Area and nearly 400 megawatts of generation capacity. Hetch Hetchy Power is a full-service retail electric program serving approximately 20% of the City's load and over 6,000 customer accounts.

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 address environmental concerns and community objectives, Hetchy Power continues to expand its resource base to include distributed generation as well as energy efficiency and transportation and building decarbonization programs. As part of its mission and core functions, Hetchy Power provides reliable energy services at reasonable cost to customers.

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.

CleanPowerSF

CleanPowerSF is San Francisco's community choice aggregation (CCA) program operated by the SFPUC. CCA programs were made possible by the 2002 passage of California Assembly Bill 117, enabling communities to generate and purchase power on behalf of their residents and businesses and creating retail competition for power supply services. CleanPowerSF began serving customers with power generation in May 2016. CleanPowerSF's core business is to provide greener electricity supply to residential and commercial consumers that are retail distribution customers of Pacific Gas and Electric Company (PG&E) in San Francisco. The SFPUC operates CleanPowerSF as a financially independent service, with the ability to set

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rates and charges with adequate revenues, and to issue debt to support its operations and future projects, as needed. CleanPowerSF is discretely presented as a fund of the Enterprise starting fiscal year 2017.

CleanPowerSF offers affordable and competitive electricity generation rates with a diverse electricity resource portfolio that is comprised of renewable and other clean sources of supply. The program serves more than 380,000 customer accounts and provides San Francisco with an electricity supply from its default "Green" product that is sourced from at least 50% California State Renewables Portfolio Standard (RPS)-eligible resources. 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 neighborhoods that meet the State of California's criteria as Disadvantaged Communities with 100% RPS-eligible 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.

Financial Analysis

Financial Highlights for Fiscal Year 2025

Hetch Hetchy

- Total assets of Hetch Hetchy exceeded total liabilities by \$1,127,105.
- Net position increased by \$130,626 or 12.8% during the fiscal year.

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Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

- Capital assets, net of accumulated depreciation and amortization, increased by \$65,086 or 6.5% to \$1,060,337.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$71,032 or 11.3% to \$701,470.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium and issuance costs, increased by \$78,605 or 14.1% to \$635,730.

Hetchy Water

- Total assets of Hetchy Water exceeded total liabilities by \$328,268.
- Net position increased by \$60,014 or 21.4% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$12,844 or 5.4% to \$250,330.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$3,719 or 7.5% to \$53,211.
- Operating expenses, excluding interest expenses and other non-operating expenses, increased by \$1,062 or 2.4% to \$45,471.

Hetchy Power

- Total assets of Hetchy Power exceeded total liabilities by \$553,699.
- Net position increased by \$2,135 or 0.4% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$52,169 or 6.9% to \$809,921.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$4,111 or 1.9% to \$218,463.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium and issuance costs, increased by \$16,918 or 8.4% to \$218,081.

CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by \$245,138.
- Net position increased by \$68,477 or 38.4% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$73 or 561.5% to \$86.

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(Dollars in thousands, unless otherwise stated)

- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$63,202 or 17.2% to \$429,796.
- Operating expenses, excluding interest expenses increased by \$60,625 or 19.5% to \$372,178.

*Financial Highlights for Fiscal Year 2024**

Hetch Hetchy

- Total assets of Hetch Hetchy exceeded total liabilities by \$1,001,122.
- Net position increased by \$113,457 or 12.5% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$127,947 or 14.8% to \$995,251.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$46,961 or 8.0% to \$630,438.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$20,782 or 3.9% to \$557,125.

Hetchy Water

- Total assets of Hetchy Water exceeded total liabilities by \$269,661.
- Net position increased by \$5,815 or 2.1% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$17,450 or 7.9% to \$237,486.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by \$3,205 or 6.1% to \$49,492.
- Operating expenses, excluding other non-operating expenses, decreased by \$5,602 or 11.2% to \$44,409.

Hetchy Power

- Total assets of Hetchy Power exceeded total liabilities by \$553,285.
- Net position increased by \$47,501 or 9.2% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by \$110,514 or 17.1% to \$757,752.

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Management's Discussion and Analysis (Unaudited)

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(Dollars in thousands, unless otherwise stated)

- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$10,349 or 5.1% to \$214,352.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$9,611 or 5.0% to \$201,163.

CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by \$178,176.
- Net position increased by \$60,141 or 51.0% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, decreased by \$17 or 56.7% to \$13.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by \$39,817 or 12.2% to \$366,594.
- Operating expenses, excluding interest expenses increased by \$16,773 or 5.7% to \$311,553.

* The financial highlights for fiscal year 2024 were updated to reflect the restatements from Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

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Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

Financial Position

The following tables summarize Hetch Hetchy's net position:

**Table 1A - Combined Hetch Hetchy
Comparative Condensed Net Position
June 30, 2025, 2024, and 2023**

	2025	Restated 2024*	2023	2025-2024 Change	2024-2023 Change
Total assets:					
Current and other assets	\$ 806,559	636,716	542,742	169,843	93,974
Capital assets, net of accumulated depreciation and amortization	1,060,337	995,251	867,304	65,086	127,947
Total assets	<u>1,866,896</u>	<u>1,631,967</u>	<u>1,410,046</u>	<u>234,929</u>	<u>221,921</u>
Deferred outflows of resources:					
Pensions	30,386	28,696	20,976	1,690	7,720
Other postemployment benefits	7,760	8,086	8,226	(326)	(140)
Total deferred outflows of resources	<u>38,146</u>	<u>36,782</u>	<u>29,202</u>	<u>1,364</u>	<u>7,580</u>
Liabilities:					
Current liabilities:					
Bonds	3,748	3,599	1,590	149	2,009
Certificates of participation	483	463	445	20	18
Commercial paper	169,333	90,654	—	78,679	90,654
Other liabilities	101,458	106,243	104,704	(4,785)	1,539
Subtotal current liabilities	<u>275,022</u>	<u>200,959</u>	<u>106,739</u>	<u>74,063</u>	<u>94,220</u>
Long-term liabilities:					
Bonds	309,631	315,200	189,342	(5,569)	125,858
Certificates of participation	11,202	11,685	12,148	(483)	(463)
Commercial paper	—	—	116,352	—	(116,352)
Arbitrage rebate payable	207	184	—	23	184
Other liabilities	143,729	102,817	83,913	40,912	18,904
Subtotal long-term liabilities	<u>464,769</u>	<u>429,886</u>	<u>401,755</u>	<u>34,883</u>	<u>28,131</u>
Total liabilities:					
Bonds	313,379	318,799	190,932	(5,420)	127,867
Certificates of participation	11,685	12,148	12,593	(463)	(445)
Commercial paper	169,333	90,654	116,352	78,679	(25,698)
Arbitrage rebate payable	207	184	—	23	184
Other liabilities	245,187	209,060	188,617	36,127	20,443
Total liabilities	<u>739,791</u>	<u>630,845</u>	<u>508,494</u>	<u>108,946</u>	<u>122,351</u>
Deferred inflows of resources:					
Pensions	2,659	5,238	10,500	(2,579)	(5,262)
Other postemployment benefits	8,030	8,730	9,775	(700)	(1,045)
Total deferred inflows of resources	<u>10,689</u>	<u>13,968</u>	<u>20,275</u>	<u>(3,279)</u>	<u>(6,307)</u>
Net position:					
Net investment in capital assets	590,401	576,573	527,185	13,828	49,388
Restricted for debt service	—	—	56	—	(56)
Restricted for capital projects	53,460	59,955	32,682	(6,495)	27,273
Restricted for other purposes	5,772	—	—	5,772	—
Unrestricted	504,929	387,408	350,556	117,521	36,852
Total net position	<u>\$ 1,154,562</u>	<u>1,023,936</u>	<u>910,479</u>	<u>130,626</u>	<u>113,457</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

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Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

Table 1B - Hetchy Water
Comparative Condensed Net Position
June 30, 2025, 2024, and 2023

	2025	Restated 2024*	2023	2025-2024 Change	2024-2023 Change
Total assets:					
Current and other assets	\$ 127,978	81,605	90,830	46,373	(9,225)
Capital assets, net of accumulated depreciation and amortization	250,330	237,486	220,036	12,844	17,450
Total assets	378,308	319,091	310,866	59,217	8,225
Deferred outflows of resources:					
Pensions	12,435	11,929	8,858	506	3,071
Other postemployment benefits	2,954	3,191	3,248	(237)	(57)
Total deferred outflows of resources	15,389	15,120	12,106	269	3,014
Liabilities:					
Current liabilities	8,728	9,921	9,888	(1,193)	33
Long-term liabilities	41,312	39,509	31,730	1,803	7,779
Total liabilities	50,040	49,430	41,618	610	7,812
Deferred inflows of resources:					
Pensions	868	1,941	4,142	(1,073)	(2,201)
Other postemployment benefits	2,832	2,897	3,084	(65)	(187)
Total deferred inflows of resources	3,700	4,838	7,226	(1,138)	(2,388)
Net position:					
Net investment in capital assets	248,610	233,276	214,014	15,334	19,262
Restricted for capital projects	20,815	31,330	10,980	(10,515)	20,350
Unrestricted	70,532	15,337	49,134	55,195	(33,797)
Total net position	\$ 339,957	279,943	274,128	60,014	5,815

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

Table 1C - Hetchy Power
Comparative Condensed Net Position
June 30, 2025, 2024, and 2023

	<u>2025</u>	<u>Restated 2024*</u>	<u>2023</u>	<u>2025-2024 Change</u>	<u>2024-2023 Change</u>
Total assets:					
Current and other assets	\$ 386,239	330,411	294,006	55,828	36,405
Capital assets, net of accumulated depreciation and amortization	809,921	757,752	647,238	52,169	110,514
Total assets	<u>1,196,160</u>	<u>1,088,163</u>	<u>941,244</u>	<u>107,997</u>	<u>146,919</u>
Deferred outflows of resources:					
Pensions	15,198	14,580	10,826	618	3,754
Other postemployment benefits	3,611	3,899	3,969	(288)	(70)
Total deferred outflows of resources	<u>18,809</u>	<u>18,479</u>	<u>14,795</u>	<u>330</u>	<u>3,684</u>
Liabilities:					
Current liabilities:					
Bonds	3,748	3,599	1,590	149	2,009
Certificates of participation	483	463	445	20	18
Commercial paper	169,333	90,654	—	78,679	90,654
Other liabilities	54,523	58,082	63,355	(3,559)	(5,273)
Subtotal current liabilities	<u>228,087</u>	<u>152,798</u>	<u>65,390</u>	<u>75,289</u>	<u>87,408</u>
Long-term liabilities:					
Bonds	309,631	315,200	189,342	(5,569)	125,858
Certificates of participation	11,202	11,685	12,148	(483)	(463)
Commercial paper	—	—	116,352	—	(116,352)
Arbitrage rebate payable	207	184	—	23	184
Other liabilities	93,334	55,011	45,626	38,323	9,385
Subtotal long-term liabilities	<u>414,374</u>	<u>382,080</u>	<u>363,468</u>	<u>32,294</u>	<u>18,612</u>
Total liabilities:					
Bonds	313,379	318,799	190,932	(5,420)	127,867
Certificates of participation	11,685	12,148	12,593	(463)	(445)
Commercial paper	169,333	90,654	116,352	78,679	(25,698)
Arbitrage rebate payable	207	184	—	23	184
Other liabilities	147,857	113,093	108,981	34,764	4,112
Total liabilities	<u>642,461</u>	<u>534,878</u>	<u>428,858</u>	<u>107,583</u>	<u>106,020</u>
Deferred inflows of resources:					
Pensions	1,061	2,372	5,062	(1,311)	(2,690)
Other postemployment benefits	3,461	3,541	3,769	(80)	(228)
Total deferred inflows of resources	<u>4,522</u>	<u>5,913</u>	<u>8,831</u>	<u>(1,391)</u>	<u>(2,918)</u>
Net position:					
Net investment in capital assets	341,791	343,297	313,171	(1,506)	30,126
Restricted for debt service	—	—	56	—	(56)
Restricted for capital projects	32,645	28,625	21,702	4,020	6,923
Restricted for other purposes	5,772	—	—	5,772	—
Unrestricted	187,778	193,929	183,421	(6,151)	10,508
Total net position	<u>\$ 567,986</u>	<u>565,851</u>	<u>518,350</u>	<u>2,135</u>	<u>47,501</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

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**Table 1D - CleanPowerSF
Comparative Condensed Net Position
June 30, 2025, 2024, and 2023**

	2025	Restated 2024*	2023	2025-2024 Change	2024-2023 Change
Total assets:					
Current and other assets	\$ 292,342	224,700	157,906	67,642	66,794
Capital assets, net of accumulated depreciation and amortization	86	13	30	73	(17)
Total assets	292,428	224,713	157,936	67,715	66,777
Deferred outflows of resources:					
Pensions	2,753	2,187	1,292	566	895
Other postemployment benefits	1,195	996	1,009	199	(13)
Total deferred outflows of resources	3,948	3,183	2,301	765	882
Liabilities:					
Current liabilities	38,207	38,240	31,461	(33)	6,779
Long-term liabilities	9,083	8,297	6,557	786	1,740
Total liabilities	47,290	46,537	38,018	753	8,519
Deferred inflows of resources:					
Pensions	730	925	1,296	(195)	(371)
Other postemployment benefits	1,737	2,292	2,922	(555)	(630)
Total deferred inflows of resources	2,467	3,217	4,218	(750)	(1,001)
Net position:					
Unrestricted	246,619	178,142	118,001	68,477	60,141
Total net position	\$ 246,619	178,142	118,001	68,477	60,141

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Net Position, Fiscal Year 2025

Hetch Hetchy

Hetch Hetchy's net position of \$1,154,562 increased by \$130,626 or 12.8% from prior year. Increases in total assets and deferred outflows of resources of \$236,293 and increases of \$105,667 in total liabilities and deferred inflows of resources are described below (see Table 1A). Current and other assets were \$806,559, a \$169,843 or 26.7% increase from prior year, mainly due to increased cash collections from charges for services for Hetchy Power and CleanPowerSF.

Capital assets, net of accumulated depreciation and amortization, increased by \$65,086 or 6.5% to \$1,060,337 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement and the Bay Corridor Transmission and Distribution Projects. Deferred outflows of resources increased by \$1,364 due to an increase in pensions offset by a decrease in other postemployment benefits (OPEB) based on actuarial reports.

Total liabilities increased by \$108,946 or 17.3% to \$739,791. Outstanding debt increased by \$72,796 due to an increase of \$78,679 from commercial paper issuance, offset by \$4,062 in bonds and certificates of participation principal repayments and \$1,821 in amortization of premium. Arbitrage rebate payable and other liabilities increased by \$36,150 primarily due to \$37,822 in State Revolving Fund (SRF) loan payable to Water Enterprise for the Mountain Tunnel Project. Deferred inflows of resources decreased by \$3,279 due to decreases in pensions and OPEB based on actuarial reports.

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Hetchy Water

Hetchy Water's net position of \$339,957 increased by \$60,014 or 21.4% from prior year. Increases in total assets and deferred outflows of resources of \$59,486 and decreases of \$528 in total liabilities and deferred inflows of resources are described below (see Table 1B). The increase of \$46,373 in current and other assets was attributed to an increase of \$46,258 in cash and investments with City Treasury mainly due to transfer of \$47,084 from the Water Enterprise for the Mountain Tunnel Improvement Project. The remaining increase of \$115 was mainly due to increase in interest receivables from higher interest rates.

Capital assets, net of accumulated depreciation and amortization, increased by \$12,844 or 5.4% to \$250,330 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement and O'Shaughnessy Dam Outlet Works Projects. Deferred outflows of resources increased by \$269 due to an increase in pensions offset by a decrease in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by \$610 or 1.2% to \$50,040, as explained by increases of \$1,320 in net pension liability based on actuarial estimates and \$825 in employee related benefits due to 3.0% increase in cost-of-living adjustment (COLA) and implementation of GASB Statement No. 101, *Compensated Absences* which required the recognition of additional leave benefits. Other increases of \$1,374 were mostly related to unrestricted payables due to increase in management consulting services and equipment purchases. These increases were offset by a decrease of \$2,909 in restricted payables due to lower project spending mainly for Repair and Replacement Projects.

Deferred inflows of resources decreased by \$1,138 due to decreases in pensions and OPEB based on actuarial reports.

Hetchy Power

Hetchy Power's net position of \$567,986 increased by \$2,135 or 0.4% from prior year. Increases in total assets and deferred outflows of resources of \$108,327 and increases of \$106,192 in total liabilities and deferred inflows of resources are described below (see Table 1C). Increase of \$55,828 in current and other assets was attributed to increases of \$60,535 in cash and investments mainly due to cash proceeds from additional commercial paper issuances and \$1,788 in prepaid charges, advances, and other receivables mainly due to new Inflation Reduction Act tax credits for solar projects. These increases were offset by decreases of \$5,240 in charges for services receivables due to less excess energy sold to wholesale customers and \$1,255 in due from other City departments from one-time utility users tax refund received from the General Fund.

Capital assets, net of accumulated depreciation and amortization, increased by \$52,169 or 6.9% to \$809,921 primarily from construction and capital improvement activities for the Bay Corridor Transmission and Distribution Projects. Deferred outflows of resources increased by \$330 due to an increase in pensions offset by a decrease in OPEB based on actuarial reports.

Hetchy Power's total liabilities of \$642,461 increased by \$107,583 or 20.1%. As of June 30, 2025, outstanding debt increased by \$72,796 due to \$78,679 commercial paper issuance, offset by \$4,062 in bonds and certificates of participation principal repayments and \$1,821 in amortization of premium. Arbitrage rebate payable and other liabilities increased by \$34,787 mainly due to \$37,822 in SRF loan payable to Water Enterprise for the Mountain Tunnel Project, \$3,031 increase in unrestricted payable due to higher year-end expense accruals for power purchases, \$1,613 in net pension liability based on actuarial estimates, and \$1,093 in unearned revenues, refunds, and other due to prepaid Distributed Antenna System (DAS) revenue. The remaining increase of \$1,962 was mostly related to employee related benefits

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due to 3.0% increase in COLA and implementation of GASB Statement No. 101, *Compensated Absences* which required the recognition of additional leave benefits. These increases were offset by decreases of \$7,608 in restricted payable mainly due to lower year-end expense accruals for the Warnerville Substation Rehabilitation and Bay Corridor Transmission and Distribution projects and \$3,126 in damage claim liability. Hetchy Power's damage claim liability as of June 30, 2025 was estimated by using probable exposure information provided by the City Attorney's Office and includes an estimate of incurred but not reported losses.

Deferred inflows of resources decreased by \$1,391 due to decreases in pensions and OPEB based on actuarial reports.

CleanPowerSF

CleanPowerSF's net position of \$246,619 increased by \$68,477 or 38.4% from prior year. Increases in total assets and deferred outflows of resources of \$68,480 and increases of \$3 in total liabilities and deferred inflows of resources are described below (see Table 1D). Increase in current and other assets of \$67,642 was due to increases of \$62,638 in cash and investments with City Treasury mainly attributed to higher collections from billings, \$3,686 in charges for services receivables mainly due to 8.5% average rate increase, and \$1,318 in prepaid charges, interest receivables, and other receivables mainly related to additional interest receivable on collateral and pending collections for resource adequacy capacity sales to counterparties.

Capital assets, net of accumulated depreciation and amortization, increased by \$73 or 561.5% to \$86 due to increase in subscription assets. Deferred outflows of resources increased by \$765 due to increases in pensions and OPEB based on actuarial reports.

