Joint Annual Meetings of

Central Valley Financing Authority
(Carson Ice-Gen Project)

Northern California Gas Authority Number 1

Sacramento Cogeneration Authority
(Procter & Gamble Cogeneration Project)

Sacramento Municipal Utility District Financing Authority
(Cosumnes Power Plant)

Sacramento Power Authority
(Campbell and McClellan Projects)

Northern California Energy Authority

Date:	April 15, 2021
Time:	Immediately following the SMUD Board of Directors meeting scheduled to begin at 5:30 p.m.
Location:	Virtual Meeting (online)

JOINT MEETING NOTICE AND AGENDA

ANNUAL MEETINGS OF THE
CENTRAL VALLEY FINANCING AUTHORITY (CVFA),
NORTHERN CALIFORNIA GAS AUTHORITY NUMBER 1 (NCGA1),
SACRAMENTO COGENERATION AUTHORITY (SCA),
SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY (SFA),
SACRAMENTO POWER AUTHORITY (SPA),
AND NORTHERN CALIFORNIA ENERGY AUTHORITY (NCEA)

In accordance with the Governor's Executive Order N-29-20 and the Emergency Board Meeting Procedures adopted by the SMUD Board of Directors, the regular Board meeting and other public meetings are closed to the public to align with state, local, and federal guidelines and social distancing recommendations for the containment of the coronavirus.

Live video streams and indexed archives of meetings are available at:
http://smud.granicus.com/ViewPublisher.php?view_id=16

Members of the public may register to provide verbal comments at an upcoming Board or Committee meeting by e-mailing a request to speak to PublicComment@smud.org. Please include the date of the meeting, name, and topic or agenda item the requestor wishes to speak on. The request may also be submitted while the meeting is in progress during the standard time for the agenda item or topic. **Pre-registration is strongly encouraged by no later than 3:00 p.m. on the day of the meeting.**

Members of the public may provide written public comments on a specific agenda item or on items not on the agenda (general public comment) by submitting comments via e-mail. Comments may be submitted to PublicComment@smud.org and will be placed into the record of the meeting.

Members of the public that are listening to or watching the live stream of a Board meeting and wish to submit written comments on a specific agenda item as it is being heard may submit their comments, limited to 250 words or less, to PublicComment@smud.org, noting the agenda item number in the subject line. The Board President may read comments for items on the agenda into the record, in her discretion, based upon such factors as the length of the agenda or the number of e-mail comments received. General public comment for items not on the agenda will not be read into the record but will be provided to the Board and placed into the record of the Board meeting if it is received within two hours after the meeting ends.

April 15, 2021 – Immediately following adjournment of the SMUD Board of Directors meeting scheduled to begin at 5:30 p.m.

Zoom Webinar Link: Join Annual Meetings of CVFA, NCGA1, SCA, SFA, SPA and NCEA
Webinar ID: 161 863 5050
Password: 712202
Phone Dial-in Number: 1-669-254-5252

Call to Order.
a. Roll Call.

1. Approval of the Agenda.

Comments from the public are welcome when these agenda items are called.

Consent Calendar:

2. Approval of the minutes of the joint special meetings of **CVFA**, **NCGA1**, **SCA**, **SFA**, **SPA**, and **NCEA** of December 10, 2020.

Informational Items:

3. a. Review of activities and performance for **CVFA** during the 2020 calendar year.
   b. Review of activities and performance for **SCA** during the 2020 calendar year.
   c. Review of activities and performance for **SFA** during the 2020 calendar year.
   d. Review of activities and performance for **SPA** during the 2020 calendar year.
   (Frankie McDermott)

   Presenter: Ross Gould

4. a. Review the financial performance for **CVFA** for the year ended December 31, 2020.
   b. Review the financial performance for **NCGA1** for the year ended December 31, 2020.
   c. Review the financial performance for **SCA** for the year ended December 31, 2020.
   d. Review the financial performance for **SFA** for the year ended December 31, 2020.
   e. Review the financial performance for **SPA** for the year ended December 31, 2020.
   f. Review the financial performance for **NCEA** for the year ended December 31, 2020.
   (Jennifer Davidson)

   Presenter: Lisa Limcaco

Public Comment:

5. Items not on the agenda.

Summary of Commission Direction

Dated: April 9, 2021

Nancy Bui-Thompson, President
Central Valley Finance Authority
Northern California Gas Authority Number 1
Sacramento Cogeneration Authority
Sacramento Municipal Utility District Financing Authority
Sacramento Power Authority
Northern California Energy Authority

Pursuant to Resolution No. 20-06-08 adopted on June 18, 2020, Emergency Board Meeting Procedures are in effect:

Members of the public may make either a general public comment or comment on a specific agenda item by submitting comments via email. Comments may be submitted to PublicComment@smud.org. Comments will be provided to the Commission and placed into the record of the Commission meeting if it is received within two hours after the meeting ends.

Members of the public that are listening or watching the live stream of a Commission meeting and wish to comment on a specific agenda item as it is being heard, may submit their comments, limited to 250 words or less, to PublicComment@smud.org. The Commission President may read the comments into the record, in her discretion, based upon such factors as the length of the agenda, the number of email comments received, and whether the Commission is in danger of losing a quorum. Comments will be provided to the Commission and placed into the record of the Commission meeting if it is received within two hours after the meeting ends.

Members of the public may register to provide verbal comments at an upcoming Commission meeting by emailing a request to speak to PublicComment@smud.org. Please include the date of the meeting, name, and topic or agenda item the requestor wishes to speak on. The request may also be submitted while the meeting is in progress during the standard time for the agenda item or topic. Pre-registration is strongly encouraged by no later than 3:00 p.m. on the day of the meeting.