Total liabilities increased by \$753 or 1.6% to \$47,290, mainly explained by increases of \$3,109 in payables due to higher power purchases and \$1,590 in net pension liability based on actuarial estimates and increase in employee related benefits due to 3.0% COLA increase and implementation of GASB Statement No. 101, *Compensated Absences* which required the recognition of additional leave benefits. These increases were offset by a decrease of \$3,946 in unearned revenues, OPEB, damage claims, and other liabilities mainly due to return of funds for the Community Food Service Energy Efficiency Program to PG&E.

Deferred inflows of resources decreased by \$750 due to decreases in pensions and OPEB based on actuarial reports.

*Net Position, Fiscal Year 2024**

Hetch Hetchy

Hetch Hetchy's net position of \$1,023,936 increased by \$113,457 or 12.5% from prior year. Increases in total assets and deferred outflows of resources of \$229,501 and increases of \$116,044 in total liabilities and deferred inflows of resources are described below (see Table 1A). Current and other assets were \$636,716, a \$93,974 or 17.3% increase from prior year, mainly due to increased cash collections from charges for services for Hetchy Power and CleanPowerSF.

Capital assets, net of accumulated depreciation and amortization, increased by \$127,947 or 14.8% to \$995,251 primarily from construction and capital improvement activities for the Cluster 7 Mitigation and Transmission Line Clearance Mitigation Projects. Deferred outflows of resources increased by \$7,580 due to

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an increase of \$7,720 in pensions, offset by a decrease of \$140 in other postemployment benefits (OPEB) based on actuarial reports.

Total liabilities increased by \$122,351 or 24.1% to \$630,845. Outstanding debt increased by \$101,724 due to an increase of \$127,867 in bonds mainly from 2023 Series A Revenue Bonds issuance, offset by decreases of \$25,698 in commercial paper and \$445 in Certificates of Participation. Arbitrage rebate payable increased by \$184 related to 2021 Series AB and 2023 Series A Revenue Bonds. Other liabilities increased by \$20,443 primarily due to increases in net pension liability based on actuarial estimates and accrued compensated absences per implementation of GASB Statement No. 101, *Compensated Absences*. Deferred inflows of resources decreased by \$6,307 due to decreases of \$5,262 in pensions and \$1,045 in OPEB based on actuarial reports.

Hetchy Water

Hetchy Water's net position of \$279,943 increased by \$5,815 or 2.1% from prior year. Increases in total assets and deferred outflows of resources of \$11,239 and increases of \$5,424 in total liabilities and deferred inflows of resources are described below (see Table 1B). The decrease of \$9,225 in current and other assets was attributed to decreases of \$10,152 in cash and investments with City Treasury mainly from higher cash paid to suppliers and contractors for goods and services, \$59 in due from other governments related to State grant reimbursement for Rim Fire Project, and \$22 in inventory due to more issuances than purchases during the fiscal year. The decreases were offset by increases of \$659 in prepaid charges, advances, and other receivables mainly due to higher prepayments to San Joaquin Tributaries Authority and County of Tuolumne, \$283 in interest receivables attributed to higher interest rates, and \$66 in charges for services receivables due to higher consumption from Lawrence Livermore National Laboratory.

Capital assets, net of accumulated depreciation and amortization, increased by \$17,450 or 7.9% to \$237,486 primarily from construction and capital improvement activities for the 2023 March Winter Storm and Mountain Tunnel Improvements Projects. Deferred outflows of resources increased by \$3,014 due to an increase of \$3,071 in pensions, offset by a decrease of \$57 in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by \$7,812 or 18.8% to \$49,430, as explained by increases of \$4,985 in net pension liability based on actuarial estimates, \$3,314 in accrued compensated absences per implementation of GASB Statement No. 101, *Compensated Absences*, \$1,362 in OPEB obligations based on actuarial estimates, and \$468 in employee related benefits due to 4.75% increase in cost-of-living adjustment (COLA). These increases were offset by decreases of \$1,720 in restricted payables due to lower project spending mainly for Mountain Tunnel Improvement Project, \$432 in general liability based on actuarial estimates, \$80 in subscription liability, \$64 in unrestricted payables mainly due to decrease in management consulting services, \$16 in lease liability, \$4 in unearned revenues, refunds, and other mainly due to decrease in prepaid rent received from tenants, and \$1 in interest payable related to SBITAs.

Deferred inflows of resources decreased by \$2,388 due to decreases of \$2,201 in pensions and \$187 in OPEB based on actuarial reports.

Hetchy Power

Hetchy Power's net position of \$565,851 increased by \$47,501 or 9.2% from prior year. Increases in total assets and deferred outflows of resources of \$150,603 and increases of \$103,102 in total liabilities and deferred inflows of resources are described below (see Table 1C). Increase of \$36,405 in current and other assets was attributed to increases of \$28,989 in cash and investments mainly due to higher collections from billings attributable to 14.0% average rate increase and cash proceeds from commercial paper, \$6,065

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in prepaid charges, advances, and other receivables mainly due to prepayments to vendors such as County of Tuolumne for municipal services and additional collateral paid to satisfy the CAISO's financial security requirements, \$4,079 in charges for services receivables mainly due to pending collections from wholesale customers, \$1,320 in interest receivables attributed to higher interest rates, and \$71 in inventory due to more purchases than issuances during the fiscal year.

These increases were offset by decreases of \$3,982 in restricted interest and receivables due to refundable deposit received from PG&E, \$72 in due from other governments related to State grant reimbursement for Rim Fire Project, and \$65 in due from other City departments mainly due to repayments for Moscone Renewable Energy Projects.

Capital assets, net of accumulated depreciation and amortization, increased by \$110,514 or 17.1% to \$757,752 primarily from construction and capital improvement activities for the Cluster 7 Mitigation and Transmission Line Clearance Mitigation Projects. Deferred outflows of resources increased by \$3,684 due to an increase of \$3,754 in pensions, offset by a decrease of \$70 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of \$534,878 increased by \$106,020 or 24.7%. As of June 30, 2024, outstanding debt increased by \$101,724 due to \$131,230 from issuance of 2023 Series A Revenue Bonds and \$91,635 from commercial paper issuance, offset by commercial paper repayment of \$117,333, bonds and certificates of participation principal repayments of \$2,035, and \$1,773 in amortization of premium and discount. Other liabilities of \$113,093, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by \$4,112 or 3.8%, mainly due to increases of \$6,093 in net pension liability based on actuarial estimates, \$5,748 in restricted payables to vendors and contractors due to higher year-end expense accruals mainly for the Warnerville Substation Project, \$4,051 in accrued compensated absences per implementation of GASB Statement No. 101, *Compensated Absences*, \$1,663 in OPEB obligations based on actuarial estimates, \$1,094 in interest payable mainly due to 2023 Series A Revenue Bonds issuance, \$724 in unearned revenues, refunds, and other mainly due to utility user taxes payable to Alameda county, and \$610 in employee related benefits due to 4.75% increase in COLA. These increases were offset by decreases of \$11,465 in unrestricted payables mainly due to lower year-end expense accruals for power purchases from APX, Inc. and distribution services from PG&E, \$2,376 in general liability based on actuarial estimates, \$1,946 in due to other City departments related to claim settlement reimbursement paid to SFMTA, \$65 in subscription liability, and \$19 in lease liability. Arbitrage rebate payable increased by \$184 related to 2021 Series AB and 2023 Series A Revenue Bonds.

Deferred inflows of resources decreased by \$2,918 due to decreases of \$2,690 in pensions and \$228 in OPEB based on actuarial reports.

CleanPowerSF

CleanPowerSF's net position of \$178,142 increased by \$60,141 or 51.0% from prior year. Increases in total assets and deferred outflows of resources of \$67,659 and increases of \$7,518 in total liabilities and deferred inflows of resources are described below (see Table 1D). Increase in current and other assets of \$66,794 was due to increases of \$61,154 in cash and investments with City Treasury mainly attributed to higher collections from billings, \$9,368 in charges for services receivables mainly due to 15.0% average rate increase, and \$1,133 in interest receivable attributed to higher interest rates. These increases were offset by a decrease of \$4,861 in prepaid charges and other receivables mainly related to \$5,000 cash collateral returned from APX, Inc.

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Capital assets, net of accumulated depreciation and amortization, decreased by \$17 or 56.7% to \$13 due to decrease in subscription assets. Deferred outflows of resources increased by \$882 due to an increase of \$895 in pensions, offset by a decrease of \$13 in OPEB based on actuarial reports.

Total liabilities increased by \$8,519 or 22.4% to \$46,537, mainly explained by increases of \$4,674 in payables due to higher power purchases, \$1,840 in unearned revenues, refunds, and other, \$1,439 in net pension liability based on actuarial estimates, \$348 in accrued compensated absences per implementation of GASB Statement No. 101, *Compensated Absences*, \$136 in OPEB obligations based on actuarial assumptions, and \$113 in employee related benefits due to COLA increase. These increases were offset by decreases of \$18 in subscription liability and \$13 in general liability based on actuarial estimates. Increase of \$1,840 in unearned revenues, refunds, and other was mainly due to increases of \$1,241 for the Community Food Service Energy Efficiency Program and Disadvantaged Communities Programs from California Public Utilities Commission (CPUC), \$651 in net energy metering credits to customers who generated excess energy, and \$8 in energy tax payable, offset by a decrease of \$60 in customer prepayments.

Deferred inflows of resources decreased by \$1,001 due to decreases of \$630 in OPEB and \$371 in pensions based on actuarial reports.

* The fiscal year 2024 net position narrative was updated to reflect the restatements from Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

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Results of Operations

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

**Table 2A - Combined Hetch Hetchy
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025, 2024, and 2023**

	2025	Restated 2024*	2023	2025-2024 Change	2024-2023 Change
Revenues:					
Charges for services	\$ 701,141	630,078	583,194	71,063	46,884
Rents and concessions	329	360	283	(31)	77
Interest and investment income (loss)	30,186	22,903	4,603	7,283	18,300
Other non-operating revenues	4,031	9,252	16,964	(5,221)	(7,712)
Total revenues	<u>735,687</u>	<u>662,593</u>	<u>605,044</u>	<u>73,094</u>	<u>57,549</u>
Expenses:					
Operating expenses	635,730	557,125	536,343	78,605	20,782
Interest expenses**	16,034	13,467	7,907	2,567	5,560
Non-operating expenses	881	1,021	499	(140)	522
Total expenses	<u>652,645</u>	<u>571,613</u>	<u>544,749</u>	<u>81,032</u>	<u>26,864</u>
Change in net position before transfers and contributions	<u>83,042</u>	<u>90,980</u>	<u>60,295</u>	<u>(7,938)</u>	<u>30,685</u>
Capital contributions	4,032	29,200	2,535	(25,168)	26,665
Transfers from the City and County of San Francisco	47,084	42	20,000	47,042	(19,958)
Transfers to the City and County of San Francisco	(3,532)	(108)	(32)	(3,424)	(76)
Capital contributions and net transfers	<u>47,584</u>	<u>29,134</u>	<u>22,503</u>	<u>18,450</u>	<u>6,631</u>
Change in net position	<u>130,626</u>	<u>120,114</u>	<u>82,798</u>	<u>10,512</u>	<u>37,316</u>
Net position at beginning of year					
Beginning of year, as previously reported	1,023,936	910,479	827,681	113,457	82,798
Cumulative effect of accounting change	—	(6,657)	—	6,657	(6,657)
Net position at beginning of year as restated	<u>1,023,936</u>	<u>903,822</u>	<u>827,681</u>	<u>120,114</u>	<u>76,141</u>
Net position at end of year	<u>\$ 1,154,562</u>	<u>1,023,936</u>	<u>910,479</u>	<u>130,626</u>	<u>113,457</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

** Interest expenses are net of amortization of premium, discount, and issuance costs.

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Table 2B - Hetchy Water
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025, 2024, and 2023

	2025	Restated 2024*	2023	2025-2024 Change	2024-2023 Change
Revenues:					
Charges for services	\$ 53,071	49,330	52,570	3,741	(3,240)
Rents and concessions	140	162	127	(22)	35
Interest and investment income (loss)	5,016	3,255	457	1,761	2,798
Other non-operating revenues	205	338	1,861	(133)	(1,523)
Total revenues	<u>58,432</u>	<u>53,085</u>	<u>55,015</u>	<u>5,347</u>	<u>(1,930)</u>
Expenses:					
Operating expenses	45,471	44,409	50,011	1,062	(5,602)
Interest expenses	23	3	4	20	(1)
Non-operating expenses	8	45	54	(37)	(9)
Total expenses	<u>45,502</u>	<u>44,457</u>	<u>50,069</u>	<u>1,045</u>	<u>(5,612)</u>
Change in net position before transfers	12,930	8,628	4,946	4,302	3,682
Transfers from the City and County of San Francisco	47,084	42	20,000	47,042	(19,958)
Change in net position	<u>60,014</u>	<u>8,670</u>	<u>24,946</u>	<u>51,344</u>	<u>(16,276)</u>
Net position at beginning of year					
Beginning of year, as previously reported	279,943	274,128	249,182	5,815	24,946
Cumulative effect of accounting change	—	(2,855)	—	2,855	(2,855)
Net position at beginning of year as restated	<u>279,943</u>	<u>271,273</u>	<u>249,182</u>	<u>8,670</u>	<u>22,091</u>
Net position at end of year	<u>\$ 339,957</u>	<u>279,943</u>	<u>274,128</u>	<u>60,014</u>	<u>5,815</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Table 2C - Hetchy Power
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025, 2024, and 2023

	2025	Restated 2024*	2023	2025-2024 Change	2024-2023 Change
Revenues:					
Charges for services	\$ 218,274	214,154	203,847	4,120	10,307
Rents and concessions	189	198	156	(9)	42
Interest and investment income (loss)	14,688	13,744	3,741	944	10,003
Other non-operating revenues	3,105	8,528	13,605	(5,423)	(5,077)
Total revenues	<u>236,256</u>	<u>236,624</u>	<u>221,349</u>	<u>(368)</u>	<u>15,275</u>
Expenses:					
Operating expenses	218,081	201,163	191,552	16,918	9,611
Interest expenses**	16,006	13,464	7,902	2,542	5,562
Non-operating expenses	534	99	227	435	(128)
Total expenses	<u>234,621</u>	<u>214,726</u>	<u>199,681</u>	<u>19,895</u>	<u>15,045</u>
Change in net position before transfers and contributions	1,635	21,898	21,668	(20,263)	230
Capital contributions	4,032	29,200	2,535	(25,168)	26,665
Transfers to the City and County of San Francisco	(3,532)	(108)	(32)	(3,424)	(76)
Capital contributions and net transfers	<u>500</u>	<u>29,092</u>	<u>2,503</u>	<u>(28,592)</u>	<u>26,589</u>
Change in net position	<u>2,135</u>	<u>50,990</u>	<u>24,171</u>	<u>(48,855)</u>	<u>26,819</u>
Net position at beginning of year					
Beginning of year, as previously reported	565,851	518,350	494,179	47,501	24,171
Cumulative effect of accounting change	—	(3,489)	—	3,489	(3,489)
Net position at beginning of year as restated	<u>565,851</u>	<u>514,861</u>	<u>494,179</u>	<u>50,990</u>	<u>20,682</u>
Net position at end of year	<u>\$ 567,986</u>	<u>565,851</u>	<u>518,350</u>	<u>2,135</u>	<u>47,501</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

** Interest expenses are net of amortization of premium, discount, and issuance costs.

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Table 2D - CleanPowerSF
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025, 2024, and 2023

	2025	Restated 2024*	2023	2025-2024 Change	2024-2023 Change
Revenues:					
Charges for services	\$ 429,796	366,594	326,777	63,202	39,817
Interest and investment income (loss)	10,482	5,904	405	4,578	5,499
Other non-operating revenues	721	386	1,498	335	(1,112)
Total revenues	440,999	372,884	328,680	68,115	44,204
Expenses:					
Operating expenses	372,178	311,553	294,780	60,625	16,773
Interest expenses	5	—	1	5	(1)
Non-operating expenses	339	877	218	(538)	659
Total expenses	372,522	312,430	294,999	60,092	17,431
Change in net position	68,477	60,454	33,681	8,023	26,773
Net position at beginning of year					
Beginning of year, as previously reported	178,142	118,001	84,320	60,141	33,681
Cumulative effect of accounting change	—	(313)	—	313	(313)
Net position at beginning of year as restated	178,142	117,688	84,320	60,454	33,368
Net position at end of year	\$ 246,619	178,142	118,001	68,477	60,141

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Result of Operations, Fiscal Year 2025

Hetch Hetchy

Hetch Hetchy's total revenues were \$735,687, an increase of \$73,094 or 11.0% over prior year (see Table 2A). Charges for services increased by \$71,063 or 11.3% from prior year's revenues mainly due to higher billings from CleanPowerSF and Hetchy Power. Total expenses increased by \$81,032 or 14.2% primarily from higher energy purchases for CleanPowerSF due to volatile and increased pricing in the power market. (See Table 2A).

Hetchy Water

Hetchy Water's total revenues were \$58,432, an increase of \$5,347 or 10.1% from prior year's revenues (see Table 2B). Increases included \$3,741 in charges for services and \$1,761 in interest and investment income, offset by decreases of \$133 in other non-operating revenues and \$22 in rents and concessions.

Charges for services were \$53,071, an increase of \$3,741 or 7.6% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Interest and investment income was \$5,016, an increase of \$1,761 mainly due to higher interest rates. Rents and other non-operating revenues decreased by \$155 mainly due to settlement revenue in prior year for the San Joaquin Pipeline Project.

Total operating expenses, excluding interest expenses and other non-operating expenses, were \$45,471, an increase of \$1,062 or 2.4%. Increases included \$3,037 in other operating expenses mainly due to higher building structure and improvement expenses, \$2,317 in general and administrative expenses due to higher payments to other governments related to law enforcement and emergency response services, and \$751 in depreciation, amortization, materials and supplies expenses mainly related to additional facilities and improvements placed in service. These increases were offset by a decrease of \$4,048 in personnel services

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due to lower bureau support costs. The remaining decrease of \$995 was mainly from lower share of bureau support costs.

Transfer in of \$47,084 from the Water Enterprise was to fund the Hetchy Water's share of the Mountain Tunnel Project.

As a result of the above activities, net position for the year ended June 30, 2025 increased by \$60,014 or 21.4% compared to prior year.

Hetchy Power

Hetchy Power's total revenues were \$236,256, a decrease of \$368 or 0.2% from prior year's revenues (see Table 2C). Decreases included \$5,423 from other non-operating revenues and \$9 from rents and concessions, offset by increases of \$4,120 from charges for services and \$944 from interest and investment income.

Charges for services were \$218,274, an increase of \$4,120 or 1.9%, mainly due to average rate increase and higher consumption, of which \$17,465 was from City departments such as SFO and SFMTA and \$4,734 from sales to retail customers. These increases were offset by decreases of \$15,967 in wholesale revenue due to higher hydrogeneration in prior year resulting in greater excess supply sold, and \$2,112 in resale of capacity to CleanPowerSF due to less excess energy. Interest and investment income was \$14,688, an increase of \$944 mainly due to higher interest rates.

Other non-operating revenues were \$3,105, a decrease of \$5,423 or 63.6%, mainly due to \$2,873 in loss from the decommissioned solar power plant and photovoltaic system at Pier 96 and SFO, \$2,550 in revenue received in prior year for the power system mitigation projects and lower DAS revenue.

Total operating expenses, excluding interest expenses and other non-operating expenses, increased by \$16,918 or 8.4% to \$218,081. Increases included \$9,548 in purchased electricity due to higher resource adequacy purchases related to compliance requirements, \$7,941 in personnel services due to 3.0% increase in COLA, \$4,460 in other operating expenses mainly due to higher spending for the Moccasin Powerhouse Rewind Project, \$2,548 in depreciation and amortization related to additional facilities and improvements placed in service, \$1,254 in services provided by other departments mainly due to higher bureau support costs, and \$1,012 in general, administrative, materials and supplies expenses mainly due to higher payments to other governments related to law enforcement and emergency response services. These increases were offset by a decrease of \$9,845 from lower distribution charges from PG&E and contractual services.

Interest expenses increased by \$2,542 or 18.9% due to higher outstanding commercial paper and higher bond interest expenses for the 2023 Series A Revenue Bonds.

Other non-operating expenses were \$534, an increase of \$435 or 439.4% mainly due to new incentive program for energy-efficient improvements. Capital contributions of \$4,032 were from developers for assets at Mission Rock and Warnerville Substation. Transfer out of \$3,532 included \$3,500 to General Fund related to acquisition of PG&E assets 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, 2025 increased by \$2,135 or 0.4% compared to prior year.

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CleanPowerSF

CleanPowerSF's total revenues were \$440,999, a \$68,115 or 18.3% increase over prior year (see Table 2D). Charges for services increased by \$63,202 or 17.2% mainly due to increases of \$45,476 in electricity sales to retail and commercial customers from 8.5% average rate increase and 112,113 MWh or 3.9% consumption increase, \$10,267 in higher capacity sales to counterparties, and \$7,459 in wholesale sales due to excess energy. Capacity sales are based on availability. Interest and investment income was \$10,482, an increase of \$4,578 due to higher interest rates and higher cash balances. Other non-operating revenue increased by \$335 mainly due to non-refundable deposits for the interconnections process enhancement project.

Total operating expenses, excluding interest expenses and non-operating expenses were \$372,178, an increase of \$60,625 or 19.5% from prior year. Purchased electricity and transmission, distribution, and other power costs increased by \$58,038 due to increased pricing in power market and higher customer power consumption. Other increases included \$2,894 in personnel services due to 3.0% COLA increase and increased labor charges from Hetchy Power, \$1,444 in contractual services, depreciation, materials and supplies, and other operating expenses mainly due to increase in CleanPowerSF's share of rent at 525 Golden Gate and higher management consulting fees and software licensing fees. These increases were offset by a decrease of \$1,751 in services provided by other departments and general and administrative expenses mainly due to support services from Hetchy Power was posted directly to personnel services in current year and lower judgment and claims expenses. Other non-operating expenses decreased by \$538 mainly due to lower payments for the neighborhood steward program in current year.

As a result of the above activities, net position for the year ended June 30, 2025 increased by \$68,477 or 38.4% compared to prior year.

*Result of Operations, Fiscal Year 2024**

Hetch Hetchy

Hetch Hetchy's total revenues were \$662,593, an increase of \$57,549 or 9.5% over prior year (see Table 2A). Charges for services increased by \$46,884 or 8.0% from prior year's revenues mainly due to higher billings from CleanPowerSF and Hetchy Power. Total expenses increased by \$26,864 or 4.9% primarily from higher energy purchases for CleanPowerSF due to volatile and increased pricing in the power market. (See Table 2A).

Hetchy Water

Hetchy Water's total revenues were \$53,085, a decrease of \$1,930 or 3.5% from prior year's revenues (see Table 2B). Decreases included \$3,240 in charges for services and \$1,523 in other non-operating revenues, offset by increases of \$2,798 in interest and investment income and \$35 in rents and concessions.

Charges for services were \$49,330, a decrease of \$3,240 or 6.2% mainly due to decreased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Interest and investment income was \$3,255, an increase of \$2,798 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenues were \$338, a decrease of \$1,523 mainly due to decreases of \$1,388 in State grants revenue for the Moccasin Storm Project and Rim Fire Project related to emergency repairs, \$239 in Federal grants revenue for the Rim Fire Project, and \$2 in net gain from sale of fixed assets, offset by increases of \$100

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settlement revenue mainly for San Joaquin Pipeline Project and \$6 miscellaneous revenue. Rents were \$162, an increase of \$35 mainly due to higher collections from recreational rentals and new leases.

Total operating expenses, excluding interest expenses and other non-operating expenses, were \$44,409, a decrease of \$5,602 or 11.2%. Decreases included \$13,074 in other operating expenses mainly due to lower project spending on the Mountain Tunnel Improvement Project, \$807 in general and administrative expenses due to lower judgments and claims expenses, and \$2 in depreciation and amortization mainly related to fewer subscription assets. These decreases were offset by increases of \$6,943 in personnel services due to higher pension expenses, 4.75% increase in COLA, and implementation of GASB Statement No. 101, *Compensated Absences*, \$1,079 in contractual services from increased engineering services, \$150 in material and supplies from treatment chemicals and hardware expenses, and \$109 in services provided by other departments mainly due to higher risk management services.

Other non-operating expenses were \$45, a decrease of \$9 due to lower payments to community-based organization programs. Interest expenses were \$3, a decrease of \$1 due to lower interest expenses related to leases and subscription assets. A transfer in of \$42 was received from the Water Enterprise to fund various capital projects.

As a result of the above activities, net position for the year ended June 30, 2024 increased by \$5,815 or 2.1% compared to prior year.

Hetchy Power

Hetchy Power's total revenues were \$236,624, an increase of \$15,275 or 6.9% from prior year's revenues (see Table 2C). Increases included \$10,307 from charges for services, \$10,003 from interest and investment income, and \$42 from rents and concessions, offset by a decrease of \$5,077 from other non-operating revenues.

Charges for services were \$214,154, an increase of \$10,307 or 5.1%, mainly due to increases of \$12,819 in revenue from City departments mainly due to average rate increase and lower allowance for uncollectible, \$9,432 in resale of capacity to CleanPowerSF due to excess energy, \$2,867 in sales to retail customers from increased consumption, and \$1,055 from Treasure Island due to average rate increase, offset by a decrease of \$15,866 mainly due to wholesale revenue from lower Congestion Revenue Right (CRR) credits from the California Independent System Operator (CAISO). Interest and investment income was \$13,744, an increase of \$10,003 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Rents increased by \$42 or 26.9% to \$198 mainly due to higher collections from recreational rentals and new leases.

Other non-operating revenues were \$8,528, a decrease of \$5,077 or 37.3%, mainly due to decreases of \$4,449 in revenue received in prior year for the Power System Mitigation Project, \$567 in State grants revenue for the Moccasin Storm Project and Rim Fire Project related to emergency repairs, \$344 in Federal grants revenue from the Rim Fire Project and California Arrearages Payment Program (CAPP) ended in prior year, \$244 in settlement received in prior year due to labor litigation, and \$78 in miscellaneous revenue. These decreases were offset by an increase of \$605 in Cap and Trade revenue due to increase of 12,157 allowances sold.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by \$9,611 or 5.0% to \$201,163. Increases included \$14,217 in other operating expenses mainly due to higher project spending for the Winter Storm Projects, \$9,437 in personnel services due to higher pension expenses, 4.75% increase in COLA, and implementation

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of GASB Statement No. 101, *Compensated Absences*, \$2,804 in contractual services for construction contracts and engineering services, and \$583 in depreciation and amortization related to additional facilities and improvements placed in service. These increases were offset by decreases of \$14,715 in general and administrative expenses due to lower judgments and claims expenses, \$1,846 in services provided by other departments mainly due to lower legal service charges from City Attorney's Office, \$708 in purchased electricity and transmission, distribution, and other power costs mainly related to transmission and related CAISO costs, and \$161 in materials and supplies for electrical supplies.

Interest expenses increased by \$4,986 or 52.6% due to higher outstanding bonds from issuance of 2023 Series A Revenue Bonds. Amortization of premium and discount decreased by \$576 due to costs of issuance for 2023 Series A Revenue Bonds.

Other non-operating expenses were \$99, a decrease of \$128 or 56.4% mainly due to lower incentive payments for Electric Vehicle Charge Program. Capital contributions of \$29,200 were for assets at Pier 70, Treasure Island, and Yerba Buena Island. Transfer out of \$108 included \$76 to General Fund for Public Power Expansion Project 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, 2024 increased by \$47,501 or 9.2% compared to prior year.

CleanPowerSF

CleanPowerSF's total revenues were \$372,884, a \$44,204 or 13.4% increase over prior year (see Table 2D). Charges for services increased by \$39,817 or 12.2% mainly due to increases of \$38,403 in electricity sales to retail and commercial customers from 15.0% average rate increase and \$3,606 in wholesale sales due to excess energy, offset by \$2,192 in lower capacity sales to counter parties. Capacity sales are based on availability. Interest and investment income was \$5,904, an increase of \$5,499 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenue decreased by \$1,112 mainly due to \$1,173 decrease in Federal CAPP grants which ended in prior year, offset by an increase of \$61 in revenue mainly from Disadvantaged Communities (DAC) Programs.

Total operating expenses, excluding interest expenses and non-operating expenses were \$311,553, an increase of \$16,773 or 5.7% from prior year. Purchased electricity and transmission, distribution, and other power costs increased by \$19,517 due to volatile and increased pricing in power market. Other increases included \$490 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office and \$3 in material and supplies mainly for minor data processing equipment. These increases were offset by decreases of \$1,378 in personnel services due to lower OPEB obligations based on actuarial reports, \$739 in other operating expenses mainly due to recognition of grant expense related to CAPP in prior year, \$552 in general and administrative expenses due to lower judgments and claims expenses, \$315 in contractual services mainly due to lease termination at 544 Golden Gate, and \$253 in depreciation and amortization related to fewer leases and subscription assets. Other non-operating expenses increased by \$659 mainly due to rebates for the Electrify My Ride Program. Interest expenses decreased by \$1 related to SBITAs.

As a result of the above activities, net position for the year ended June 30, 2024 increased by \$60,141 or 51.0% compared to prior year.

* The fiscal year 2024 results of operations narrative was updated to reflect the restatements from Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

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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, 2025, 2024, and 2023

	2025	2024	2023	2025-2024 Change	2024-2023 Change
Hetch Hetchy					
Facilities, improvements, machinery, and equipment	\$ 576,915	535,858	466,897	41,057	68,961
Intangible assets	23,426	23,664	24,152	(238)	(488)
Land and rights-of-way	5,181	5,181	5,181	—	—
Right-to-use building lease and intangible subscription assets	1,447	411	604	1,036	(193)
Construction work in progress	453,368	430,137	370,470	23,231	59,667
Total	<u>1,060,337</u>	<u>995,251</u>	<u>867,304</u>	<u>65,086</u>	<u>127,947</u>
Hetchy Water					
Facilities, improvements, machinery, and equipment	137,935	138,220	133,905	(285)	4,315
Intangible assets	9,753	9,960	10,167	(207)	(207)
Land and rights-of-way	3,232	3,232	3,232	—	—
Right-to-use building lease and intangible subscription assets	652	190	282	462	(92)
Construction work in progress	98,758	85,884	72,450	12,874	13,434
Total	<u>250,330</u>	<u>237,486</u>	<u>220,036</u>	<u>12,844</u>	<u>17,450</u>
Hetchy Power					
Facilities, improvements, machinery, and equipment	438,980	397,638	332,992	41,342	64,646
Intangible assets	13,673	13,704	13,985	(31)	(281)
Land and rights-of-way	1,949	1,949	1,949	—	—
Right-to-use building lease and intangible subscription assets	709	208	292	501	(84)
Construction work in progress	354,610	344,253	298,020	10,357	46,233
Total	<u>809,921</u>	<u>757,752</u>	<u>647,238</u>	<u>52,169</u>	<u>110,514</u>
CleanPowerSF					
Right-to-use intangible subscription assets	86	13	30	73	(17)
Total	<u>\$ 86</u>	<u>13</u>	<u>30</u>	<u>73</u>	<u>(17)</u>

Capital Assets, Fiscal Year 2025

Hetch Hetchy

Hetch Hetchy has capital assets of \$1,060,337, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2025 (see Table 3A). This amount represents an increase of \$65,086 or 6.5%, resulting from increases of \$41,057 in facilities, improvements, machinery and equipment, \$23,231 in construction work in progress, and \$1,036 in right-to-use building lease and intangible subscription assets, offset by a decrease of \$238 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment. Hetch Hetchy had capital commitments of \$62,107 as of June 30, 2025.

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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, 2025 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, 2025

	Hetchy Water	Hetchy Power	2025 Total
Mountain Tunnel Improvement	\$ 4,442	5,429	9,871
Moccasin Powerhouse Rewind	—	9,829	9,829
O'Shaughnessy Dam Outlet Works Phase 1	4,094	5,002	9,096
Power Asset Acquisition Analysis	—	8,107	8,107
Repair and Replacement Life Extension Program and Powerhouse	2,769	1,749	4,518
Moccasin Powerhouse Bypass and Facilities Upgrades	971	2,917	3,888
Transmission Line Clearance Mitigation	—	3,767	3,767
Bay Corridor Transmission and Distribution	—	3,277	3,277
Power Intervening Facilities	—	3,228	3,228
Cluster 7 Mitigation	—	3,135	3,135
City Distribution Division Facility - 2000 Marin Street	—	2,523	2,523
Moccasin Wastewater Treatment	962	1,176	2,138
Sunnydale HOPE SF	—	2,134	2,134
Treasure Island Capital Improvements	—	1,772	1,772
Moccasin Dam Long Term Improvement	785	960	1,745
Other project additions individually below \$1,500	4,929	15,430	20,359
Additions to Construction Work in Progress	<u>\$ 18,952</u>	<u>70,435</u>	<u>89,387</u>
Bay Corridor Transmission and Distribution Electrical Duct Banks	\$ —	37,887	37,887
Power Intervening Facilities	—	3,210	3,210
Potrero HOPE SF Backbone	—	2,152	2,152
Contributed Capital - Mission Rock Power System Improvement	—	1,906	1,906
Hetch Hetchy Reservoir Boat Ramp Improvement	838	1,022	1,860
Treasure Island Distribution Backbone	—	1,772	1,772
Moccasin Low Head Powerhouse	—	1,673	1,673
Other project additions individually below \$1,500	5,549	15,228	20,777
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	<u>\$ 6,387</u>	<u>64,850</u>	<u>71,237</u>

Hetchy Water

Hetchy Water has capital assets of \$250,330, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2025 (see Table 3A). This amount represents an increase of \$12,844 or 5.4%, primarily due to increases of \$12,874 in construction work in progress and \$462 in right-to-use building lease and intangible subscription assets, offset by decreases of \$285 in facilities, improvements, machinery, and equipment and \$207 in amortization of intangible assets.

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For the year ended June 30, 2025, Hetchy Water's major additions to construction work in progress totaled \$18,952. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$6,387 (see Table 3B).

Hetchy Power

Hetchy Power has capital assets of \$809,921, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2025 (see Table 3A). This amount represents an increase of \$52,169 or 6.9%, primarily due to increases of \$41,342 in facilities, improvements, machinery, and equipment, \$10,357 in construction work in progress, and \$501 in right-to-use building lease and intangible subscription assets, offset by a decrease of \$31 in amortization of intangible assets.

For the year ended June 30, 2025, Hetchy Power's major additions to construction work in progress totaled \$70,435. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$64,850 (see Table 3B).

CleanPowerSF

CleanPowerSF has capital assets of \$86, net of accumulated amortization, for right-to-use intangible subscription assets as of June 30, 2025 (see table 3A).

See Note 4 for additional information about capital assets.

Capital Assets, Fiscal Year 2024

Hetch Hetchy

Hetch Hetchy has capital assets of \$995,251, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2024 (see Table 3A). This amount represents an increase of \$127,947 or 14.8%, resulting from increases of \$68,961 in facilities, improvements, machinery and equipment and \$59,667 in construction work in progress, offset by decreases of \$488 in amortization of intangible assets and \$193 in right-to-use lease and subscription assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment. Hetch Hetchy had capital commitments of \$65,261 as of June 30, 2024.

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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, 2024 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, 2024

	Hetchy Water	Hetchy Power	2024 Total
Cluster 7 Mitigation	\$ —	21,505	21,505
2023 March Winter Storm	5,970	7,297	13,267
Moccasin Powerhouse Rewind	—	12,636	12,636
Mountain Tunnel Improvement	3,611	4,413	8,024
Power Asset Acquisition Analysis	—	7,770	7,770
Bay Corridor Transmission and Distribution	—	7,658	7,658
O'Shaughnessy Dam Outlet Works Phase 1	3,282	4,012	7,294
Repair & Replacement Life Extension Program and Powerhouse	3,629	1,542	5,171
Sunnydale HOPE SF	—	4,686	4,686
Power Intervening Facilities	—	3,312	3,312
Pier 70	—	2,682	2,682
Moccasin Dam Long Term Improvement and Facilities Upgrade	1,698	2,075	3,773
Distribution Services Retail Customers	—	1,899	1,899
SFO Substation	—	1,833	1,833
Other project additions individually below \$1,500	4,839	15,093	19,932
Additions to Construction Work in Progress	<u>\$ 23,029</u>	<u>98,413</u>	<u>121,442</u>
Transmission Line Clearance Mitigation - Lines 7/8	\$ —	32,494	32,494
Contributed Capital - Pier 70 Streetlights and Trench	—	16,896	16,896
2023 Emergency Cherry Lake Road Repair	5,050	6,172	11,222
Contributed Capital - Treasure Island Switchyard, Trench, and Streetlights	—	9,698	9,698
2023 Emergency Hetch Hetchy Road Repair	1,424	1,740	3,164
Power Intervening Facilities	—	2,323	2,323
Contributed Capital - Yerba Buena Island Trench	—	1,862	1,862
Other project additions individually below \$1,500	4,064	11,556	15,620
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	<u>\$ 10,538</u>	<u>82,741</u>	<u>93,279</u>

Hetchy Water

Hetchy Water has capital assets of \$237,486, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3A). This amount represents an increase of \$17,450 or 7.9%, primarily due to increases of \$13,434 in construction work in progress and \$4,315 in facilities, improvements, machinery, and equipment, offset by decreases of \$207 in amortization of intangible assets and \$92 in right-to-use lease and subscription assets.

For the year ended June 30, 2024, Hetchy Water's major additions to construction work in progress totaled \$23,029. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$10,538 (see Table 3C).

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Hetchy Power

Hetchy Power has capital assets of \$757,752, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2024 (see Table 3A). This amount represents an increase of \$110,514 or 17.1%, primarily due to increases of \$64,646 in facilities, improvements, machinery, and equipment and \$46,233 in construction work in progress, offset by decreases of \$281 in amortization of intangible assets and \$84 in right-to-use lease and subscription assets.

For the year ended June 30, 2024, Hetchy Power's major additions to construction work in progress totaled \$98,413. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled \$82,741 (see Table 3C).

CleanPowerSF

CleanPowerSF has capital assets of \$13, net of accumulated amortization, for right-to-use lease and subscription assets as of June 30, 2024 (see table 3A).

See Note 4 for additional information about capital assets.

Debt Administration

Hetch Hetchy

As of June 30, 2025, Hetch Hetchy has outstanding Certificates of Participation, Qualified Energy Conservation Bonds (QECBs), New Clean Renewable Energy Bonds (NCREBs), 2015 Series AB revenue bonds, 2021 Series AB revenue bonds, 2023 Series A revenue bond, 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, 2025 and 2024. 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, 2025 and 2024, Hetchy Power had outstanding debt of \$494,397 and \$421,601, 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, 2025 and 2024.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

Table 4 - Hetchy Power
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2025, 2024, and 2023

	2025	2024	2023	2025-2024 Change	2024-2023 Change
Certificates of Participation 2009 Series D (BABs) \$	11,685	12,148	12,593	(463)	(445)
Qualified Energy Conservation Bonds 2011	1,452	2,021	2,583	(569)	(562)
New Clean Renewable Energy Bonds 2015	1,193	1,343	1,491	(150)	(148)
2015 Series A Revenue Bonds	34,647	34,819	34,985	(172)	(166)
2015 Series B Revenue Bonds	1,103	2,033	2,948	(930)	(915)
2021 Series A Revenue Bonds	86,076	88,375	89,303	(2,299)	(928)
2021 Series B Revenue Bonds	58,080	59,142	59,622	(1,062)	(480)
2023 Series A Revenue Bonds	130,828	131,066	—	(238)	131,066
Commercial Paper	169,333	90,654	116,352	78,679	(25,698)
Total	<u>\$ 494,397</u>	<u>421,601</u>	<u>319,877</u>	<u>72,796</u>	<u>101,724</u>

The increase of \$72,796 was due to \$78,679 from commercial paper issuance, offset by bonds and certificates of participation principal repayments of \$4,062 and \$1,821 in amortization of premium.