ADA Accessibility Procedures: Upon request, SMUD will generally provide appropriate aids and services leading to effective communication for qualified persons with disabilities so that they can participate equally in this virtual meeting. If you need a reasonable auxiliary aid or service for effective communication to participate, please email Toni.Stelling@smud.org, or contact by phone at (916) 732-7143, no later than 48 hours before this virtual meeting.

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DRAFT

Sacramento, California

December 10, 2020

The joint special meetings of the Commissioners of the Central Valley Financing Authority (CVFA), the Northern California Gas Authority Number 1 (NCGA1), the Sacramento Cogeneration Authority (SCA), the Sacramento Municipal Utility District Financing Authority (SFA), the Sacramento Power Authority (SPA), and the Northern California Energy Authority (NCEA) were held via virtual meeting (online) at 7:20 p.m.

Presiding: President Kerth

Present: Commissioners Rose, Bui-Thompson, Fishman, Herber, Tamayo, and Sanborn

Absent: Mr. Somavarapu

Present also were Paul Lau, Chief Executive Officer and General Manager; Laura Lewis, Chief Legal Officer and General Counsel; members of SMUD's executive management; and SMUD employees and visitors.

At the request of President Kerth, Ms. Lewis briefly reviewed the purpose, organization and responsibilities of the CVFA, which currently owns and operates the Carson Ice-Gen Project; the NCGA1, which is authorized to acquire, construct, and operate natural gas related facilities and engage in the purchase and sale of natural gas; SCA, which currently owns and operates the Procter & Gamble Cogeneration Project; the SFA, which currently owns and operates the Cosumnes Power Plant; SPA, which currently owns and operates the cogeneration plant at the Capital Commerce facility in Sacramento; and NCEA, which is authorized to purchase gas, electricity and capacity, acquire, finance, and build gas and electrical transmission facilities, and acquire, finance, and build gas and electrical generation storage facilities.

As required by state law, the Chief Legal Officer and General Counsel notified the public that the Commissioners of CVFA, NCGA1, SCA, SFA, SPA, and NCEA were not receiving additional compensation as a result of the Commission meetings.

President Kerth called for approval of the joint agenda. Commissioner Fishman moved for approval of the joint agenda, Commissioner Tamayo seconded, and the joint agenda was unanimously approved.

President Kerth turned to the Consent Calendar. No public comment was forthcoming on the Consent Calendar. Commissioner Herber moved for approval of the consent calendar, Commissioner Fishman seconded, and the following Resolutions were unanimously approved.

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RESOLUTION NO. 20-CVFA-12-01

BE IT RESOLVED BY THE COMMISSIONERS OF THE CENTRAL VALLEY FINANCING AUTHORITY:

Section 1. This resolution may be referred to as the 2021 CVFA budget resolution.

Section 2. There is hereby appropriated from the Revenue Fund, Operating Fund, and other funds as appropriate, sufficient monies for the payment of demands against the Authority which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the Authority's programs for the period January 1, 2021 through December 31, 2021.

Operation and Maintenance	$ 12,865,220
Administrative & General	$ 1,467,911
Principal, Interest & Capital Expenditures	$ 1,142,255

There shall be deemed added to the O&M and Capital line items a +20% increase with no limit to a decrease in the Operations and Maintenance Expense line item, plus an additional $2 million applicable to the overall budget.

Section 3. Demands against the Authority may be paid without the prior specific approval of this Commission, if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the General Manager of the Authority, or his designee. It is the purpose and intent of this paragraph to delegate to the General Manager, or his designee, authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the administration of the business affairs of the

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Authority, within the amounts and for the purposes set forth above, subject to duly adopted delegations of authority.

Adopted: December 10, 2020

INTRODUCED BY COMMISSIONER HERBER				
SECONDED BY COMMISSIONER FISHMAN				
COMMISSIONER	AYE	NO	ABSTAIN	ABSENT
KERTH	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
TAMAYO	X			
SANBORN	X			

DRAFT

RESOLUTION NO. 20-NCGA1-12-01

BE IT RESOLVED BY THE COMMISSIONERS OF THE NORTHERN CALIFORNIA GAS AUTHORITY NUMBER 1:

Section 1. This resolution may be referred to as the 2021 Northern California Gas Authority Number 1 (NCGA1) Budget Resolution.

Section 2. There is hereby appropriated from the Authority's Department Service Fund sufficient monies for the payment of demands against the Authority which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the Authority's programs for the period January 1, 2021, through December 31, 2021.

Interest Expense	$	7,433,438
Bond Principal	$	18,450,000
Administrative & General	$	99,798

Section 3. Demands against the Authority may be paid without the prior specific approval of this Commission if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the Chief Executive Officer and General Manager of the Authority, or his designee. It is the purpose and intent of this paragraph to delegate to the Chief Executive Officer and General Manager, or his designee, authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the

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administration of the business affairs of the Authority, within the amounts and for the purposes set forth above, subject to duly adopted delegations of authority.

Adopted: December 10, 2020

INTRODUCED BY COMMISSIONER HERBER				
SECONDED BY COMMISSIONER FISHMAN				
COMMISSIONER	AYE	NO	ABSTAIN	ABSENT
KERTH	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
TAMAYO	X			
SANBORN	X			

DRAFT

RESOLUTION NO. 20-SCA-12-01

BE IT RESOLVED BY THE COMMISSIONERS
OF THE
SACRAMENTO COGENERATION AUTHORITY:

Section 1. This resolution may be referred to as the 2021 SCA budget resolution.

Section 2. There is hereby appropriated from the Revenue Fund, Operating Fund, Debt Service Fund, and other funds as appropriate, sufficient monies for the payment of demands against the Authority which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the Authority's programs for the period January 1, 2021 through December 31, 2021.