Credit Ratings and Bond Insurance – The Power Enterprise's Power Revenue Bonds have been rated "AA-" by Fitch Inc and "AA" by S&P Global Ratings (S&P) as of June 30, 2025 and 2024, 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 Amended and Restated Indenture, the Power Enterprise is required to collect sufficient net revenues each fiscal year, together with any Power Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 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 NCREBs and QECBs. During fiscal years 2025 and 2024, 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 Amended and Restated Indenture and the SFPUC's debt service coverage policy (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

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June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

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, 2025 and 2024, \$287,460 of Hetchy Power revenue bonds were issued against existing authorization of \$1,029,790.

Cost of Debt Capital – The Power Enterprise's outstanding long-term senior lien debt consists of the 2015 Series AB, 2021 Series AB, and 2023 Series A Power Revenue Bond issued in May 2015, December 2021, and October 2023, 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 1.4% (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 2.7% to 3.7% and 2.8% to 3.7% during fiscal years 2025 and 2024, respectively.

Rates and Charges

Hetchy Water

Hetchy Water charges for services relate to the storage and delivery of water. The water-related portion of upcountry expenditures not covered by the small quantity of water sales to upcountry customers or other miscellaneous revenues are paid by an assessment to the Water Enterprise. Assessment fees were \$49,241 and \$46,266 for the years ended June 30, 2025 and 2024, respectively. In fiscal year 2026, the assessment fees will be \$54,147, an increase of \$4,906 or 10.0% as reflected in the fiscal year 2026 adopted budget. The increase is primarily driven by higher operating expenses for the water share of Hetch Hetchy Water and Power.

Hetchy Power

Hetchy Power charges for services relate to power generation and electricity delivery to contractual, municipal, and retail customers.

All current SFPUC Rates Schedules and Fees are available at <https://www.sfpuc.gov/accounts-services/water-power-sewer-rates/rates>. Rates for meter readings on or after July 1, 2024 were approved by the Commission in May 2024, while rates for meter readings on or after July 1, 2025 were approved by the Commission in April 2025.

Municipal Rates

Departments of the City and County of San Francisco, as well as certain other non-City government agencies, are eligible for municipal power rates. Historically, municipal customers paid either the General Use rate, which was a subsidized rate below the cost of service, or an Enterprise rate, which was set to exactly follow the equivalent PG&E rate.

Based on the results of the 2022 Power Cost of Service Study, beginning in fiscal year 2023, all municipal customers are being transitioned to standardized tariff schedules set to their cost of service. For General

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Use customers, this means that a) instead of a single flat rate per kWh, customers are assigned to a rate schedule based on their customer class (small commercial, industrial, etc.), and b) the subsidy is being gradually eliminated until the General Use rate reaches the equivalent retail rate, which is projected to take 3 to 8 years, depending on the customer class. For Enterprise customers, their rates no longer follow PG&E. Instead, they are set to a rate for their standardized customer class, and will be phased to cost of service over two years. Beginning in fiscal year 2024, almost all Enterprise customers are on equivalent rate schedules as retail non-municipal customers.

Retail Rates

Retail electric rates are the default rates charged to residential, commercial, and industrial customers where Hetch Hetchy has been designated as the power provider. Retail power rates were increased by an average of 12% and 10% for fiscal years 2025 and 2026, respectively.

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 geothermal, hydroelectric and wind, at competitive rates. CleanPowerSF offers three products: a "Green" default product comprised of at least 50% RPS-eligible renewable energy and two optional products, "SuperGreen" comprised of 100% RPS-eligible renewable energy at a small additional cost and "SuperGreen Saver" also comprised of 100% RPS-eligible renewable energy to qualifying low-income customers at a 20% bill discount.

CleanPowerSF generation rates for each customer class are set based on their unique cost of service. The last Power Cost of Service Study was completed in 2022 with subsequent rate approvals in 2023 and 2024. An average 8.5% rate increase for meter readings on or after July 1, 2024 was approved by the Commission in May 2024. There will be no change to rates for fiscal year 2026.

CleanPowerSF Rates Schedules are available at <http://cleanpowersf.org/residential> for residential customers and <http://cleanpowersf.org/commercial> 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 <https://www.sfpuc.gov/about-us/reports/audited-financial-statements-reports>.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Net Position

June 30, 2025 and 2024

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2025 Total	Hetchy Water	Hetchy Power	CleanPowerSF	Restated 2024 Total*
Assets								
Current assets:								
Cash and investments with City Treasury	\$ 103,244	254,557	222,449	580,250	46,471	215,370	159,811	421,652
Cash and investments outside City Treasury	—	5	—	5	—	41	—	41
Receivables:								
Charges for services (net of allowance for doubtful accounts from Hetchy Power of \$3,299 and CleanPowerSF of \$11,437 as of June 30, 2025; and Hetchy Power of \$1,699 and CleanPowerSF of \$9,226 as of June 30, 2024	437	11,116	54,679	66,232	471	16,356	50,993	67,820
Due from other City departments, current portion	—	661	—	661	—	1,558	—	1,558
Due from other governments	1,665	575	—	2,240	1,664	574	—	2,238
Interest	673	2,466	2,054	5,193	578	2,823	1,692	5,093
Restricted interest and other receivables	—	513	—	513	—	169	—	169
Total current receivables	2,775	15,331	56,733	74,839	2,713	21,480	52,685	76,878
Prepaid charges, advances, and other receivables, current portion	734	7,667	969	9,370	754	6,341	441	7,536
Inventory	276	1,828	—	2,104	199	1,690	—	1,889
Restricted cash and investments outside City Treasury, current portion	—	4,138	—	4,138	—	6,849	—	6,849
Total current assets	107,029	283,526	280,151	670,706	50,137	251,771	212,937	514,845
Non-current assets:								
Restricted cash and investments with City Treasury	20,815	78,197	—	99,012	31,330	50,732	—	82,062
Restricted cash and investments outside City Treasury, less current portion	—	3,832	—	3,832	—	7,202	—	7,202
Capital assets, not being depreciated and amortized	101,996	357,990	—	459,986	89,122	347,633	—	436,755
Capital assets, net of accumulated depreciation and amortization	148,334	451,931	86	600,351	148,364	410,119	13	558,496
Prepaid charges, advances, and other receivables, less current portion	134	11,179	12,191	23,504	138	10,843	11,763	22,744
Due from other City departments, less current portion	—	9,505	—	9,505	—	9,863	—	9,863
Total non-current assets	271,279	912,634	12,277	1,196,190	268,954	836,392	11,776	1,117,122
Total assets	378,308	1,196,160	292,428	1,866,896	319,091	1,088,163	224,713	1,631,967
Deferred outflows of resources:								
Pensions	12,435	15,198	2,753	30,386	11,929	14,580	2,187	28,696
Other postemployment benefits	2,954	3,611	1,195	7,760	3,191	3,899	996	8,086
Total deferred outflows of resources	15,389	18,809	3,948	38,146	15,120	18,479	3,183	36,782

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

(Continued)

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF
Statements of Net Position
June 30, 2025 and 2024
(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2025 Total	Hetchy Water	Hetchy Power	CleanPowerSF	Restated 2024 Total*
Liabilities								
Current liabilities:								
Accounts payable	\$ 1,609	16,536	32,127	50,272	969	13,505	29,018	43,492
Accrued payroll	1,918	3,787	917	6,622	1,428	3,292	639	5,359
Accrued compensated absences, current portion	3,256	4,462	666	8,384	2,995	4,144	574	7,713
Accrued workers' compensation, current portion	238	429	—	667	228	417	—	645
Damage claims liability, current portion	297	570	—	867	121	1,872	17	2,010
Due to other City departments, current portion	—	102	—	102	—	—	—	—
Lease liability, current portion	86	105	—	191	16	19	—	35
Subscription liability, current portion	175	141	70	386	30	25	6	61
Unearned revenues, refunds, and other, current portion	24	7,391	4,425	11,840	106	6,604	7,986	14,696
Bond, loan, lease, and subscription interest payable	7	2,845	2	2,854	1	2,691	—	2,692
Bonds, current portion	—	3,748	—	3,748	—	3,599	—	3,599
Certificates of participation, current portion	—	483	—	483	—	463	—	463
Commercial paper, current portion	—	169,333	—	169,333	—	90,654	—	90,654
Current liabilities payable from restricted assets	1,118	18,155	—	19,273	4,027	25,513	—	29,540
Total current liabilities	8,728	228,087	38,207	275,022	9,921	152,798	38,240	200,959
Long-term liabilities:								
Arbitrage rebate payable	—	207	—	207	—	184	—	184
Net other postemployment benefits liability	16,590	20,277	3,753	40,620	16,269	19,883	4,189	40,341
Net pension liability	20,410	24,945	4,625	49,980	19,090	23,332	3,563	45,985
Accrued compensated absences, less current portion	2,940	4,057	618	7,615	2,799	3,884	534	7,217
Accrued workers' compensation, less current portion	992	1,824	—	2,816	1,069	1,919	—	2,988
Damage claims liability, less current portion	—	78	—	78	147	1,902	4	2,053
Due to other City departments, less current portion	—	37,720	—	37,720	—	—	—	—
Bonds, less current portion	—	309,631	—	309,631	—	315,200	—	315,200
Lease liability, less current portion	341	417	—	758	106	131	—	237
Subscription liability, less current portion	33	26	15	74	29	26	7	62
Unearned revenues, refunds, and other, less current por	6	886	72	964	—	580	—	580
Liabilities payable from restricted assets, less current portion	—	3,104	—	3,104	—	3,354	—	3,354
Certificates of participation, less current portion	—	11,202	—	11,202	—	11,685	—	11,685
Total long-term liabilities	41,312	414,374	9,083	464,769	39,509	382,080	8,297	429,886
Total liabilities	50,040	642,461	47,290	739,791	49,430	534,878	46,537	630,845
Deferred inflows of resources:								
Pensions	868	1,061	730	2,659	1,941	2,372	925	5,238
Other postemployment benefits	2,832	3,461	1,737	8,030	2,897	3,541	2,292	8,730
Total deferred inflows of resources	3,700	4,522	2,467	10,689	4,838	5,913	3,217	13,968
Net position:								
Net investment in capital assets	248,610	341,791	—	590,401	233,276	343,297	—	576,573
Restricted for capital projects	20,815	32,645	—	53,460	31,330	28,625	—	59,955
Restricted for other purposes	—	5,772	—	5,772	—	—	—	—
Unrestricted	70,532	187,778	246,619	504,929	15,337	193,929	178,142	387,408
Total net position	\$ 339,957	567,986	246,619	1,154,562	279,943	565,851	178,142	1,023,936

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

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, 2025 and 2024

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2025 Total	Hetchy Water	Hetchy Power	CleanPowerSF	Restated 2024 Total*
Operating revenues:								
Charges for services	\$ 53,071	218,274	429,796	701,141	49,330	214,154	366,594	630,078
Rents and concessions	140	189	—	329	162	198	—	360
Total operating revenues	<u>53,211</u>	<u>218,463</u>	<u>429,796</u>	<u>701,470</u>	<u>49,492</u>	<u>214,352</u>	<u>366,594</u>	<u>630,438</u>
Operating expenses:								
Personnel services	21,319	56,678	12,251	90,248	25,367	48,737	9,357	83,461
Contractual services	3,919	13,263	6,779	23,961	4,035	13,623	6,244	23,902
Transmission/distribution and other power costs	—	52,907	264	53,171	—	62,392	264	62,656
Purchased electricity	—	25,106	342,669	367,775	—	15,558	284,631	300,189
Materials and supplies	1,765	2,781	102	4,648	1,755	2,451	60	4,266
Depreciation and amortization	7,263	21,008	126	28,397	6,522	18,460	17	24,999
Services provided by other departments	2,622	8,082	3,316	14,020	3,501	6,828	4,792	15,121
General and administrative and other	8,583	38,256	6,671	53,510	3,229	33,114	6,188	42,531
Total operating expenses	<u>45,471</u>	<u>218,081</u>	<u>372,178</u>	<u>635,730</u>	<u>44,409</u>	<u>201,163</u>	<u>311,553</u>	<u>557,125</u>
Operating income	<u>7,740</u>	<u>382</u>	<u>57,618</u>	<u>65,740</u>	<u>5,083</u>	<u>13,189</u>	<u>55,041</u>	<u>73,313</u>
Non-operating revenues (expenses):								
Federal and state grants	152	187	33	372	—	26	—	26
Interest and investment income	5,016	14,688	10,482	30,186	3,255	13,744	5,904	22,903
Interest expenses**	(23)	(16,006)	(5)	(16,034)	(3)	(13,464)	—	(13,467)
Net gain (loss) from sale of assets	18	(2,851)	—	(2,833)	2	2	—	4
Other non-operating revenues	35	5,769	688	6,492	336	8,500	386	9,222
Other non-operating expenses	(8)	(534)	(339)	(881)	(45)	(99)	(877)	(1,021)
Net non-operating revenues	<u>5,190</u>	<u>1,253</u>	<u>10,859</u>	<u>17,302</u>	<u>3,545</u>	<u>8,709</u>	<u>5,413</u>	<u>17,667</u>
Change in net position before transfers and contributions	<u>12,930</u>	<u>1,635</u>	<u>68,477</u>	<u>83,042</u>	<u>8,628</u>	<u>21,898</u>	<u>60,454</u>	<u>90,980</u>
Capital contributions	—	4,032	—	4,032	—	29,200	—	29,200
Transfers from the City and County of San Francisco	47,084	—	—	47,084	42	—	—	42
Transfers to the City and County of San Francisco	—	(3,532)	—	(3,532)	—	(108)	—	(108)
Capital contributions and net transfers	<u>47,084</u>	<u>500</u>	<u>—</u>	<u>47,584</u>	<u>42</u>	<u>29,092</u>	<u>—</u>	<u>29,134</u>
Change in net position	<u>60,014</u>	<u>2,135</u>	<u>68,477</u>	<u>130,626</u>	<u>8,670</u>	<u>50,990</u>	<u>60,454</u>	<u>120,114</u>
Net position at beginning of year:								
Beginning of year, as previously reported	279,943	565,851	178,142	1,023,936	274,128	518,350	118,001	910,479
Cumulative effect of accounting change	—	—	—	—	(2,855)	(3,489)	(313)	(6,657)
Net position at beginning of year as restated	<u>279,943</u>	<u>565,851</u>	<u>178,142</u>	<u>1,023,936</u>	<u>271,273</u>	<u>514,861</u>	<u>117,688</u>	<u>903,822</u>
Net position at end of year	<u>\$ 339,957</u>	<u>567,986</u>	<u>246,619</u>	<u>1,154,562</u>	<u>279,943</u>	<u>565,851</u>	<u>178,142</u>	<u>1,023,936</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