Operation and Maintenance	$ 28,234,014
Administrative & General	$ 1,750,624

There shall be deemed added to the O&M and Capital line item a +20% increase with no limit to a decrease in the Operations and Maintenance Expense line item, plus an additional $2 million applicable to the overall budget.

Section 3. Demands against the Authority may be paid without the prior specific approval of this Commission, if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the General Manager of the Authority, or his designee. It is the purpose and intent of this paragraph to delegate to the General Manager, or his designee, authority to make purchases, to negotiate and execute contracts, and expend funds in

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any manner necessary or appropriate to the administration of the business affairs of the Authority, within the amounts and for the purposes set forth above, subject to duly adopted delegations of authority.

Adopted: December 10, 2020

INTRODUCED BY COMMISSIONER HERBER				
SECONDED BY COMMISSIONER FISHMAN				
COMMISSIONER	AYE	NO	ABSTAIN	ABSENT
KERTH	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
TAMAYO	X			
SANBORN	X			

DRAFT

RESOLUTION NO. 20-SFA-12-01

BE IT RESOLVED BY THE COMMISSIONERS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY:

Section 1. This resolution may be referred to as the 2021 SFA budget resolution.

Section 2. There is hereby appropriated from the Revenue Fund, Operating Fund, Debt Service Fund, and other funds as appropriate, sufficient monies for the payment of demands against the Authority which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the Authority's programs for the period January 1, 2021 through December 31, 2021.

Operation and Maintenance	$ 146,460,588
Administrative & General	$ 2,508,857
Principal and Interest	$ 16,506,750
Capital Expenditures	$ 220,000

There shall be deemed added to the O&M and Capital line items a +20% increase with no limit to a decrease in the Operations and Maintenance Expense line item, plus an additional $2 million applicable to the overall budget.

Section 3. Demands against the Authority may be paid without the prior specific approval of this Commission, if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the General Manager of the Authority, or his designee. It is the purpose

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and intent of this paragraph to delegate to the General Manager, or his designee, authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the administration of the business affairs of the Authority, within the amounts and for the purposes set forth above, subject to duly adopted delegations of authority.

Adopted: December 10, 2020

INTRODUCED BY COMMISSIONER HERBER				
SECONDED BY COMMISSIONER FISHMAN				
COMMISSIONER	AYE	NO	ABSTAIN	ABSENT
KERTH	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
TAMAYO	X			
SANBORN	X			

DRAFT

RESOLUTION NO. 20-SPA-12-01

BE IT RESOLVED BY THE COMMISSIONERS
OF THE
SACRAMENTO POWER AUTHORITY:

Section 1. This resolution may be referred to as the 2021 SPA budget resolution.

Section 2. There is hereby appropriated from the Revenue Fund, Operating Fund, and other funds as appropriate, sufficient monies for the payment of demands against the Authority which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the Authority's programs for the period January 1, 2021 through December 31, 2021.

Operation and Maintenance	$ 17,724,386
Administrative & General	$ 1,695,714

There shall be deemed added to the O&M and Capital line item a +20% increase with no limit to a decrease in the Operations and Maintenance Expense line item, plus an additional $2 million applicable to the overall budget.

Section 3. Demands against the Authority may be paid without the prior specific approval of this Commission, if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the General Manager of the Authority, or his designee. It is the purpose and intent of this paragraph to delegate to the General Manager, or his designee, authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the administration of the business affairs of the

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Authority, within the amounts and for the purposes set forth above, subject to duly adopted delegations of authority.

Adopted: December 10, 2020

INTRODUCED BY COMMISSIONER HERBER				
SECONDED BY COMMISSIONER FISHMAN				
COMMISSIONER	AYE	NO	ABSTAIN	ABSENT
KERTH	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
TAMAYO	X			
SANBORN	X			

DRAFT

RESOLUTION NO. 20-NCEA-12-01

BE IT RESOLVED BY THE COMMISSIONERS OF THE NORTHERN CALIFORNIA ENERGY AUTHORITY:

Section 1. This resolution may be referred to as the 2021 Northern California Energy Authority (NCEA) Budget Resolution.

Section 2. There is hereby appropriated from the Authority's Department Service Fund sufficient monies for the payment of demands against the Authority which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the Authority's programs for the period January 1, 2021, through December 31, 2021.

Interest Expense	$ 21,752,850
Administrative & General	$ 160,407

Section 3. Demands against the Authority may be paid without the prior specific approval of this Commission if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the Chief Executive Officer and General Manager of the Authority, or his designee. It is the purpose and intent of this paragraph to delegate to the Chief Executive Officer and General Manager, or his designee, authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the

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administration of the business affairs of the Authority, within the amounts and for the purposes set forth above, subject to duly adopted delegations of authority.

Adopted: December 10, 2020

INTRODUCED BY COMMISSIONER HERBER				
SECONDED BY COMMISSIONER FISHMAN				
COMMISSIONER	AYE	NO	ABSTAIN	ABSENT
KERTH	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
TAMAYO	X			
SANBORN	X			

DRAFT

President Kerth then turned to agenda item 5, statements from the public regarding items not on the agenda. He stated that in accordance with the Emergency Board Meeting Procedures, public comment for items not on the agenda would be provided to the Commissioners electronically and placed into the record if received within two hours after the meeting ended. No public comment was forthcoming on Item 5.

There were no items for the Summary of Commission Direction.

No further business appearing, the joint annual meetings were adjourned at 7:27 p.m.