** Interest expenses are net of amortization of premium, discount, and issuance costs.

See accompanying notes to financial statements.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2025 Total	Hetchy Water	Hetchy Power	CleanPowerSF	Restated 2024 Total*
Cash flows from operating activities:								
Cash received from customers, including cash deposits	\$ 53,109	225,191	422,349	700,649	49,264	211,012	357,825	618,101
Cash received from tenants for rent	141	169	—	310	153	188	—	341
Cash received from miscellaneous revenues	35	2,042	147	2,224	36	4,886	3	4,925
Cash paid to employees for services	(20,057)	(54,872)	(12,686)	(87,615)	(23,234)	(45,847)	(9,517)	(78,598)
Cash paid to suppliers for goods and services	(15,795)	(138,644)	(356,474)	(510,913)	(13,563)	(146,934)	(291,457)	(451,954)
Cash paid for judgments and claims	(329)	(2,222)	(274)	(2,825)	(357)	(3,625)	(874)	(4,856)
Cash received for license fees	—	3,218	—	3,218	—	1,997	—	1,997
Cash received from settlements	—	—	—	—	300	—	—	300
Cash paid for rebates, program incentives, and other	(19)	(555)	(364)	(938)	(34)	(78)	(864)	(976)
Net cash provided by operating activities	<u>17,085</u>	<u>34,327</u>	<u>52,698</u>	<u>104,110</u>	<u>12,565</u>	<u>21,599</u>	<u>55,116</u>	<u>89,280</u>
Cash flows from non-capital and related financing activities:								
Cash received from grants	100	114	33	247	59	98	—	157
Cash received from Public Purpose Funds	—	—	345	345	—	—	1,624	1,624
Transfers from the City and County of San Francisco	—	—	—	—	42	—	—	42
Transfers to the City and County of San Francisco	—	(3,532)	—	(3,532)	—	(108)	—	(108)
Net cash provided by (used in) non-capital financing activities	<u>100</u>	<u>(3,418)</u>	<u>378</u>	<u>(2,940)</u>	<u>101</u>	<u>(10)</u>	<u>1,624</u>	<u>1,715</u>
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets	(22,933)	(79,632)	(127)	(102,692)	(25,788)	(94,214)	(18)	(120,020)
Transfers from the City and County of San Francisco	47,084	—	—	47,084	—	—	—	—
Proceeds of State revolving loan from Water Enterprise	—	37,720	—	37,720	—	—	—	—
Proceeds from sale of capital assets	18	22	—	40	2	2	—	4
Interest paid on leases	(9)	(13)	—	(22)	(2)	(3)	—	(5)
Interest paid on subscriptions	(8)	(6)	(3)	(17)	(2)	(1)	—	(3)
Proceeds from bond issuance, net of premium and discount	—	—	—	—	—	131,230	—	131,230
Principal paid on long-term debt	—	(4,062)	—	(4,062)	—	(2,035)	—	(2,035)
Proceeds from commercial paper borrowings	—	78,679	—	78,679	—	91,635	—	91,635
Principal paid on commercial paper	—	—	—	—	—	(117,333)	—	(117,333)
Interest paid on long-term debt	—	(13,850)	—	(13,850)	—	(11,221)	—	(11,221)
Interest paid on commercial paper borrowings	—	(3,678)	—	(3,678)	—	(1,969)	—	(1,969)
Issuance costs paid on long-term debt	—	—	—	—	—	(765)	—	(765)
Federal interest income subsidy	—	420	—	420	—	332	—	332
Net cash provided by (used in) capital and related financing activities	<u>24,152</u>	<u>15,600</u>	<u>(130)</u>	<u>39,622</u>	<u>(25,790)</u>	<u>(4,342)</u>	<u>(18)</u>	<u>(30,150)</u>
Cash flows from investing activities:								
Interest income	3,104	10,862	7,387	21,353	1,083	8,568	3,838	13,489
Proceeds from sale of investments outside City Treasury	—	29,850	—	29,850	—	155,462	—	155,462
Purchases of investments outside City Treasury	—	(23,093)	—	(23,093)	—	(165,218)	—	(165,218)
Net cash provided by (used in) investing activities	<u>3,104</u>	<u>17,619</u>	<u>7,387</u>	<u>28,110</u>	<u>1,083</u>	<u>(1,188)</u>	<u>3,838</u>	<u>3,733</u>
Increase (decrease) in cash and cash equivalents	<u>44,441</u>	<u>64,128</u>	<u>60,333</u>	<u>168,902</u>	<u>(12,041)</u>	<u>16,059</u>	<u>60,560</u>	<u>64,578</u>
Cash and cash equivalents:								
Beginning of year	79,816	273,869	162,357	516,042	91,857	257,810	101,797	451,464
End of year	<u>\$ 124,257</u>	<u>337,997</u>	<u>222,690</u>	<u>684,944</u>	<u>79,816</u>	<u>273,869</u>	<u>162,357</u>	<u>516,042</u>
Reconciliation of cash and cash equivalents to the statements of net position:								
Cash and investments with City Treasury:								
Unrestricted	\$ 103,244	254,557	222,449	580,250	46,471	215,370	159,811	421,652
Restricted	20,815	78,197	—	99,012	31,330	50,732	—	82,062
Add: Unrealized loss on investments with City Treasury	198	297	241	736	2,015	3,465	2,546	8,026
Cash and investments outside City Treasury:								
Unrestricted	—	5	—	5	—	41	—	41
Restricted	—	7,970	—	7,970	—	14,051	—	14,051
Less: Unrealized (gain) on investments outside City Treasury	—	(30)	—	(30)	—	(34)	—	(34)
Less: Restricted (with maturity more than 90 days - see table in Note 3)	—	(2,999)	—	(2,999)	—	(9,756)	—	(9,756)
Cash and cash equivalents at end of period on statements of cash flows	<u>\$ 124,257</u>	<u>337,997</u>	<u>222,690</u>	<u>684,944</u>	<u>79,816</u>	<u>273,869</u>	<u>162,357</u>	<u>516,042</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2025 Total	Hetchy Water	Hetchy Power	CleanPowerSF	Restated 2024 Total*
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	\$ 7,740	382	57,618	65,740	5,083	13,189	55,041	73,313
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	7,263	21,008	126	28,397	6,522	18,460	17	24,999
Miscellaneous revenues	35	2,042	147	2,224	36	4,886	3	4,925
License fees	—	3,218	—	3,218	—	1,997	—	1,997
Provision for uncollectible accounts	—	1,600	2,211	3,811	—	(2,224)	1,303	(921)
Write-off of capital assets	332	491	—	823	—	217	—	217
Settlements	—	—	—	—	300	—	—	300
Rebates and program incentives	(19)	(555)	(364)	(938)	(34)	(78)	(864)	(976)
Changes in operating assets and liabilities:								
Receivables:								
Charges for services	34	3,640	(5,897)	(2,223)	(66)	(1,855)	(10,671)	(12,592)
Prepaid charges, advances, and other	30	(135)	(504)	(609)	(659)	(372)	5,200	4,169
Due from other City departments	—	1,405	—	1,405	—	187	—	187
Inventory	(77)	(138)	—	(215)	22	(71)	—	(49)
Accounts payable	651	3,050	3,134	6,835	(75)	(11,486)	4,661	(6,900)
Accrued payroll	490	495	278	1,263	176	251	96	523
Other postemployment benefits obligations**	493	602	(1,190)	(95)	1,232	1,505	(481)	2,256
Pension liabilities**	(259)	(316)	301	(274)	(287)	(351)	173	(465)
Accrued compensated absences	402	491	176	1,069	673	823	52	1,548
Accrued workers' compensation	(67)	(83)	—	(150)	78	98	—	176
Damage claims liability	29	(3,126)	(21)	(3,118)	(432)	(2,376)	(13)	(2,821)
Due to other City departments	—	—	—	—	—	(1,946)	—	(1,946)
Unearned revenues, refunds, and other liabilities	8	256	(3,317)	(3,053)	(4)	745	599	1,340
Total adjustments	9,345	33,945	(4,920)	38,370	7,482	8,410	75	15,967
Net cash provided by operating activities	\$ 17,085	34,327	52,698	104,110	12,565	21,599	55,116	89,280
Noncash transactions:								
Accrued capital asset costs	\$ 1,118	21,259	—	22,377	4,027	28,867	—	32,894
Receivables from Wastewater Enterprise	—	291	—	291	—	405	—	405
Unrealized loss on investments on investments with City Treasury	198	297	241	736	2,015	3,431	2,546	7,992
Unrealized (gain) on investments outside City Treasury	—	(30)	—	(30)	—	—	—	—
Capital contributions	—	4,032	—	4,032	—	29,200	—	29,200
Interfund loan payable to Water Enterprise	—	37,720	—	37,720	—	—	—	—

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

** Includes related deferred inflows and outflows of resources.

See accompanying notes to financial statements.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

(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 70% 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 30% 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 (Modesto Irrigation District and Turlock Irrigation District) 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 California Independent System Operator (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.

The City Charter was amended in 2008 by 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. 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 experience in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(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 Enterprise 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, 2025 and 2024, 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. Non-operating revenues include grants, investment income, and other income from non-operating activities. When both restricted and unrestricted resources are available for use, it is the Enterprise's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

(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 \$10 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 and capital assets received in a service concession arrangement are valued at acquisition 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***

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, leases, subscription-based information technology arrangements (SBITAs), licenses, and permits. The Enterprise capitalizes purchased or internally developed intangible assets with a useful life extending beyond one reporting period. It has established a capitalization threshold of \$100. Intangible assets are amortized over the benefit period or the contract term for leases and SBITAs, 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) ***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.

(i) ***Accrued Compensated Absences***

City employees may accumulate earned, but unused leave benefits up to a specified maximum, as outlined in their applicable leave policies. In accordance with GASB Statement No. 101, *Compensated Absences*, the Enterprise recognizes liabilities for leaves that are attributable to services already rendered, will be paid upon separation or usage, and are more likely than not to be used or paid. Compensated absences that meet these criteria consist of vacation, sick, compensatory time, and other holidays and leaves. The Enterprise records the compensated absences liability, including employer payroll taxes and the employer's share of social security and Medicare taxes, as both current and non-current liabilities in the Statements of Net

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

Position. The Enterprise applies the current pay rates of active employees to leave balances in effect at fiscal year-end.

(j) *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)).

(k) *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. As of June 30, 2025, the Enterprise estimated its liability for pending and threatened lawsuits based on the Office of the City Attorney's assessment of probable claims and historical trends for incurred but not reported losses. The recorded liability represents management's best estimate of the Enterprise's potential exposure based on currently available information (see Note 12(a)).

During fiscal year 2025, the Enterprise changed its methodology for estimating claims liability. The Enterprise's claims liability had historically been actuarially determined. The revised measurement methodology aligns more closely with the Office of City Attorney's judgment of the Enterprise's potential exposure based on currently available information. This prospective change in accounting estimate is intended to enhance the understandability, relevance, and timeliness of the financial information. Affected financial statement items include current and non-current estimated claims payables and general and administrative expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

(l) *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), the New Clean Renewable Energy Bonds (NCREBs), and Power Revenue Bonds 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 or date of issuance. Hetchy Power arbitrage liability as of June 30, 2025 and 2024 were \$207 and \$184, respectively, related to 2021 Series AB and 2023 Series A revenue bonds.

(m) *Refunding of Debt*

Gains or losses occurring from refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from refunding of debt. Deferred outflows and deferred inflows of resources are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(n) *Deferred Inflow of Resources and Deferred Outflow of Resources*

Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources represent a consumption of net assets that applies to future periods.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

(o) ***Income Taxes***

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

(p) ***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 as of June 30, 2025 and 2024 are as follows:

		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2025	\$	—	4,694	27,728	32,422
2024		—	3,624	25,591	29,215

(q) ***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, deferred outflows, liabilities, deferred inflows, 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.

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

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as amended, 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.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

(s) *Pensions*

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Francisco Employees' Retirement System (SFERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value (see Note 10(a)).

(t) *Other Postemployment Benefits (OPEB)*

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value (see Note 10(b)).

(u) *New Accounting Standards Adopted in Fiscal Year 2025*

1) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. The Enterprise adopted the provisions of Statement No. 101 in fiscal year 2025. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Enterprise reported the implementation of GASB 101 as a change in accounting principle. The cumulative effect of applying the new recognition and measurement guidance as of July 1, 2023 was recorded as a restatement of beginning net position and liabilities. The impact to beginning net position is presented in the following table:

	7/1/2023 As Previously Reported	Changes in Accounting Principle	7/1/2023 As Restated
Hetchy Water	\$ 274,128	(2,855)	271,273
Hetchy Power	518,350	(3,489)	514,861
CleanPowerSF	118,001	(313)	117,688
Net Position	\$ 910,479	(6,657)	903,822

2) In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement establishes financial reporting requirements for risk related to vulnerabilities due to certain concentrations or constraints within governments. The new standard is effective for periods beginning after June 15, 2024. The Enterprise adopted the provisions of Statement No. 102 in fiscal year 2025 which did not have a significant effect on its financial statements.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

(v) *GASB Statements Implemented in Fiscal Year 2024*

- 1) In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the City for the year ended June 30, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 99 in fiscal year 2024 which did not have a significant effect on its financial statements.
- 2) 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 standard is effective for periods beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 100 in fiscal year 2024 which did not have a significant effect on its financial statements.

(w) *Future Implementation of New Accounting Standards*

- 1) In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 103 in fiscal year 2026.
- 2) In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* are also required to be disclosed separately. Furthermore, the statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 104 in fiscal year 2026.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

(x) *Reclassifications*

The Enterprise has reclassified certain amounts relating to the prior period to conform to its current period presentation. The cash received from settlements, license fees, and cash paid for rebates and program incentives in the direct cash flows statement has been reclassified under operating activities for fiscal year 2024. In addition, lease and subscription payments were reclassified to acquisition and construction of capital assets under cash flows from capital and related financing activities for fiscal year 2024. 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 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.

Some restricted cash and investments 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, 2025 and 2024 were \$7,970 and \$14,051, respectively. The Enterprise held all investments in treasury and government obligations, commercial paper, as well as money market mutual funds consisting of treasury and government obligations. See Note 5 for additional information on restricted assets.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Enterprise will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The California Government Code requires California banks and savings and loan associations to secure the Enterprise's deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance by pledging government and/or local agency securities as collateral. The fair value of such pledged securities must equal at least 110% and be of the type authorized in California Government Code, Section 53651 (a) through (i). The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the Enterprise's name. At June 30, 2025, all banks with funds deposited by the Treasurer secured deposits with sufficient collateral or FDIC insurance.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the

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Enterprise's investments to interest rate fluctuations is provided by the tables below, which show the distribution of the Enterprise's investments by maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings for each of the investment types are provided by the tables below.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Enterprise will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the Enterprise's name. The Enterprise also has investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the Enterprise's name. These amounts are included in the investments outside City Treasury and are provided by the tables below.

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.

Certain investments such as money market investments, and cash and cash equivalents are not subject to the fair value hierarchy.

The following is a summary of the Hetch Hetchy restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings, and the fair value hierarchy as of June 30, 2025 and 2024.

					Fair value measurements using quoted prices in active markets for identical assets (Level 1)
Investments	Credit Ratings (S&P/Moody's)	June 30, 2025		Investments exempt from fair value	
		Maturities	Fair Value		
Hetchy Power					
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	\$ 4,945	4,945	—
U.S. Treasury Bonds & Notes	A-1+/P-1	October 15, 2025	2,999	—	2,999
Cash and Cash Equivalents	N/A		26	26	—
Total Restricted Cash and Investments outside City Treasury			\$ 7,970	4,971	2,999
Cash and Cash Equivalents	N/A		\$ 5	5	—
Total Unrestricted Cash and Investments outside City Treasury			\$ 5	5	—

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Investments	Credit Ratings (S&P/Moody's)	June 30, 2024		Investments exempt from fair value	Fair value measurements using quoted prices in active markets for identical assets (Level 1)
		Maturities	Fair Value		
Hetchy Power					
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	\$ 4,138	4,138	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	October 11, 2024	957	—	957
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	October 28, 2024	2,946	—	2,946
U.S. Agency Securities	AA+/Aaa	April 17, 2025	2,881	—	2,881
U.S. Treasury Bonds & Notes	A-1+/P-1	October 15, 2025	2,972	—	2,972
Cash and Cash Equivalents	N/A		157	157	—
Total Restricted Cash and Investments outside City Treasury			\$ 14,051	4,295	9,756
Cash and Cash Equivalents	N/A		\$ 41	41	—
Total Unrestricted Cash and Investments outside City Treasury			\$ 41	41	—

As of June 30, 2025, a total of \$4,945 in restricted cash and investments outside City Treasury were invested in U.S. Treasury Money Market Funds with maturity date less than 90 days. Of this, \$3,777 were proceeds from 2023 Series A, 2021 Series AB, and 2015 Series AB bonds and \$1,168 were proceeds from certificates of participation. As of June 30, 2024, a total of \$4,138 in restricted cash and investments outside City Treasury were invested in U.S. Treasury Money Market Funds with maturity date less than 90 days. Of this, \$4,095 were proceeds from 2023 Series A, 2021 Series AB, and 2015 Series AB bonds and \$43 were proceeds from certificates of participation.

Hetch Hetchy's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as of June 30, 2025 and 2024:

	Hetchy Water	Hetchy Power	CleanPowerSF	Total 2025
Current assets:				
Cash and investments with City Treasury	\$ 103,244	254,557	222,449	580,250
Cash and investments outside City Treasury	—	5	—	5
Restricted cash and investments outside City Treasury	—	4,138	—	4,138
Non-current assets:				
Restricted cash and investments with City Treasury	20,815	78,197	—	99,012
Restricted cash and investments outside City Treasury	—	3,832	—	3,832
Total cash, cash equivalents, and investments	<u>\$ 124,059</u>	<u>340,729</u>	<u>222,449</u>	<u>687,237</u>
	Hetchy Water	Hetchy Power	CleanPowerSF	Total 2024
Current assets:				
Cash and investments with City Treasury	\$ 46,471	215,370	159,811	421,652
Cash and investments outside City Treasury	—	41	—	41
Restricted cash and investments outside City Treasury	—	6,849	—	6,849
Non-current assets:				
Restricted cash and investments with City Treasury	31,330	50,732	—	82,062
Restricted cash and investments outside City Treasury	—	7,202	—	7,202
Total cash, cash equivalents, and investments	<u>\$ 77,801</u>	<u>280,194</u>	<u>159,811</u>	<u>517,806</u>

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

Fiscal years ended June 30	Investment maturities (in months)			
	Under 1	1 to less than 6	6 to less than 12	12 to 60
2025	20.8%	18.9%	17.5%	42.8%
2024	22.2%	19.5%	16.3%	42.0%

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2025, except for investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments, the Enterprise did not have any investments in any one issuer that exceeded 5.0% of total investments. As of June 30, 2024, Hetchy Power had the following commercial paper investments that represented 5.0% or more of the total investments outside City Treasury:

	Fair Value	% of Investments
Toronto-Dominion Bank	\$ 2,946	21.2 %
Toyota Motor Corp	957	6.9

(4) Capital Assets

a) Hetch Hetchy capital assets as of June 30, 2025 and 2024 consist of the following:

	2024	Increases	Decreases	2025
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	430,137	89,387	(66,156) *	453,368
Total capital assets not being depreciated and amortized	436,755	89,387	(66,156)	459,986
Capital assets being depreciated and amortized:				
Facilities and improvements	944,953	65,402	(8,601)	1,001,754
Intangible assets	45,855	250	—	46,105
Machinery and equipment	156,341	5,585	(229)	161,697
Right-to-use building lease assets	442	882	—	1,324
Right-to-use intangible subscription assets	347	1,005	(41)	1,311
Total capital assets being depreciated and amortized	1,147,938	73,124 *	(8,871)	1,212,191
Less accumulated depreciation and amortization for:				
Facilities and improvements	(461,759)	(21,941)	5,729	(477,971)
Intangible assets	(23,628)	(488)	—	(24,116)
Machinery and equipment	(103,677)	(5,117)	229	(108,565)
Right-to-use building lease assets	(156)	(184)	—	(340)
Right-to-use intangible subscription assets	(222)	(667)	41	(848)
Total accumulated depreciation and amortization	(589,442)	(28,397)	5,999	(611,840)
Total capital assets being depreciated and amortized, net	558,496	44,727	(2,872)	600,351
Total capital assets, net	\$ 995,251	134,114	(69,028)	1,060,337

* Decrease in construction work in progress included \$823 in capital project write-offs, mainly related to the Camp Mather Leach Field Project. The remaining difference of \$7,791 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

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	2023	Increases	Decreases	2024
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	370,470	121,442	(61,775) *	430,137
Total capital assets not being depreciated and amortized	377,088	121,442	(61,775)	436,755
Capital assets being depreciated and amortized:				
Facilities and improvements	855,790	89,163	—	944,953
Intangible assets	45,855	—	—	45,855
Machinery and equipment	152,225	4,116	—	156,341
Right-to-use building lease assets	442	—	—	442
Right-to-use intangible subscription assets	998	—	(651)	347
Total capital assets being depreciated and amortized	1,055,310	93,279 *	(651)	1,147,938
Less accumulated depreciation and amortization for:				
Facilities and improvements	(442,252)	(19,507)	—	(461,759)
Intangible assets	(23,140)	(488)	—	(23,628)
Machinery and equipment	(98,866)	(4,811)	—	(103,677)
Right-to-use building lease assets	(119)	(37)	—	(156)
Right-to-use intangible subscription assets	(717)	(156)	651	(222)
Total accumulated depreciation and amortization	(565,094)	(24,999)	651	(589,442)
Total capital assets being depreciated and amortized, net	490,216	68,280	—	558,496
Total capital assets, net	\$ 867,304	189,722	(61,775)	995,251

* Decrease in construction work in progress included \$217 in capital project write-offs, mainly related to Distribution Interface Project. The remaining difference of \$31,721 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

b) Hetchy Water capital assets as of June 30, 2025 and 2024 consist of the following:

	2024	Increases	Decreases	2025
Capital assets not being depreciated and amortized:				
Land and rights-of-way	\$ 3,232	—	—	3,232
Intangible assets	6	—	—	6
Construction work in progress	85,884	18,952	(6,078) *	98,758
Total capital assets not being depreciated and amortized	89,122	18,952	(6,078)	101,996
Capital assets being depreciated and amortized:				
Facilities and improvements	320,540	5,427	—	325,967
Intangible assets	20,522	—	—	20,522
Machinery and equipment	31,201	960	(88)	32,073
Right-to-use building lease assets	198	397	—	595
Right-to-use intangible subscription assets	170	449	(20)	599
Total capital assets being depreciated and amortized	372,631	7,233 *	(108)	379,756
Less accumulated depreciation and amortization for:				
Facilities and improvements	(190,419)	(5,651)	—	(196,070)
Intangible assets	(10,568)	(207)	—	(10,775)
Machinery and equipment	(23,102)	(1,021)	88	(24,035)
Right-to-use building lease assets	(69)	(83)	—	(152)
Right-to-use intangible subscription assets	(109)	(301)	20	(390)
Total accumulated depreciation and amortization	(224,267)	(7,263)	108	(231,422)
Total capital assets being depreciated and amortized, net	148,364	(30)	—	148,334
Total capital assets, net	\$ 237,486	18,922	(6,078)	250,330

* Decrease in construction work in progress included \$332 in capital project write-offs, mainly related to the Camp Mather Leach Field Project. The remaining difference of \$1,487 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