Approved:

______________________	______________________
President	Secretary

3a

SSS No. CVFA 21-004		Committee Meeting & Date: N/A
		Commission Meeting Date: April 15, 2021

COMMISSION AGENDA ITEM

Central Valley Financing Authority
STAFFING SUMMARY SHEET

TO		TO	
1.	Joyce Hribar	6.	
2.	Ross Gould	7.	
3.	Frankie McDermott	8.	
4.	Scott Martin	9.	**Legal**
5.	Jennifer Davidson	10.	**CEO & General Manager**

Consent Calendar		Yes	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Laurie Johnson	Power Generation, Thermal Generation	EA405	4822	03/26/2021

NARRATIVE:

Requested Action: Review of activities and performance for Central Valley Financing Authority (CVFA) during the 2020 calendar year.

Summary: Staff will present the Commission with a summary of CVFA's activities and operational performance for 2020.

Board Policy: *(Number & Title)* Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-4, Reliability, Strategic Direction SD-6, Safety; Strategic Direction SD-7, Environmental Leadership

Benefits: Keeps Commissioners informed regarding the ongoing results of project operations.

Cost/Budgeted: N/A

Alternatives: Provide with written report.

Affected Parties: Energy Supply, Accounting, Treasury, Risk Management, Legal

Coordination: Energy Supply, Accounting, Treasury, Risk Management, Legal

Presenter: Ross Gould, Director, Power Generation

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
ANNUAL JPA PERFORMANCE REPORT FOR CVFA	3a

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

3b

SSS No. SCA 21-003

COMMISSION AGENDA ITEM

Sacramento Cogeneration Authority
STAFFING SUMMARY SHEET

Committee Meeting & Date
N/A
Commission Meeting Date
April 15, 2021

	TO		TO
1.	Joyce Hribar	6.	
2.	Ross Gould	7.	
3.	Frankie McDermott	8.	
4.	Scott Martin	9.	**Legal**
5.	Jennifer Davidson	10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Laurie Johnson	Power Generation, Thermal Generation	EA405	4822	03/26/2021

NARRATIVE:

Requested Action: Review of activities and performance for Sacramento Cogeneration Authority (SCA) during the 2020 calendar year.

Summary: Staff will present the Commission with a summary of SCA's activities and operational performance for 2020.

Board Policy: *(Number & Title)* Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-4, Reliability, Strategic Direction SD-6, Safety; Strategic Direction SD-7, Environmental Leadership

Benefits: Keeps Commissioners informed regarding the ongoing results of project operations.

Cost/Budgeted: None

Alternatives: Provide with written report.

Affected Parties: Energy Supply, Accounting, Treasury, Risk Management, Legal

Coordination: Energy Supply, Accounting, Treasury, Risk Management, Legal

Presenter: Ross Gould, Director, Power Generation

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
ANNUAL JPA PERFORMANCE REPORT FOR SCA	**3b**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. SFA 21-003

COMMISSION AGENDA ITEM

Sacramento Municipal Utility District Financing Authority
STAFFING SUMMARY SHEET

Committee Meeting & Date
N/A
Commission Meeting Date
April 15, 2021

	TO		TO
1.	Joyce Hribar	6.	
2.	Ross Gould	7.	
3.	Frankie McDermott	8.	
4.	Scott Martin	9.	**Legal**
5.	Jennifer Davidson	10.	**CEO & General Manager**

Consent Calendar	X	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Laurie Johnson	Power Generation, Thermal Generation	EA405	4822	03/26/2021

NARRATIVE:

Requested Action: Review of activities and performance for Sacramento Municipal Utility District Financing Authority (SFA) during the 2020 calendar year.

Summary: Staff will present the Commission with a summary of SFA's activities and operational performance for 2020.

Board Policy: *(Number & Title)* Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-4, Reliability, Strategic Direction SD-6, Safety; Strategic Direction SD-7, Environmental Leadership

Benefits: Keeps Commissioners informed regarding the ongoing results of project operations.

Cost/Budgeted: None

Alternatives: Provide with written report.

Affected Parties: Energy Supply, Accounting, Treasury, Risk Management, Legal

Coordination: Energy Supply, Accounting, Treasury, Risk Management, Legal

Presenter: Ross Gould, Director, Power Generation

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
ANNUAL JPA PERFORMANCE REPORT FOR SFA	**3c**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

3d

SSS No. SPA 21-004

COMMISSION AGENDA ITEM

Sacramento Power Authority
STAFFING SUMMARY SHEET

Committee Meeting & Date
N/A
Commission Meeting Date
April 15, 2021

	TO		TO
1.	Joyce Hribar	6.	
2.	Ross Gould	7.	
3.	Frankie McDermott	8.	
4.	Scott Martin	9.	**Legal**
5.	Jennifer Davidson	10.	**CEO & General Manager**

Consent Calendar	X	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Laurie Johnson	Power Generation, Thermal Generation	EA405	4822	03/26/2021

NARRATIVE:

Requested Action: Review of activities and performance for Sacramento Power Authority (SPA) during the 2020 calendar year.

Summary: Staff will present the Commission with a summary of SPA's activities and operational performance for 2020.

Board Policy: *(Number & Title)* Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-4, Reliability, Strategic Direction SD-6, Safety; Strategic Direction SD-7, Environmental Leadership

Benefits: Keeps Commissioners informed regarding the ongoing results of project operations.

Cost/Budgeted: None

Alternatives: Provide with written report.

Affected Parties: Energy Supply, Accounting, Treasury, Risk Management, Legal

Coordination: Energy Supply, Accounting, Treasury, Risk Management, Legal

Presenter: Ross Gould, Director, Power Generation

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
ANNUAL JPA PERFORMANCE REPORT FOR SPA	**3d**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

4a

<table>
<tr><td>SSS No.