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	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	\$ 3,232	—	—	3,232
Intangible assets	6	—	—	6
Construction work in progress	72,450	23,029	(9,595) *	85,884
Total capital assets not being depreciated and amortized	75,688	23,029	(9,595)	89,122
Capital assets being depreciated and amortized:				
Facilities and improvements	311,312	9,228	—	320,540
Intangible assets	20,522	—	—	20,522
Machinery and equipment	29,891	1,310	—	31,201
Right-to-use building lease assets	198	—	—	198
Right-to-use intangible subscription assets	490	—	(320)	170
Total capital assets being depreciated and amortized	362,413	10,538 *	(320)	372,631
Less accumulated depreciation and amortization for:				
Facilities and improvements	(185,066)	(5,353)	—	(190,419)
Intangible assets	(10,361)	(207)	—	(10,568)
Machinery and equipment	(22,232)	(870)	—	(23,102)
Right-to-use building lease assets	(53)	(16)	—	(69)
Right-to-use intangible subscription assets	(353)	(76)	320	(109)
Total accumulated depreciation and amortization	(218,065)	(6,522)	320	(224,267)
Total capital assets being depreciated and amortized, net	144,348	4,016	—	148,364
Total capital assets, net	\$ 220,036	27,045	(9,595)	237,486

* The difference between decrease in construction work in progress and increase in capital assets being depreciated due to direct additions to facilities, improvements, machinery, and equipment.

c) Hetchy Power capital assets as of June 30, 2025 and 2024 consist of the following:

	2024	Increases	Decreases	2025
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	344,253	70,435	(60,078) *	354,610
Total capital assets not being depreciated and amortized	347,633	70,435	(60,078)	357,990
Capital assets being depreciated and amortized:				
Facilities and improvements	624,413	59,975	(8,601)	675,787
Intangible assets	25,333	250	—	25,583
Machinery and equipment	125,140	4,625	(141)	129,624
Right-to-use building lease assets	244	485	—	729
Right-to-use intangible subscription assets	140	357	(16)	481
Total capital assets being depreciated and amortized	775,270	65,692 *	(8,758)	832,204
Less accumulated depreciation and amortization for:				
Facilities and improvements	(271,340)	(16,290)	5,729	(281,901)
Intangible assets	(13,060)	(281)	—	(13,341)
Machinery and equipment	(80,575)	(4,096)	141	(84,530)
Right-to-use building lease assets	(87)	(101)	—	(188)
Right-to-use intangible subscription assets	(89)	(240)	16	(313)
Total accumulated depreciation and amortization	(365,151)	(21,008)	5,886	(380,273)
Total capital assets being depreciated and amortized, net	410,119	44,684	(2,872)	451,931
Total capital assets, net	\$ 757,752	115,119	(62,950)	809,921

* Decrease in construction work in progress included \$491 in capital project write-offs, mainly related to the Camp Mather Leach Field Project. The remaining difference of \$6,105 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

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	<u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>2024</u>
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	298,020	98,413	(52,180) *	344,253
Total capital assets not being depreciated and amortized	<u>301,400</u>	<u>98,413</u>	<u>(52,180)</u>	<u>347,633</u>
Capital assets being depreciated and amortized:				
Facilities and improvements	544,478	79,935	—	624,413
Intangible assets	25,333	—	—	25,333
Machinery and equipment	122,334	2,806	—	125,140
Right-to-use building lease assets	244	—	—	244
Right-to-use intangible subscription assets	397	—	(257)	140
Total capital assets being depreciated and amortized	<u>692,786</u>	<u>82,741</u> *	<u>(257)</u>	<u>775,270</u>
Less accumulated depreciation and amortization for:				
Facilities and improvements	(257,186)	(14,154)	—	(271,340)
Intangible assets	(12,779)	(281)	—	(13,060)
Machinery and equipment	(76,634)	(3,941)	—	(80,575)
Right-to-use building lease assets	(66)	(21)	—	(87)
Right-to-use intangible subscription assets	(283)	(63)	257	(89)
Total accumulated depreciation and amortization	<u>(346,948)</u>	<u>(18,460)</u>	<u>257</u>	<u>(365,151)</u>
Total capital assets being depreciated and amortized, net	<u>345,838</u>	<u>64,281</u>	<u>—</u>	<u>410,119</u>
Total capital assets, net	<u>\$ 647,238</u>	<u>162,694</u>	<u>(52,180)</u>	<u>757,752</u>

* Decrease in construction work in progress included \$217 in capital project write-offs, mainly related to Distribution Interface Project. The remaining difference of \$30,778 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

d) CleanPowerSF capital assets as of June 30, 2025 and 2024 consist of the following:

	<u>2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>2025</u>
Capital assets being depreciated and amortized:				
Right-to-use intangible subscription assets	\$ 37	199	(5)	231
Total capital assets being depreciated and amortized	<u>37</u>	<u>199</u>	<u>(5)</u>	<u>231</u>
Less accumulated depreciation and amortization for:				
Right-to-use intangible subscription assets	(24)	(126)	5	(145)
Total accumulated depreciation and amortization	<u>(24)</u>	<u>(126)</u>	<u>5</u>	<u>(145)</u>
Total capital assets being depreciated and amortized, net	<u>13</u>	<u>73</u>	<u>—</u>	<u>86</u>
Total capital assets, net	<u>\$ 13</u>	<u>73</u>	<u>—</u>	<u>86</u>

	<u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>2024</u>
Capital assets being depreciated and amortized:				
Right-to-use intangible subscription assets	\$ 111	—	(74)	37
Total capital assets being depreciated and amortized	<u>111</u>	<u>—</u>	<u>(74)</u>	<u>37</u>
Less accumulated depreciation and amortization for:				
Right-to-use intangible subscription assets	(81)	(17)	74	(24)
Total accumulated depreciation and amortization	<u>(81)</u>	<u>(17)</u>	<u>74</u>	<u>(24)</u>
Total capital assets being depreciated and amortized, net	<u>30</u>	<u>(17)</u>	<u>—</u>	<u>13</u>
Total capital assets, net	<u>\$ 30</u>	<u>(17)</u>	<u>—</u>	<u>13</u>

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(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, 2021 Series AB Bonds, and 2023 Series A Bonds, and have a priority lien on the pledge of net revenues to the outstanding 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, 2021 Series AB Bonds, and 2023 Series A 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and investments with City Treasury:		
Hetch Hetchy bond construction fund	\$ 20,815	31,330
Total restricted assets	<u>\$ 20,815</u>	<u>31,330</u>

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(b) Hetchy Power has the following restricted assets held in trust as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and investments with City Treasury:		
Hetch Hetchy construction fund	\$ 78,197	50,732
Cash and investments outside City Treasury:		
2009 Series C Certificates of participation - 525 Golden Gate	1	131
2009 Series D Certificates of participation - 525 Golden Gate	1,167	1,000
2015 Series A Revenue Bonds	2,310	2,205
2015 Series B Revenue Bonds	542	518
2021 Series AB Revenue Bonds	10	442
2023 Series A Revenue Bonds	3,914	9,730
Commercial Paper	26	25
Total restricted cash and investments outside City Treasury	<u>7,970</u>	<u>14,051</u>
Interest and other receivables:		
Hetch Hetchy construction fund	513	169
Total restricted assets	<u>\$ 86,680</u>	<u>64,952</u>

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetch Hetchy Revenue Fund. These assets are subject to use restrictions that are externally imposed by creditors, grantor, contributors, or by the laws or regulations of other governments.

(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. In December 2024, the Board of Supervisors approved an expansion of the Power Enterprise Interim Funding Program size to \$450,000. Interest rates for the commercial paper ranged from 2.7% to 3.7% and 2.8% to 3.7% in fiscal years 2025 and 2024, respectively. The Enterprise had \$169,333 and \$90,654 commercial paper outstanding as of June 30, 2025 and 2024, respectively. The Enterprise had \$280,667 and \$159,346 in unused authorization as of June 30, 2025 and 2024, respectively.

The commercial paper notes can be issued in the aggregate principal amounts of up to \$450,000, and may be marketed and re-marketed with maturities up to 270 days. The program is made up of two components: (1) three series totaling \$350,000 (aggregate principal amount) that are for the issuance of either tax-exempt or taxable commercial paper and which are each supported by a high-grade bank credit facility in the form of a letter of credit or bank liquidity facility; and (2) one series totaling \$100,000 as a direct bank loan that can be used to make tax-exempt or taxable draws from a high-grade bank pursuant to a revolving credit agreement. The commercial paper notes are payable from revenues, and are secured on a parity lien basis with each other and with the outstanding 2011 QECBs and 2015 NCREBs, collectively the "Subordinate Obligations." The Subordinate Obligations are secured on a subordinate basis to the payment of debt service on the Power Revenue Bonds.

As of June 30, 2025, the commercial paper notes are secured by the following series: Series A-1 is secured by a \$125,000 letter of credit from Bank of America N.A. which expires on March 6, 2026. The agreement for the Series A-1 facility stipulates a quarterly commitment fee of 0.31%, on the maintenance of ratings of at least "AA-" by S&P and "AA-" by Fitch Ratings. Series A-2 is secured by a \$125,000 letter of credit from Bank of America N.A. which expires on March 6, 2026. The agreement for the Series A-2 credit facility stipulates a quarterly commitment fee of 0.29%, on the maintenance of ratings of at least "AA-" by S&P and "AA-" by Fitch Ratings. Series A-3/A-3-T is secured by a

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\$100,000 letter of credit from Sumitomo Mitsui Banking Corporation which expires on February 15, 2030. The agreement for the Series A-3/A-3-T credit facility stipulates a quarterly commitment fee of 0.32%, on the maintenance of ratings of at least “AA-” by S&P and “AA-” by Fitch Ratings.

Barclays Capital Inc., Goldman Sachs & Co. LLC, and RBC Capital Markets, LLC serve as dealers for the commercial paper notes. The annual fee is 0.05% paid to Barclays Capital LLC and Goldman Sachs & Co. LLC and 0.045% paid to RBC Capital markets, LLC on the average outstanding principal amount of the commercial paper notes managed by the respective dealer.

The revolving notes were issued pursuant to the following series. Series R-1/R-1-T has a \$100,000 revolving credit agreement with Wells Fargo Bank N.A. which expires on March 3, 2028. The R-1/R-1-T revolving credit agreement stipulates an unutilized quarterly commitment fee of 0.25% on the maintenance of ratings of at least “AA-” by S&P and “AA-” by Fitch Ratings. The revolving credit agreement had \$0 outstanding as of June 30, 2025.

The commercial paper reimbursement agreements and the interim funding program revolving line of credit for the Enterprise contain a provision that in the event advances (or drawings) or loans remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

Significant events of default include 1) payment defaults, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, 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, 2025 and 2024, there were no such events described herein.

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(7) Changes in Long-Term Liabilities

a) Hetch Hetchy's long-term liability activities for the years ended June 30, 2025 and 2024 are as follows:

	Interest rate	Maturity (Calendar Year)	Restated 2024*	Additions	Reductions	2025	Due within one year
Bonds:							
Qualified Energy Conservation Bonds	4.74 %	2027	\$ 2,021	—	(569)	1,452	576
New Clean Renewable Energy Bonds 2015	4.62	2032	1,343	—	(150)	1,193	152
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026	2,005	—	(910)	1,095	945
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	—	(1,385)	72,895	1,455
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	—	(585)	49,135	620
2023 Series A Revenue Bonds	5.00	2053	123,905	—	—	123,905	—
Add issuance premiums			33,500	—	(1,821)	31,679	—
Total bonds payable			318,799	—	(5,420)	313,379	3,748
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,148	—	(463)	11,685	483
Net other postemployment benefits liability			40,341	715	(436)	40,620	—
Net pension liability			45,985	3,995	—	49,980	—
Accrued compensated absences ^			14,930	1,069	—	15,999	8,384
Accrued workers' compensation			3,633	819	(969)	3,483	667
Arbitrage rebate payable			184	23	—	207	—
Damage claims liability			4,063	8,212	(11,330)	945	867
Due to other City departments			—	37,822	—	37,822	102
Lease liability			272	882	(205)	949	191
Liabilities payable from restricted assets			28,867	—	(7,608)	21,259	18,155
Subscription liability			123	1,005	(668)	460	386
Unearned revenues, refunds, and other			15,276	32,872	(35,344)	12,804	11,840
Total			\$ 484,621	87,414	(62,443)	509,592	44,823

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	Restated 2024*	Due within one year
Bonds:							
Qualified Energy Conservation Bonds	4.74 %	2027	\$ 2,583	—	(562)	2,021	569
New Clean Renewable Energy Bonds 2015	4.62	2032	1,491	—	(148)	1,343	150
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026	2,885	—	(880)	2,005	910
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	—	—	74,280	1,385
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	—	—	49,720	585
2023 Series A Revenue Bonds	5.00	2053	—	123,905	—	123,905	—
Add issuance premiums			27,948	7,325	(1,773)	33,500	—
Total bonds payable			190,932	131,230	(3,363)	318,799	3,599
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	—	(445)	12,148	463
Commercial paper ~	2.80 - 3.69	2024	116,352	—	(116,352)	—	—
Net other postemployment benefits liability			37,180	8,514	(5,353)	40,341	—
Net pension liability			33,468	23,988	(11,471)	45,985	—
Accrued compensated absences ^			6,725	8,205	—	14,930	7,713
Accrued workers' compensation			3,457	1,000	(824)	3,633	645
Arbitrage rebate payable			—	184	—	184	—
Damage claims liability			6,884	10,284	(13,105)	4,063	2,010
Due to other City departments			1,946	—	(1,946)	—	—
Lease liability			307	—	(35)	272	35
Liabilities payable from restricted assets			—	28,867	—	28,867	25,513
Subscription liability			286	—	(163)	123	61
Unearned revenues, refunds, and other			12,716	26,358	(23,798)	15,276	14,696
Total			\$ 422,846	238,630	(176,855)	484,621	54,735

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

~ Commercial paper is short-term in fiscal year 2024.

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- b) Hetchy Water's long-term liability activities for the years ended June 30, 2025 and 2024 are as follows:

	Restated 2024*	Additions	Reductions	2025	Due within one year
Net other postemployment benefits liability	\$ 16,269	321	—	16,590	—
Net pension liability	19,090	1,320	—	20,410	—
Accrued compensated absences ^	5,794	402	—	6,196	3,256
Accrued workers' compensation	1,297	203	(270)	1,230	238
Damage claims liability	268	155	(126)	297	297
Lease liability	122	397	(92)	427	86
Subscription liability	59	449	(300)	208	175
Unearned revenues, refunds, and other	106	26	(102)	30	24
Total	<u>\$ 43,005</u>	<u>3,273</u>	<u>(890)</u>	<u>45,388</u>	<u>4,076</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

	2023	Additions	Reductions	Restated 2024*	Due within one year
Net other postemployment benefits liability	\$ 14,907	3,469	(2,107)	16,269	—
Net pension liability	14,105	9,809	(4,824)	19,090	—
Accrued compensated absences ^	2,266	3,528	—	5,794	2,995
Accrued workers' compensation	1,219	337	(259)	1,297	228
Damage claims liability	700	96	(528)	268	121
Lease liability	138	—	(16)	122	16
Subscription liability	139	—	(80)	59	30
Unearned revenues, refunds, and other	110	10	(14)	106	106
Total	<u>\$ 33,584</u>	<u>17,249</u>	<u>(7,828)</u>	<u>43,005</u>	<u>3,496</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

- c) Hetchy Power's long-term liability activities for the years ended June 30, 2025 and 2024 are as follows:

	Interest rate	Maturity (Calendar Year)	Restated 2024*	Additions	Reductions	2025	Due within one year
Bonds:							
Qualified Energy Conservation Bonds	4.74 %	2027	\$ 2,021	—	(569)	1,452	576
New Clean Renewable Energy Bonds 2015	4.62	2032	1,343	—	(150)	1,193	152
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026	2,005	—	(910)	1,095	945
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	—	(1,385)	72,895	1,455
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	—	(585)	49,135	620
2023 Series A Revenue Bonds	5.00	2053	123,905	—	—	123,905	—
Add issuance premiums			33,500	—	(1,821)	31,679	—
Total bonds payable			<u>318,799</u>	—	(5,420)	<u>313,379</u>	<u>3,748</u>
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,148	—	(463)	11,685	483
Net other postemployment benefits liability			19,883	394	—	20,277	—
Net pension liability			23,332	1,613	—	24,945	—
Accrued compensated absences ^			8,028	491	—	8,519	4,462
Accrued workers' compensation			2,336	616	(699)	2,253	429
Arbitrage rebate payable			184	23	—	207	—
Damage claims liability			3,774	7,758	(10,884)	648	570
Due to other City departments			—	37,822	—	37,822	102
Lease liability			150	485	(113)	522	105
Liabilities payable from restricted assets			28,867	—	(7,608)	21,259	18,155
Subscription liability			51	357	(241)	167	141
Unearned revenues, refunds, and other			<u>7,184</u>	<u>11,535</u>	<u>(10,442)</u>	<u>8,277</u>	<u>7,391</u>
Total			<u>\$ 424,736</u>	<u>61,094</u>	<u>(35,870)</u>	<u>449,960</u>	<u>35,586</u>

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

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	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	Restated 2024*	Due within one year
Bonds:							
Qualified Energy Conservation Bonds	4.74 %	2027	\$ 2,583	—	(562)	2,021	569
New Clean Renewable Energy Bonds 2015	4.62	2032	1,491	—	(148)	1,343	150
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026	2,885	—	(880)	2,005	910
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	—	—	74,280	1,385
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	—	—	49,720	585
2023 Series A Revenue Bonds	5.00	2053	—	123,905	—	123,905	—
Add issuance premiums			27,948	7,325	(1,773)	33,500	—
Total bonds payable			190,932	131,230	(3,363)	318,799	3,599
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	—	(445)	12,148	463
Commercial paper ~	2.80 - 3.69	2024	116,352	—	(116,352)	—	—
Net other postemployment benefits liability			18,220	4,239	(2,576)	19,883	—
Net pension liability			17,239	11,989	(5,896)	23,332	—
Accrued compensated absences ^			3,716	4,312	—	8,028	4,144
Accrued workers' compensation			2,238	663	(565)	2,336	417
Arbitrage rebate payable			—	184	—	184	—
Damage claims liability			6,150	9,273	(11,649)	3,774	1,872
Due to other City departments			1,946	—	(1,946)	—	—
Lease liability			169	—	(19)	150	19
Liabilities payable from restricted assets			—	28,867	—	28,867	25,513
Subscription liability			116	—	(65)	51	25
Unearned revenues, refunds, and other			6,460	7,465	(6,741)	7,184	6,604
Total			\$ 376,131	198,222	(149,617)	424,736	42,656

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

~ Commercial paper is short-term in fiscal year 2024.

d) CleanPowerSF's long-term liability activities for the years ended June 30, 2025 and 2024 are as follows:

	Restated 2024*	Additions	Reductions	2025	Due within one year
Net other postemployment benefits liability	\$ 4,189	—	(436)	3,753	—
Net pension liability	3,563	1,062	—	4,625	—
Accrued compensated absences ^	1,108	176	—	1,284	666
Damage claims liability	21	299	(320)	—	—
Subscription liability	13	199	(127)	85	70
Unearned revenues, refunds, and other	7,986	21,311	(24,800)	4,497	4,425
Total	\$ 16,880	23,047	(25,683)	14,244	5,161

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

	2023	Additions	Reductions	Restated 2024*	Due within one year
Net other postemployment benefits liability	\$ 4,053	806	(670)	4,189	—
Net pension liability	2,124	2,190	(751)	3,563	—
Accrued compensated absences ^	743	365	—	1,108	574
Damage claims liability	34	915	(928)	21	17
Subscription liability	31	—	(18)	13	6
Unearned revenues, refunds, and other	6,146	18,883	(17,043)	7,986	7,986
Total	\$ 13,131	23,159	(19,410)	16,880	8,583

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

^ The change in accrued compensated absences above is the net change for the fiscal year.

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(a) *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 fiscal year 2028.