Chron # ACC 21-008</td><td colspan="2">COMMISSION AGENDA ITEM
Central Valley Financing Authority
STAFFING SUMMARY SHEET</td><td>Committee Meeting & Date
N/A
Commission Meeting Date
April 15, 2021</td></tr>
</table>

TO		TO	
1.	Jennifer Davidson	6.	
2.	Frankie McDermott	7.	
3.		8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	04/02/21

NARRATIVE:

Requested Action: Present 2020 financial results for Central Valley Financing Authority (CVFA).

Summary: Staff will present the Commission with CVFA's financial results for the year 2020.

Board Policy: *(Number & Title)* Governance Process GP-3

Benefits: Provides Commissioners with information regarding CVFA's financial condition.

Cost/Budgeted: There is no budgetary impact for this informational presentation.

Alternatives: N/A

Affected Parties: Commission, Accounting, Public

Coordination: Executive Office, Board Office, Accounting, and Legal Department

Presenter: Lisa Limcaco, Controller and Director of Accounting

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
2020 Annual Financial Performance	**4a**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Central Valley Financing Authority

Financial Statements

as of and for the years ended
December 31, 2020 and 2019
and
Including
Independent Auditors' Report

CENTRAL VALLEY FINANCING AUTHORITY
TABLE OF CONTENTS
As of and for the Years Ended December 31, 2020 and 2019

CENTRAL VALLEY FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
As of and For the Years Ended December 31, 2020 and 2019

Using this Financial Report

This annual financial report for Central Valley Financing Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Regional County Sanitation District (SRCSD) (collectively, Members). The Agency was formed for the purpose of owning and operating the Carson Cogeneration Project (Project) and related facilities for electric power generation. The Project, which began commercial operation in 1995, is comprised of a 65 megawatt (MW) natural gas-fired combined cycle plant and a 42 MW natural gas-fired simple cycle peaking plant.

SMUD purchases all of the electricity produced by the Project pursuant to the Power Purchase Agreement (PPA) between SMUD and the Agency. The Agency has no employees and is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency's Commission is comprised of SMUD's Board of Directors and one non-voting member from SRCSD. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

Financial & Operational Highlights

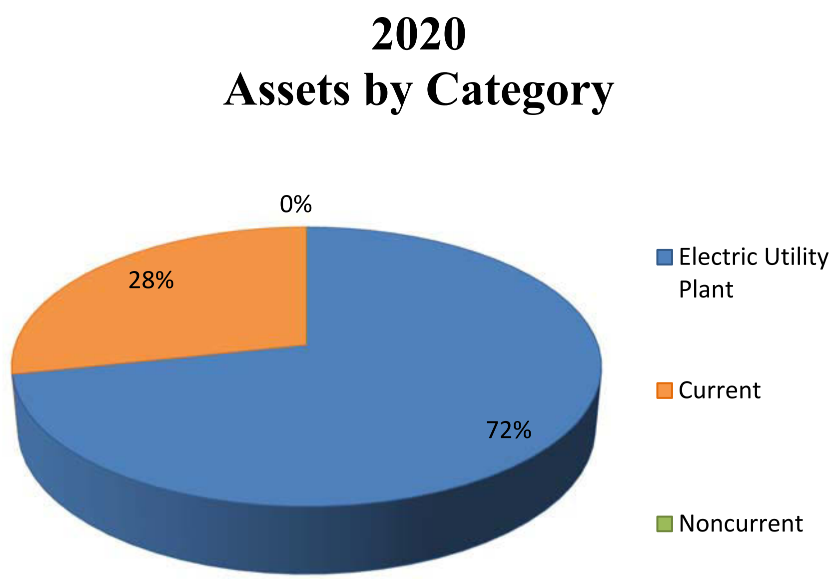
In 2020, the Agency's operator, Ethos Energy Power Plant Services, LLC, continued implementation of a normal six-week cycle of gas turbine water washes and inspections as part of standard maintenance protocols. These outages and inspections have been an integral part of the Agency's successful performance, which for 2020 included an Institute of Electrical and Electronics Engineers (IEEE) Availability rating of 94.62 percent, an IEEE Reliability rating of 99.73 percent and a successful call-up ratio for the simple cycle unit of 98.58 percent with all 45 call-up attempts being successful.

FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018 (restated)	2020 vs. 2019		2019 vs. 2018	
Assets							
Electric utility plant - net	$ 31,264	$ 37,248	$ 43,740	$ (5,984)	-16.1%	$ (6,492)	-14.8%
Current assets	12,373	11,418	19,596	955	8.4%	(8,178)	-41.7%
Noncurrent assets	2	2	19	-0-	0.0%	(17)	-89.5%
Total assets	43,639	48,668	63,355	(5,029)	-10.3%	(14,687)	-23.2%
Deferred outflows of resources	1,733	1,955	2,236	(222)	-11.4%	(281)	-12.6%
Total assets and deferred outflows of resources	$ 45,372	$ 50,623	$ 65,591	$ (5,251)	-10.4%	$ (14,968)	-22.8%
Liabilities							
Long-term debt - net	$ -0-	$ -0-	$ 5,515	$ -0-	0.0%	$ (5,515)	-100.0%
Current liabilities	3,441	3,370	10,365	71	2.1%	(6,995)	-67.5%
Noncurrent liabilities	8,633	8,529	8,379	104	1.2%	150	1.8%
Total liabilities	12,074	11,899	24,259	175	1.5%	(12,360)	-51.0%
Net position							
Net investment in capital assets	31,264	37,248	33,191	(5,984)	-16.1%	4,057	12.2%
Restricted	-0-	-0-	2,582	-0-	0.0%	(2,582)	-100.0%
Unrestricted	2,034	1,476	5,559	558	37.8%	(4,083)	-73.4%
Total net position	33,298	38,724	41,332	(5,426)	-14.0%	(2,608)	-6.3%
Total liabilities and net position	$ 45,372	$ 50,623	$ 65,591	$ (5,251)	-10.4%	$ (14,968)	-22.8%

The following chart shows the breakdown of the Agency's assets by category:



2020 Compared to 2019

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

- The Agency's main asset is its investment in the Project, which comprises $31.3 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2020. The Electric Utility Plant - net decreased is primarily due to $6.5 million depreciation expense for the year. Electric Utility Plant assets make up about 72 percent of the Agency's assets.

- Current Assets increased primarily due to higher Unrestricted cash as a part of normal operations and Receivables from SMUD for the Gas sales to Member, capital, and other costs, partially offset by lower fuel portion of the PPA billings in November and December 2020.

LIABILITIES & NET POSITION

- Noncurrent Liabilities increased due to the Asset Retirement Obligation adjustment for inflation.

2019 Compared to 2018

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

- The Agency's main asset is its investment in the Project, which comprises $37.2 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2019. The Electric Utility Plant - net decreased due to $6.5 million depreciation expense for the year.

- Current Assets decreased primarily due to lower Restricted cash due to the defeasance of the 2009 Series Bonds, Unrestricted cash as a part of normal operations and Receivable from SMUD for the debt service payments, overhaul costs, Gas sales to Member, and fuel portion of the PPA billings in November and December 2019.

LIABILITIES & NET POSITION

- Long-Term Debt – net decreased due to defeasance of the 2009 Series Bonds.

- Current Liabilities decreased primarily due to lower Long-term debt due within one year due to defeasance of the 2009 Series Bonds and accounts payable for operator reimbursables, overhaul costs and digester gas.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018 (restated)	2020 vs. 2019		2019 vs. 2018	
Operating revenues	$ 16,599	$ 23,858	$ 27,276	$ (7,259)	-30.4%	$ (3,418)	-12.5%
Operating expenses	(22,073)	(26,046)	(27,265)	3,973	15.3%	1,219	4.5%
Operating income (loss)	(5,474)	(2,188)	11	(3,286)	150.2%	(2,199)	-19990.9%
Interest income	47	114	115	(67)	-58.8%	(1)	-0.9%
Interest on debt	-0-	(534)	(690)	534	100.0%	156	22.6%
Other income	1	-0-	1,224	1	100.0%	(1,224)	-100.0%
Change in net position	(5,426)	(2,608)	660	(2,818)	108.1%	(3,268)	-495.2%
Net position - beginning of year	38,724	41,332	40,672	(2,608)	-6.3%	660	1.6%
Net position - end of year	$ 33,298	$ 38,724	$ 41,332	$ (5,426)	-14.0%	$ (2,608)	-6.3%

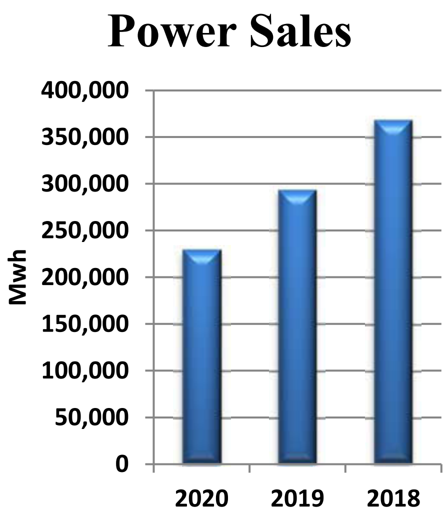
2020 Compared to 2019

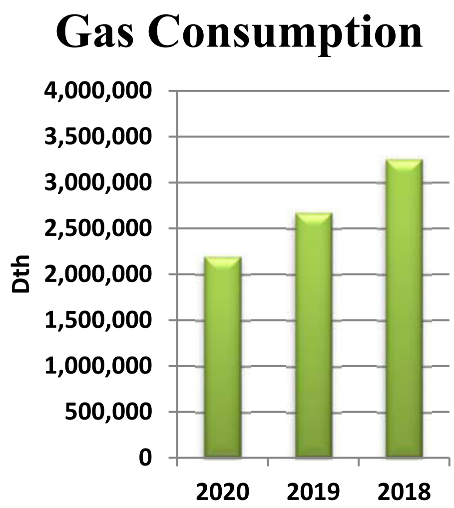
OPERATING REVENUES

Operating Revenues decreased primarily due to lower financial payments due to the defeasance of the Agency bonds in 2019 and lower Power sales to Member. The Agency's power sales are determined monthly, based on a formula defined in the PPA, which is driven by the Agency's actual cost of operations. In 2020, less revenue was needed due to lower overhaul costs, financial payments, and other operator costs, partially offset by the higher capital and fuel costs. There was no debt service cost as a result of the defeasance of the Agency bonds in 2019.

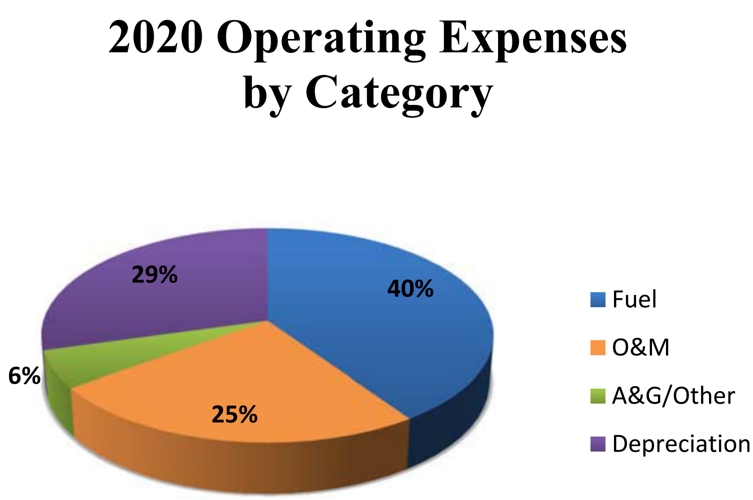
The Agency saw a decrease in power sales and gas consumption as a result of the Member's entrance into the California Independent System Operator's Energy Imbalance Market (EIM) in April 2019. The EIM provided the Member with access to a larger more cost effective energy market resulting in a reduction in run time in 2019 and 2020.