The future annual debt service relating to the QECBs outstanding as of June 30, 2025 is as follows:

Fiscal years ending June 30:	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2026	\$ 576	62	(44)	18
2027	582	35	(24)	11
2028	294	7	(4)	3
	1,452	104	(72)	32
Less: Current portion	(576)			
Long-term portion as of June 30, 2025	\$ 876			

* The SFPUC received an IRS notice dated April 8, 2025 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$4 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2025.

(b) *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 of principal was prepaid in fiscal year 2021.

The future annual debt service relating to the 2015 NCREBs outstanding as of June 30, 2025 is as follows:

Fiscal years ending June 30:	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2026	\$ 152	53	(35)	18
2027	154	47	(31)	16
2028	156	39	(26)	13
2029	159	32	(21)	11
2030	161	25	(16)	9
2031-2033	411	28	(19)	9
	1,193	224	(148)	76
Less: Current portion	(152)			
Long-term portion as of June 30, 2025	\$ 1,041			

* The SFPUC received an IRS notice dated April 8, 2025 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$9 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2025.

(c) *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

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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, 2025 and 2024, the outstanding principal amounts were \$33,120 and \$34,030, respectively.

The future annual debt service relating to the 2015 Series AB Bonds outstanding as of June 30, 2025 is as follows:

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

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ —	1,593	1,593
2027	830	1,576	2,406
2028	1,020	1,534	2,554
2029	1,075	1,482	2,557
2030	1,125	1,427	2,552
2031-2035	6,535	6,208	12,743
2036-2040	8,340	4,358	12,698
2041-2045	10,640	1,997	12,637
2046	2,460	62	2,522
	<u>32,025</u>	<u>20,237</u>	<u>52,262</u>
Add: Unamortized bond premium	2,622		
Long-term portion as of June 30, 2025	\$ <u>34,647</u>		

Hetchy Power - Power Revenue Bonds 2015 Series B

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ 945	25	970
2027	150	3	153
	<u>1,095</u>	<u>28</u>	<u>1,123</u>
Less: Current portion	(945)		
Add: Unamortized bond premium	8		
Long-term portion as of June 30, 2025	\$ <u>158</u>		

(d) ***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, 2025 and 2024, the outstanding principal amounts were \$122,030 and \$124,000, respectively.

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The future annual debt service relating to the 2021 Series AB Bonds outstanding as of June 30, 2025 is as follows:

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

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ 1,455	2,979	4,434
2027	1,530	2,905	4,435
2028	1,605	2,826	4,431
2029	1,690	2,744	4,434
2030	1,775	2,658	4,433
2031-2035	10,155	12,016	22,171
2036-2040	12,430	9,734	22,164
2041-2045	15,185	6,981	22,166
2046-2050	18,550	3,618	22,168
2051-2052	8,520	344	8,864
	<u>72,895</u>	<u>46,805</u>	<u>119,700</u>
Less: Current portion	(1,455)		
Add: Unamortized bond premium	13,181		
Long-term portion as of June 30, 2025	<u>\$ 84,621</u>		

Hetchy Power - Power Revenue Bonds 2021 Series B

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ 620	2,000	2,620
2027	650	1,969	2,619
2028	685	1,935	2,620
2029	715	1,900	2,615
2030	750	1,864	2,614
2031-2035	4,330	8,742	13,072
2036-2040	5,455	7,751	13,206
2041-2045	6,745	6,534	13,279
2046-2050	19,215	4,183	23,398
2051-2052	9,970	403	10,373
	<u>49,135</u>	<u>37,281</u>	<u>86,416</u>
Less: Current portion	(620)		
Add: Unamortized bond premium	8,945		
Long-term portion as of June 30, 2025	<u>\$ 57,460</u>		

(e) *Power Revenue Bonds 2023 Series A*

In October 2023, Hetchy Power issued tax-exempt power revenue bonds, 2023 Series A in the amount of \$123,905 with coupon interest rates of 5.0%. Proceeds from the bonds were used to finance or refinance Power Enterprise projects through the retirement of commercial paper issued as interim financing for such projects in furtherance of the Power Capital Improvement Program, to fund capitalized interest, and to pay costs of issuance. The bonds were rated “AA” and “AA-” by S&P and Fitch, respectively. Final maturity for 2023 Series A is November 1, 2053. The true interest cost is 4.56%. As of June 30, 2025 and 2024, the outstanding principal amount was \$123,905.

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The future annual debt service relating to the 2023 Series A Bonds outstanding as of June 30, 2025 is as follows:

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ —	6,195	6,195
2027	1,075	6,168	7,243
2028	1,445	6,105	7,550
2029	1,820	6,024	7,844
2030	1,920	5,930	7,850
2031-2035	11,650	28,039	39,689
2036-2040	15,370	24,653	40,023
2041-2045	19,725	20,289	40,014
2046-2050	25,320	14,687	40,007
2051-2054	45,580	5,661	51,241
	<u>123,905</u>	<u>123,751</u>	<u>247,656</u>
Add: Unamortized bond premium	6,923		
Long-term portion as of June 30, 2025	<u>\$ 130,828</u>		

(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 matured 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%).

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The future annual debt service relating to the certificates of participation 2009 Series D outstanding as of June 30, 2025 is as follows:

Fiscal years ending June 30:	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2026	\$ 483	739	(244)	495
2027	503	709	(234)	475
2028	524	675	(223)	452
2029	546	641	(212)	429
2030	569	606	(200)	406
2031-2035	3,232	2,432	(802)	1,630
2036-2040	3,985	1,266	(418)	848
2041-2042	1,843	121	(40)	81
	<u>11,685</u>	<u>7,189</u>	<u>(2,373)</u>	<u>4,816</u>
Less: Current portion	(483)			
Long-term portion as of June 30, 2025	\$ <u>11,202</u>			

* The SFPUC received an IRS notice dated April 8, 2025 that the federal interest subsidy is reduced by 5.7% or a total reduction of \$143 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2025.

(g) *Events of Default and Remedies*

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, 2025 and 2024, there were no such events described herein. See Note 13(a) for information about CleanPowerSF guarantee.

(h) *Leases*

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

Future annual lease payments as of June 30, 2025 are as follows:

Hetchy Water			
Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ 86	10	96
2027	90	8	98
2028	96	5	101
2029	101	3	104
2030	18	1	19
2031-2035	17	3	20
2036-2040	19	1	20
	<u>427</u>	<u>31</u>	<u>458</u>
Less: Current portion	(86)		
Long-term portion as of June 30, 2025	\$ <u>341</u>		

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Hetchy Power

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ 105	12	117
2027	111	9	120
2028	117	6	123
2029	123	3	126
2030	21	1	22
2031-2035	22	4	26
2036-2040	23	1	24
	<u>522</u>	<u>36</u>	<u>558</u>
Less: Current portion	(105)		
Long-term portion as of June 30, 2025	<u>\$ 417</u>		

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. During the years ended June 30, 2025 and 2024, there were no amount recognized as expense for variable lease payments not included in the measurement of the lease liability.

(i) **SBITAs**

Hetch Hetchy has noncancellable subscription arrangements (similar to a lease) for the right to use various SBITAs. The terms and conditions for these subscriptions vary, which ranges between 1 to 5 years.

Future annual subscription payments as of June 30, 2025 are as follows:

Hetchy Water

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ 175	6	181
2027	33	—	33
	<u>208</u>	<u>6</u>	<u>214</u>
Less: Current portion	(175)		
Long-term portion as of June 30, 2025	<u>\$ 33</u>		

Hetchy Power

Fiscal years ending June 30:	Principal	Interest	Total
2026	\$ 141	4	145
2027	26	—	26
	<u>167</u>	<u>4</u>	<u>171</u>
Less: Current portion	(141)		
Long-term portion as of June 30, 2025	<u>\$ 26</u>		

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CleanPowerSF

Fiscal years ending June 30:

	Principal	Interest	Total
2026	\$ 70	2	72
2027	15	—	15
	<u>85</u>	<u>2</u>	<u>87</u>
Less: Current portion	(70)		
Long-term portion as of June 30, 2025	<u>\$ 15</u>		

As of June 30, 2025 and 2024, no variable subscription payments were noted for Hetch Hetchy's subscription IT arrangements.

(8) Revenue Pledge

Hetchy Power has pledged future power revenues to repay the 2011 QECBs and the 2015 NCREBs. Additionally, Hetchy Power has pledged future power revenues for 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds are payable through fiscal years 2046, 2052, and 2054, respectively, and are solely payable from net revenues of Hetchy Power on a senior lien basis to the 2011 QECBs and the 2015 NCREBs.

Outstanding bonds issued with revenue pledge, total principal and interest remaining, principal and interest paid during fiscal years 2025 and 2024, applicable net revenues, and funds available for debt service are as follows:

Hetchy Power	2025	2024
Bonds issued with revenue pledge	\$ 281,700	285,299
Principal and interest remaining due at the end of the year	510,130	526,808
Principal and interest paid during the year*	10,484	3,458
Net revenues for the year ended June 30	67,523	50,471
Funds available for debt service	228,686	166,641

*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB, 2021 Series AB, and 2023 Series A 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, 2021 Series AB, and 2023 Series A power revenue bonds was \$9,615, net of capitalized interest.

(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 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 project came on line November 29, 2010 and cumulative revenues of \$22,708 were recorded. Per agreement, the SFPUC 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,

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and environmentally disadvantaged communities. As of June 30, 2025, cumulative expenses of \$16,812 have been incurred, with \$2,235 and \$2,090 in fiscal years 2025 and 2024, 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 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 2025	Fiscal Year 2024
Valuation Date (VD)	July 1, 2023 updated to June 30, 2024	July 1, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2024	June 30, 2023
Measurement Period (MP)	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

SFERS Plan – The City is an employer of the plan with a proportionate share of 94.70% as of June 30, 2024 (measurement date), 0.15% decreased from prior year, and 94.85% as of June 30, 2023 (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 2024 and 2023. 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 1.32%, of which 0.54% for Hetchy Water, 0.66% for Hetchy Power, and 0.12% for CleanPowerSF as of June 30, 2024 (measurement date). Hetch Hetchy's allocation of the City's proportionate share was 1.33%, of which 0.55% for Hetchy Water, 0.68% for Hetchy Power, and 0.10% for CleanPowerSF as of June 30, 2023 (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 statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website <https://mysfers.org> or by writing to the San Francisco Employees' Retirement System, 1145 Market Street, 5th 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

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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 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. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the fair value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the 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 fair 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 11.0% and 7.5% to 11.5% as a percentage of gross covered salary in fiscal years 2025 and 2024. 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, 2023

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actuarial report, the required employer contribution rates for fiscal year 2025 ranged from 14.91% to 16.91%. Based on the July 1, 2022 actuarial report, the required employer contribution rates for fiscal year 2024 ranged from 15.24% to 18.24%.

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, 2024 and 2023 (measurement years) was \$636,991 and \$638,003, respectively. Hetch Hetchy's allocation of employer contributions was \$8,474, of which \$3,518 for Hetchy Water, \$4,299 for Hetchy Power, and \$657 for CleanPowerSF for fiscal year 2024 (measurement period). Hetch Hetchy's allocation of employer contributions was \$8,364, of which \$3,525 for Hetchy Water, \$4,308 for Hetchy Power, and \$531 for CleanPowerSF for fiscal year 2023 (measurement period).

Pension Liabilities, Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

Fiscal Year 2025

As of June 30, 2025, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of \$3,775,717. The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The net pension liability of the SFERS Plan is measured as of June 30, 2024 (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 July 1, 2023 rolled forward to June 30, 2024 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, 2025 was \$49,980, of which \$20,410 was for Hetchy Water, \$24,945 for Hetchy Power, and \$4,625 for CleanPowerSF.

For the year ended June 30, 2025, the City's recognized pension expense was \$734,019 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 was \$8,352, of which \$3,264 for Hetchy Water, \$3,989 for Hetchy Power, and \$1,099 for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

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At June 30, 2025, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2025	Schedules of Deferred Outflows and Inflows of Resources							
	Deferred Outflows of Resources				Deferred Inflows of Resources			
	Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Pension contributions subsequent to the measurement date	\$ 3,522	4,305	798	8,625	—	—	—	—
Differences between expected and actual experience	3,218	3,933	729	7,880	—	—	—	—
Changes in assumptions	1,609	1,967	366	3,942	491	600	111	1,202
Net difference between projected and actual earnings on pension plan investments	3,771	4,609	854	9,234	—	—	—	—
Change in employer's proportion	315	384	6	705	377	461	619	1,457
Total	\$ 12,435	15,198	2,753	30,386	868	1,061	730	2,659

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/(benefit) as follows:

Fiscal years	Hetchy Water	Hetchy Power	CleanPowerSF	Total
2026	\$ (1,000)	(1,222)	(449)	(2,671)
2027	7,339	8,970	1,483	17,792
2028	1,356	1,657	179	3,192
2029	350	427	12	789
	\$ 8,045	9,832	1,225	19,102

At June 30, 2025, Hetch Hetchy reported deferred outflows of resources related to contributions subsequent to the measurement date of \$8,625, of which \$3,522 for Hetchy Water, \$4,305 for Hetchy Power, and \$798 for CleanPowerSF, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ending June 30, 2026.

Fiscal Year 2024

As of June 30, 2024, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of \$3,456,687. The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (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 July 1, 2022 rolled forward to June 30, 2023 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, 2024 was \$45,985, of which \$19,090 was for Hetchy Water, \$23,332 for Hetchy Power, and \$3,563 for CleanPowerSF.

For the year ended June 30, 2024, the City's recognized pension expense was \$659,719 including amortization of deferred outflows/inflows related pension items. Hetch Hetchy's allocation of pension expense including amortization of deferred outflows/inflows related

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pension items was \$8,008, of which \$3,230 for Hetchy Water, \$3,948 for Hetchy Power, and \$830 for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

At June 30, 2024, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2024	Schedules of Deferred Outflows and Inflows of Resources							
	Deferred Outflows of Resources				Deferred Inflows of Resources			
	Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Pension contributions subsequent to the measurement date	\$ 3,518	4,299	657	8,474	—	—	—	—
Differences between expected and actual experience	2,051	2,507	383	4,941	—	—	—	—
Changes in assumptions	2,470	3,021	461	5,952	1,127	1,378	210	2,715
Net difference between projected and actual earnings on pension plan investments	3,613	4,415	674	8,702	—	—	—	—
Change in employer's proportion	277	338	12	627	814	994	715	2,523
Total	\$ 11,929	14,580	2,187	28,696	1,941	2,372	925	5,238

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/(benefit) as follows:

Fiscal years	Hetchy Water	Hetchy Power	CleanPowerSF	Total
2025	\$ (336)	(410)	(330)	(1,076)
2026	(1,374)	(1,680)	(422)	(3,476)
2027	7,151	8,740	1,225	17,116
2028	1,029	1,259	132	2,420
	<u>\$ 6,470</u>	<u>7,909</u>	<u>605</u>	<u>14,984</u>

Actuarial Assumptions

Fiscal Year 2025

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for the SFERS Plan as of June 30, 2024 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2023 actuarial valuation. Refer to the July 1, 2023 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website <https://mysfers.org>.

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Key Actuarial Assumptions		SFERS Plan			
Valuation Date		July 1, 2023 updated to June 30, 2024			
Measurement Date		June 30, 2024			
Actuarial Cost Method		Entry-Age Normal Cost			
Expected Rate of Return		7.20% net of investment expenses			
Municipal Bond Yield		3.93% as of June 30, 2024			
		3.65% as of June 30, 2023			
		Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024			
Inflation		2.50%			
Projected Salary Increases		3.25% plus merit component based employee classification and years of service			
Discount Rate		7.20% as of June 30, 2024			
		7.20% as of June 30, 2023			
Administrative Expenses		0.60% of payroll as of June 30, 2024			
		0.60% of payroll as of June 30, 2023			
Basic COLA		Old Miscellaneous and	Old Police & Fire,	Old Police & Fire	Old Police & Fire
		All New Plans	pre 7/1/75	Charters A8.595	Charters A8.559
				and A8.596	and A8.585
	June 30, 2024	2.00%	1.90%	2.50%	3.60%
	June 30, 2023	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS plan – There were no changes in the discount rate for the measurement period ended June 30, 2024. The municipal bond yield increased from 3.65% to 3.93%.

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, 2024 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and a review of economic assumptions as of July 1, 2023.

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for SFERS Plan as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to the July 1, 2022 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website <https://mysfers.org>.

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<u>Key Actuarial Assumptions</u>		<u>SFERS Plan</u>			
Valuation Date		July 1, 2022 updated to June 30, 2023			
Measurement Date		June 30, 2023			
Actuarial Cost Method		Entry-Age Normal Cost			
Expected Rate of Return		7.20% net of investment expenses			
Municipal Bond Yield		3.65% as of June 30, 2023			
		3.54% as of June 30, 2022			
		Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023			
Inflation		2.50%			
Projected Salary Increases		3.25% plus merit component based employee classification and years of service			
Discount Rate		7.20% as of June 30, 2023			
		7.20% as of June 30, 2022			
Administrative Expenses		0.60% of payroll as of June 30, 2023			
		0.60% of payroll as of June 30, 2022			
Basic COLA		Old Miscellaneous and	Old Police & Fire,	Old Police & Fire,	
		All New Plans	pre 7/1/75	Charters A8.595	Charters A8.559
				and A8.596	and A8.585
	June 30, 2023	2.00%	1.90%	2.50%	3.60%
	June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

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, 2023 measurement date were 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, 2022.

Discount Rate

Fiscal Year 2025

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 7.20% as of June 30, 2024 and June 30, 2023 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2024 was 7.20%. 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, 2023 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.

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However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. 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 were hired before Proposition C passed, 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 were hired after Proposition C passed, the fair value of assets must also exceed the actuarial liability 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. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

A 0.50% Supplement COLA is expected to be payable as of July 1, 2024 for most non-Prop C members due to the favorable investment returns for fiscal year ended 2024. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

<u>Fiscal years</u>	<u>96 - Prop C</u>	<u>Before 11/6/96 or After Prop C</u>
2026+	0.75 %	0.50 %

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 future benefit payments for current members through 2106. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.93% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2024 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. 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 best-estimate of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage.

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

Asset Class	Target Allocation from Jan 2021 - Jun 2024	Target Allocation Effective as of Jul 2024	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	32.0 %	4.2 %
Private Equity	23.0	20.0	7.2
Liquid Credit	5.0	12.0	3.9
Private Credit	10.0	10.0	5.9
Real Assets	10.0	10.0	5.5
Absolute Return	10.0	10.0	4.4
Treasuries	8.0	8.0	1.8
Cash	—	1.0	1.2
Leverage	(3.0)	(3.0)	1.6
Total	100.0	100.0	

Fiscal Year 2024

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 7.20% as of June 30, 2023 and June 30, 2022 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2023 was 7.20%. 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, 2022 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. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. 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

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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 were hired before Proposition C passed, 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 were hired after Proposition C passed, the fair value of assets must also exceed the actuarial liability 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. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2023. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

<u>Fiscal years</u>	<u>96 - Prop C</u>	<u>Before 11/6/96 or After Prop C</u>
2025+	0.75 %	0.50 %

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 through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2023 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37.0 %	4.6 %
Private Equity	23.0	7.8
Private Credit	10.0	5.8
Real Assets	10.0	5.3
Absolute Return	10.0	4.4
Treasuries	8.0	1.7
Liquid Credit	5.0	3.5
Leverage	(3.0)	1.4
Total	100.0	

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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 total pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Fiscal Year 2025	Hetchy		CleanPowerSF	Total
	Water	Power		
1% Decrease Share of NPL @ 6.20%	\$ 46,983	57,423	10,646	115,052
Share of NPL @ 7.20%	20,410	24,945	4,625	49,980
1% Increase Share of NPA @ 8.20%	(1,486)	(1,816)	(337)	(3,639)

Fiscal Year 2024	Hetchy		CleanPowerSF	Total
	Water	Power		
1% Decrease Share of NPL @ 6.20%	\$ 44,775	54,725	8,357	107,857
Share of NPL @ 7.20%	19,090	23,332	3,563	45,985
1% Increase Share of NPA @ 8.20%	(2,088)	(2,552)	(390)	(5,030)

(b) *Other Postemployment Benefits*

Hetch Hetchy participates in a single-employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides postemployment 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 OPEB 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 2025	Fiscal Year 2024
Valuation Date (VD)	June 30, 2024	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2024	June 30, 2023
Measurement Period (MP)	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

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, 2024 and June 30, 2023. 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 1.04%, of which 0.42% for Hetchy Water, 0.52% for Hetchy Power, and 0.10% for CleanPowerSF as of June 30, 2024 (measurement date). Hetch Hetchy's proportionate share of the City's OPEB elements was 1.03%, of which 0.41% for Hetchy Water, 0.51% for Hetchy Power, and 0.11% for CleanPowerSF as of June 30, 2023 (measurement date).