The following charts show power sales and gas consumption in 2020, 2019, and 2018:





OPERATING EXPENSES



The following table summarizes Operating Expenses for the years ended December 31 (dollars in thousands):

	December 31, 2020	December 31, 2019	December 31, 2018 (restated)	Change 2020 vs. 2019		Change 2019 vs. 2018	
Operating Expenses							
Fuel	$ 8,930	$ 8,161	$ 13,222	$ 769	9.4%	$ (5,061)	-38.3%
Operations and Maintenance	5,414	10,160	6,281	(4,746)	-46.7%	3,879	61.8%
Administrative & general and Other	1,245	1,243	1,301	2	0.2%	(58)	-4.5%
Depreciation	6,484	6,482	6,461	2	0.0%	21	0.3%
Total operating expenses	$ 22,073	$ 26,046	$ 27,265	$ (3,973)	-15.3%	$ (1,219)	-4.5%

- Fuel expense increased due to higher fuel cost of $1.7 million and digester gas of $0.5 million, partially offset by lower fuel volume of $1.4 million.

- Operations and Maintenance decreased primarily due to lower overhaul costs for combustion turbine overhaul completed in 2019.

INTEREST ON DEBT

Interest on debt decreased due to defeasance of the 2009 Series Bonds in 2019.

2019 Compared to 2018

RESULTS OF OPERATIONS

- Operating Revenues decreased primarily due to lower Power sales to Member and Gas sales to Member as a result of lower fuel costs, debt service payments, operator and capital costs, partially offset by the higher overhaul costs. Lower Gas sales to Member was due to lower supply of digester gas from SRCSD.

- Fuel expense decreased due to lower fuel cost of $2.6 million, fuel volume of $2.0 million and digester gas of $0.5 million.

- Operations and Maintenance increased due to higher overhaul costs for combustion turbine.

- Other income decreased due to the 2018 Gas Turbine Generator insurance claim.

Requests for Information

For more information about the Central Valley Financing Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

CENTRAL VALLEY FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2020	December 31, 2019
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 153,579,204	$ 153,440,498
Less accumulated depreciation	(122,676,577)	(116,192,685)
Plant in service - net	30,902,627	37,247,813
Construction work in progress	361,390	-0-
Total electric utility plant - net	31,264,017	37,247,813
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted cash and cash equivalents	5,089,120	4,311,056
Receivables:		
Power sales to Member	4,151,327	4,010,757
Steam sales	561,171	542,892
Accrued interest and other	6,066	116,213
Materials and supplies	2,346,458	2,236,359
Prepayments	218,849	200,940
Total current assets	12,372,991	11,418,217
NONCURRENT ASSETS		
Other	1,582	1,758
Total noncurrent assets	1,582	1,758
TOTAL ASSETS	43,638,590	48,667,788
DEFERRED OUTFLOWS OF RESOURCES		
Deferred asset retirement obligation outflow	1,733,502	1,955,522
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,733,502	1,955,522
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 45,372,092	$ 50,623,310

The accompanying notes are an integral part of these financial statements.

CENTRAL VALLEY FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2020	December 31, 2019
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 2,075,565	$ 1,586,475
Payable due to Member	1,365,168	1,783,529
Total current liabilities	3,440,733	3,370,004
NONCURRENT LIABILITIES		
Accrued decommissioning	8,633,060	8,529,159
Total noncurrent liabilities	8,633,060	8,529,159
TOTAL LIABILITIES	12,073,793	11,899,163
NET POSITION		
Net investment in capital assets	31,264,017	37,247,813
Unrestricted	2,034,282	1,476,334
TOTAL NET POSITION	33,298,299	38,724,147
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)		
TOTAL LIABILITIES AND NET POSITION	$ 45,372,092	$ 50,623,310

The accompanying notes are an integral part of these financial statements.

CENTRAL VALLEY FINANCING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2020	Years Ended December 31, 2019
OPERATING REVENUES		
Power sales to Member	$ 14,314,043	$ 22,056,380
Gas sales to Member	1,578,710	1,104,687
Steam sales	530,661	529,534
Other	175,223	167,863
Total operating revenues	16,598,637	23,858,464
OPERATING EXPENSES		
Fuel	8,930,372	8,161,066
Operations	5,267,937	5,510,917
Maintenance	144,960	4,648,766
Administrative and general	1,245,270	1,191,648
Depreciation	6,483,892	6,481,963
Regulatory amounts collected in rates	-0-	52,034
Total operating expenses	22,072,431	26,046,394
OPERATING LOSS	(5,473,794)	(2,187,930)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	46,994	114,342
Interest on debt	-0-	(534,654)
Other income	952	-0-
Total non-operating revenues (expenses)	47,946	(420,312)
CHANGE IN NET POSITION	(5,425,848)	(2,608,242)
NET POSITION - BEGINNING OF YEAR	38,724,147	41,332,389
NET POSITION - END OF YEAR	$ 33,298,299	$ 38,724,147

The accompanying notes are an integral part of these financial statements.