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Benefits

Permanent full-time and elected employees are eligible to retire and receive postemployment 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 ¹ Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

¹ 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 under Charter Section 8.603.

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 – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (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 1st 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 1st 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

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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 2025

For the fiscal year ended June 30, 2025, the City's funding was based on "pay as you go" plus a contribution of \$52,126 to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City was \$248,806 for a total contribution of \$300,932 for the fiscal year ended June 30, 2025. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2025 were \$3,117: \$1,273 for Hetchy Water, \$1,556 for Hetchy Power, and \$288 for CleanPowerSF and will be recognized as a reduction of the net OPEB liability in the reporting year ending June 30, 2026.

Fiscal Year 2024

For the fiscal year ended June 30, 2024, the City's funding was based on "pay as you go" plus a contribution of \$48,779 to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City was \$229,922 for a total contribution of \$278,701 for the fiscal year ended June 30, 2024. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2024 were \$2,864: \$1,155 for Hetchy Water, \$1,412 for Hetchy Power, and \$297 for CleanPowerSF and will be recognized as a reduction of the net OPEB liability in the reporting year ending June 30, 2025.

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

Fiscal Year 2025

As of June 30, 2025, the City reported net OPEB liability related to the Plan of \$3,921,799. Hetch Hetchy's proportionate share of the City's net OPEB liability as of June 30, 2025 was \$40,620: \$16,590 for Hetchy Water, \$20,277 for Hetchy Power, and \$3,753 for CleanPowerSF. For the year ended June 30, 2025, the City's recognized OPEB expense was \$259,579. 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/(income) was \$3,023: \$1,766 for Hetchy Water and \$2,158 for Hetchy Power, and \$(901) for CleanPowerSF.

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As of June 30, 2025, 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 Resources				Deferred Inflows of Resources			
	Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Contributions subsequent to measurement date	\$ 1,273	1,556	288	3,117	—	—	—	—
Differences between expected and actual experience	500	612	113	1,225	1,554	1,900	352	3,806
Changes in assumptions	706	862	160	1,728	—	—	—	—
Net difference between projected and actual earnings on plan investments	—	—	—	—	186	227	42	455
Change in proportion	475	581	634	1,690	1,092	1,334	1,343	3,769
Total	\$ 2,954	3,611	1,195	7,760	2,832	3,461	1,737	8,030

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 years	Hetchy Water	Hetchy Power	CleanPowerSF	Total
2026	\$ (175)	(214)	(364)	(753)
2027	(268)	(327)	(261)	(856)
2028	(460)	(561)	(151)	(1,172)
2029	(180)	(221)	(178)	(579)
2030	(34)	(42)	62	(14)
Thereafter	(34)	(41)	62	(13)
Total	\$ (1,151)	(1,406)	(830)	(3,387)

At June 30, 2025, Hetch Hetchy reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$3,117, of which \$1,273 for Hetchy Water, \$1,556 for Hetchy Power, and \$288 for CleanPowerSF, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2026.

Fiscal Year 2024

As of June 30, 2024, the City reported net OPEB liability related to the Plan of \$3,924,832. Hetch Hetchy's proportionate share of the City's net OPEB liability as of June 30, 2024 was \$40,341: \$16,269 for Hetchy Water, \$19,883 for Hetchy Power, and \$4,189 for CleanPowerSF. For the year ended June 30, 2024, the City's recognized OPEB expense was \$261,158. 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/(income) was \$5,204: \$2,390 for Hetchy Water and \$2,922 for Hetchy Power, and \$(108) for CleanPowerSF.

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As of June 30, 2024, 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 Resources				Deferred Inflows of Resources			
	Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Contributions subsequent to measurement date \$	1,155	1,412	297	2,864	—	—	—	—
Differences between expected and actual experience	699	854	180	1,733	1,886	2,305	486	4,677
Changes in assumptions	473	578	122	1,173	—	—	—	—
Net difference between projected and actual earnings on plan investments	125	152	32	309	—	—	—	—
Change in proportion	739	903	365	2,007	1,011	1,236	1,806	4,053
Total \$	3,191	3,899	996	8,086	2,897	3,541	2,292	8,730

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 years	Hetchy Water	Hetchy Power	CleanPowerSF	Total
2025 \$	(238)	(292)	(571)	(1,101)
2026	(79)	(96)	(456)	(631)
2027	(170)	(209)	(355)	(734)
2028	(362)	(443)	(244)	(1,049)
2029	(12)	(14)	33	7
Total \$	(861)	(1,054)	(1,593)	(3,508)

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Actuarial Assumptions

Fiscal Year 2025

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2024 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
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 6.87% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.87% trending down to ultimate rate of 3.93% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% 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-Annuityants

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

Healthy Retirees

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

Disabled Retirees

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

Beneficiaries

	Published Table	Adjustment Factor	
		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.

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Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2023 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
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 7.24% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% 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 ended June 30, 2019.

Non-Annuitants

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

Healthy Retirees

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

Disabled Retirees

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

Beneficiaries

	Published Table	Adjustment Factor	
		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.

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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, 2025 and June 30, 2024:

	<u>Hetchy Water</u>	<u>Hetchy Power</u>	<u>CleanPowerSF</u>	<u>2025</u>
1% Decrease	\$ 13,982	17,089	3,163	34,234
Healthcare Cost Trend Rate	16,590	20,277	3,753	40,620
1% Increase	19,824	24,229	4,485	48,538

	<u>Hetchy Water</u>	<u>Hetchy Power</u>	<u>CleanPowerSF</u>	<u>2024</u>
1% Decrease	\$ 13,835	16,909	3,562	34,306
Healthcare Cost Trend Rate	16,269	19,883	4,189	40,341
1% Increase	19,288	23,574	4,966	47,828

Discount Rate**Fiscal Year 2025**

The discount rate used to measure the Total OPEB Liability as of June 30, 2024 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.

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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 Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0 %	5.5 %
U.S. Small Cap	2.0	6.4
Developed Market Equity (non-U.S.)	13.0	5.9
Emerging Market Equity	10.0	5.9
Credit		
Bank Loans	3.0	3.7
High Yield Bonds	3.0	3.9
Rate Securities		
Investment Grade Corporate Bonds	7.0	1.9
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0	0.9
Private Markets		
Private Equity	10.0	6.9
Private Debt	5.0	6.2
Core Private Real Estate	5.0	5.2
Infrastructure (Core Private)	2.0	6.0
Risk Mitigating Strategies		
Global Macro	10.0	1.6
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 Water	Hetchy Power	CleanPowerSF	Total
1% Decrease 6.00%	\$ 19,557	23,902	4,425	47,884
Discount Rate 7.00%	16,590	20,277	3,753	40,620
1% Increase 8.00%	14,156	17,301	3,203	34,660

Fiscal Year 2024

The discount rate used to measure the Total OPEB Liability as of June 30, 2023 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.

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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 Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0 %	6.1 %
U.S. Small Cap	2.0	6.7
Developed Market Equity (non-U.S.)	13.0	7.2
Emerging Market Equity	10.0	7.4
Credit		
Bank Loans	3.0	4.4
High Yield Bonds	3.0	4.7
Rate Securities		
Investment Grade Corporate Bonds	7.0	2.8
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0	1.0
Private Markets		
Private Equity	10.0	8.4
Private Debt	5.0	6.4
Core Private Real Estate	5.0	3.9
Infrastructure (Core Private)	2.0	5.2
Risk Mitigating Strategies		
Global Macro	10.0	3.1
Total	<u><u>100.0</u></u> %	

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 Water	Hetchy Power	CleanPowerSF	Total
1% Decrease 6.00%	\$ 19,040	23,272	4,903	47,215
Discount Rate 7.00%	16,269	19,883	4,189	40,341
1% Increase 8.00%	13,995	17,105	3,604	34,704

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained on the City's website <https://www.sf.gov/annual-comprehensive-financial-reports-acfr>, 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, 2025 and 2024, the SFPUC allocated

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\$33,719 or 23.9% and \$28,789 or 23.1%, respectively, in administrative costs which are 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 \$14,020 and \$15,121 for the years ended June 30, 2025 and 2024, 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, 2025, Hetch Hetchy's allocable shares of expenses and prepayment were \$19 and \$852, respectively, and as of June 30, 2024 were \$16 and \$871, respectively.

(b) *Hetchy Water*

For the years ended June 30, 2025 and 2024, the SFPUC allocated \$6,905 or 4.9%, and \$12,805 or 10.3%, respectively, in administrative costs.

The Water Enterprise purchases water from Hetchy Water. Included in the operating revenues are the water assessment fees of \$49,241 and \$46,266 for the years ended June 30, 2025 and 2024, 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 \$47,084 and \$42 from the Water Enterprise for the years ended June 30, 2025 and 2024, respectively. The increase was mainly due to the transfer of State Revolving Fund (SRF) loan proceeds to fund Hetchy Water's share of the Mountain Tunnel Project.

(c) *Hetchy Power*

For the years ended June 30, 2025 and 2024, the SFPUC allocated \$20,062 or 14.2%, and \$10,297 or 8.3% respectively, in administrative costs.

For the years ended June 30, 2025 and 2024, operating revenues in sales of power to departments within the City were \$144,286 and \$125,197, respectively.

The Water Enterprise purchases electricity and gas from Hetchy Power. This amount totaled \$13,477 and \$10,256 for the years ended June 30, 2025 and 2024, respectively.

The Wastewater Enterprise purchases electricity and gas from Hetchy Power. This amount totaled \$14,841 and \$12,377 for the years ended June 30, 2025 and 2024, respectively.

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The Low Carbon Fuel Standard (LCFS) program, overseen by the California Air Resources Board (CARB), seeks to reduce the carbon intensity of California's transportation fuel. 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. 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 credit sales. The Ordinance also allowed Hetchy Power to sell LCFS credits on behalf of other City agencies which includes Port of San Francisco (Port) and San Francisco International Airport (SFO). Revenue allocations and fees are based on agreements with the departments. LCFS revenue is reported as other non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position.

During the fiscal year ended June 30, 2025, Hetchy Power received total payments of LCFS credits of \$1,668, of which \$1,041 was transferred to other City departments (\$627 for SFMTA, \$238 for Port, and \$176 for SFO). The remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position.

During the fiscal year ended June 30, 2024, Hetchy Power received total payments of LCFS credits of \$1,838, of which \$1,154 was transferred to other City departments (\$684 for SFMTA, \$372 for Port, and \$98 for SFO). The remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position.

Due from other City departments was \$10,166 and \$11,421 as of June 30, 2025 and 2024, 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, 2025 and 2024, receivables related to projects completed throughout the City amounted to \$2,531 and \$3,037, respectively and are recorded as due from other City Departments.

Hetch Hetchy funded a project for the Treasure Island Development Authority and recorded receivables in connection with an upgraded submarine power cable, and gas and electrical charges for the Treasure Island as due from other City departments. This amount totaled \$7,304 and \$7,041 for the years ended June 30, 2025 and 2024, respectively.

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As of June 30, 2025 and 2024, Hetchy Power recorded receivables of \$291 and \$405, 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:

	<u>2025</u>	<u>2024</u>
Treasure Island Development Authority	\$ 7,304	7,041
SEA-related project: Moscone Center	2,531	3,037
General Fund	—	754
Wastewater - 525 Golden Gate Headquarters Project	291	405
San Francisco Recreation and Park	—	105
Department of Public Works	40	79
Total due from other City departments	<u>10,166</u>	<u>11,421</u>
Less: current portion	<u>(661)</u>	<u>(1,558)</u>
Long-term portion as of June 30, net	<u>\$ 9,505</u>	<u>9,863</u>

As of June 30, 2025, Hetchy Power had payable in the amount of \$37,822 for SRF loan reimbursement to the Water Enterprise.

(d) *CleanPowerSF*

For the years ended June 30, 2025 and 2024, the SFPUC allocated \$6,752 or 4.8%, and \$5,687 or 4.5%, respectively, in administrative costs to CleanPowerSF.

As of June 30, 2025, and 2024, operating revenue in sales of power to Hetchy Power were \$8,399 and \$1,421, respectively. Operating expenses in purchase of power from Hetchy Power were \$8,634 and \$13,521, 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 \$0 and \$2,841 for the years ended June 30, 2025 and 2024, respectively. Starting fiscal year 2025, Hetchy Power's support services are recorded to personnel services.

(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. 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.

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Risk	Coverage Approach
(a) General Liability	Self-Insured
(b) Workers' Compensation	Self-Insured through Citywide 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	Contractual Risk Transfer
(j) Errors and Omissions	Contractual Risk Transfer
(k) Builders' Risk	Contractual Risk Transfer

(a) *General Liability*

The Enterprise's liability as of June 30, 2025, was estimated based on professional judgment regarding probable claims exposure provided by the City Attorney's Office and includes an estimate of incurred but not reported losses. The recorded liability represents management's best estimate of the City's potential exposure based on currently available information.

The changes for the general liability (damage claims) for the years ended June 30, 2025, 2024, and 2023 are as follows:

Fiscal years	Beginning of year	Claims and changes in estimates	Claims paid and changes in estimates	End of year
Hetch Hetchy				
2025	\$ 4,063	8,212	(11,330)	945
2024	6,884	10,284	(13,105)	4,063
2023	1,682	12,497	(7,295)	6,884
Hetchy Water				
2025	\$ 268	155	(126)	297
2024	700	96	(528)	268
2023	627	320	(247)	700
Hetchy Power				
2025	\$ 3,774	7,758	(10,884)	648
2024	6,150	9,273	(11,649)	3,774
2023	1,023	10,439	(5,312)	6,150
CleanPowerSF				
2025	\$ 21	299	(320)	—
2024	34	915	(928)	21
2023	32	1,738	(1,736)	34

(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

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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, 2025, 2024, and 2023 are as follows:

<u>Fiscal years</u>	<u>Beginning of year</u>	<u>Claims and changes in estimates</u>	<u>Claims paid and changes in estimates</u>	<u>End of year</u>
Hetch Hetchy				
2025	\$ 3,633	819	(969)	3,483
2024	3,457	1,000	(824)	3,633
2023	3,478	300	(321)	3,457
Hetchy Water				
2025	\$ 1,297	203	(270)	1,230
2024	1,219	337	(259)	1,297
2023	1,228	76	(85)	1,219
Hetchy Power				
2025	\$ 2,336	616	(699)	2,253
2024	2,238	663	(565)	2,336
2023	2,250	224	(236)	2,238

*CleanPowerSF had no workers' compensation liabilities as of June 30, 2025 and 2024.

(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.

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(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.

(l) ***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 threaten 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.

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(13) Commitments and Litigation

(a) *Commitments*

As of June 30, 2025 and 2024, Hetch Hetchy had outstanding commitments with third parties of \$185,619 and \$154,975, respectively, for various capital projects and purchase agreements.

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 \$5,940 and \$5,714 for fiscal years 2025 and 2024, 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 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 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 (WDT3) that increased rates and significantly decreased the City's ability to serve City projects. Under the terms of WDT3, the City would 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, Distributed Antenna System, traffic signals, and bus shelters. The City and PG&E have reached a limited settlement agreement that allows the City to continue serving City projects (like Affordable Housing, streetlights, parks, and schools) at a secondary interconnection. PG&E filed this agreement at FERC on August 11, 2025 and it is now waiting for FERC approval. Cost assignment issues still remain as PG&E requires the City to pay for distribution upgrades to PG&E's system that benefits PG&E's own retail customers. This issue is still being litigated at FERC under the WDT3 proceeding. PG&E has since filed a new iteration of the WDT, WDT4, which became in effect May 2025. The cost assignment issues remain in WDT4 and the City is currently engaged in settlement discussions with PG&E at FERC.

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 2025 and 2024, Hetchy Power purchased distribution services for \$21,782 and \$27,932, respectively, from PG&E under the terms of the Service Agreements and Interconnection Agreements that implement the

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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 2025 and 2024, Hetchy Power purchased \$11,364 and \$11,945 of power and other related products, respectively. Sales of excess power, after meeting Hetchy's obligations, were \$1,589 for fiscal year 2025 and \$6,532 for fiscal year 2024, 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 on average. Rates for fiscal years ended June 30, 2025 and 2024 were \$365/MWh and \$354/MWh, respectively. 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 2025 and 2024, purchases of energy under the Agreement were \$2,371, or 6,599 MWh, and \$2,184, or 6,269 MWh, respectively.

APX, Inc

Hetchy Power and CleanPowerSF participate in the 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 Hetchy 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 \$475 and \$456 as of June 30, 2025 and 2024, respectively. CleanPowerSF's share was \$264 for fiscal years 2025 and 2024.

CleanPowerSF

CleanPowerSF regularly adds new 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

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(Dollars in thousands, unless otherwise stated)

renewable energy developers including sPower, Terra-Gen, NextEra, Intersect Power and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from anticipated load growth, and to comply with State requirement that 65% of CleanPowerSF's Renewables Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was completed in 2020. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.7% of all enrolled accounts. The total power purchase cost, net of wholesale sales, were \$334,299 and \$270,340 in fiscal years 2025 and 2024, 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 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 2025 and 2024, amounts paid were \$4,683 and \$4,742, respectively.

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 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). In March 2024 CleanPowerSF executed a fourth amendment to the Credit Agreement increasing the available amount from \$20,000 to \$75,000 and extended the agreement end date from March 2024 to March 2027. 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 \$6,183 for fiscal years ended June 30, 2025 and 2024, respectively. CleanPowerSF did not draw on the Credit Agreement during fiscal years 2025 and 2024. Accordingly, the uncommitted credit capacity under the Credit Agreement was \$68,817 during fiscal years 2025 and 2024.

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. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended for fiscal years ended June 30, 2025 and 2024.

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands, unless otherwise stated)

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 CPUC established the Disadvantaged Communities-Green Tariff (DAC-GT) program 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% bill discount on 100% RPS eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency's (Cal EPA) Office of Environmental Health Hazard Assessment (OEHHA). Similar to DAC-GT, the CSGT program was to provide a 20% bill discount to qualifying customers in DACs to benefit from the development of solar generation projects located in their own or nearby DACs.

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 was expected to start serving customers during fiscal year 2026, but the CPUC discontinued the program. CSGT capacity was shifted to the SuperGreen Saver program. For the years ended June 30, 2025 and 2024, CleanPowerSF received \$345 and \$98, respectively, 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.

**Independent Auditor's 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**

Honorable Mayor and the 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 (*Government Auditing Standards*), the financial statements of each major fund of Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), an enterprise fund of the City and County of San Francisco (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2025.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hetch Hetchy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 5, 2025

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.



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

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Photos by: Robin Scheswohl, Sabrina Wong

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