CENTRAL VALLEY FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from power sales to Member	$ 15,752,183	$ 25,450,091
Receipts from steam sales	512,382	498,953
Other receipts	286,562	1,237,573
Payments to Member	(11,457,441)	(10,297,558)
Payments to vendors	(3,861,328)	(10,506,978)
Net cash provided by operating activities	1,232,358	6,382,081
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction refund	36,334	9,954
Construction expenditures	(536,430)	-0-
Repayment of long-term debt	-0-	(10,590,000)
Interest payments on long-term debt	-0-	(765,075)
Net cash used in capital and related financing activities	(500,096)	(11,345,121)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	45,802	134,534
Net cash provided by investing activities	45,802	134,534
Net increase (decrease) in cash and cash equivalents	778,064	(4,828,506)
Cash and cash equivalents - beginning of the year	4,311,056	9,139,562
Cash and cash equivalents - end of the year	$ 5,089,120	$ 4,311,056
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (5,473,794)	$ (2,187,930)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	6,483,892	6,481,963
Regulatory amortization	-0-	52,034
Asset retirement obligation amortization	325,921	300,785
Other income	952	-0-
Changes in operating assets and liabilities:		
Receivables	(47,510)	3,328,153
Other assets	(127,832)	(34,154)
Payables and accruals	70,729	(1,558,770)
Net cash provided by operating activities	$ 1,232,358	$ 6,382,081
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Net amortization of debt related expenses	$ -0-	$ (41,110)

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Central Valley Financing Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Regional County Sanitation District (SRCSD) pursuant to the California Government Code (collectively, Members). The purpose of the Agency is to own and operate the Carson Cogeneration Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in 1995, is comprised of a 65 megawatt (MW) natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. The Project is situated on approximately ten acres adjacent to SRCSD's sewage treatment plant. The land is owned by SRCSD and leased to the Agency.

The Agency has no employees. The Project is operated by Ethos Energy Power Plant Services, LLC (Ethos) under the terms of the Operations and Maintenance Agreement.

Pursuant to the Power Purchase Agreement (PPA) with SMUD, SMUD purchases, on a "take-or-pay" basis, all capacity, energy and environmental attributes of the Project. The Agency is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf. The Agency was charged $8.5 million in 2020 and $7.1 million in 2019 for general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency provides steam to SRCSD's adjacent sewage treatment plant pursuant to the Long-Term Commodity Agreement. The Agency also provides steam and electricity for the refrigeration process of the Glacier Ice facility pursuant to the Thermal Energy Sales Agreement. The primary fuel for the Project is a mixture of natural gas and digester gas from SRCSD's sewage treatment plant. Presently, digester gas represents three percent of the fuel used by the Project and the remaining amount is sold to SMUD.

SMUD is entitled to all rights and property in the Project in the event of termination of the JPA agreement. SRCSD has no obligation to make contributions or advances to the Agency. The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect. SRCSD nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Project agreements.

The Agency's Commission is comprised of SMUD's Board of Directors and one non-voting member of SRCSD. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit of SMUD's financial reporting entity because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric revenues and costs that are directly related to generation of electricity and steam are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, revenues and expenses. Actual results could differ from those estimates.

Plant in Service. The Agency generally computes depreciation on Electric Utility Plant on a straight-line basis using five years for software and the remaining life of the JPA for all other capital assets. The cost of replacement units are capitalized. Repair and maintenance costs are charged to expense. When the Agency retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Capital assets are generally defined by the Agency as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of power generated by the Project.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Prepayments. The Agency pays for property insurance, leases and permits annually in advance. These prepayments are recognized as expenses in the month the actual costs are incurred.

Other Noncurrent Assets. Other Noncurrent Assets is comprised of emission credits.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants Pronouncements,"*** which require that the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and credits normally reflected in the Change in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, SMUD through the PPA agreement. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight line method over the remaining life of the associated bonds and recorded in Regulatory Amounts Collected in Rates in the Statements of

Revenues, Expenses and Changes in Net Position. In September 2019, the Agency defeased all outstanding bonds and the related regulatory asset on the bond refunding was written off.

Gains and Losses on Bond Refundings. Gains and losses resulting from bond refundings are included in Deferred Outflows and Deferred Inflows of Resources and amortized as a part of Interest on Debt, over the shorter of the life of the refunded debt or the new debt using the effective interest method, in the Statements of Revenues, Expenses and Changes in Net Position. In September 2019, the Agency defeased all outstanding bonds and the related loss on bond refunding was written off.

Payable to Member. The Agency records as a Payable to Member the amounts due to SMUD for general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

Asset Retirement Obligation (ARO). The Agency implemented Statement of Governmental Accounting Standards (SGAS) No. 83, ***"Certain Asset Retirement Obligations"*** in 2019 (see Note 3). The Agency has a legal obligation to decommission its power plant facility. The Agency records the ARO as Accrued Decommissioning and a corresponding Deferred Asset Retirement Obligation Outflows in the Statements of Net Position. The Deferred Asset Retirement Obligation Outflows is amortized over the remaining useful life of the Agency's power plant facility and included as Operating Expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Net Position. The Agency classifies its Net Position into two components as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation. Deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets are also included.
- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "Net investment in capital assets" or "Restricted."

Operating Revenues. Operating revenues include Power and Gas sales to Member, Steam sales and rent income on subleased property, and are recorded when earned.

Power Sales to Member. Power sales to Member are recorded as revenues when the electricity is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets and are recorded when incurred.

Other Income. Receivable for the final insurance claim related to the Gas Turbine Generator was recorded as Receivables: Accrued interest and Other on the Statements of Net Position.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 19, 2021, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In June 2018, GASB issued SGAS No. 89, ***"Accounting for Interest Cost Incurred before the End of a Construction Period"*** (GASB No. 89). The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. This statement is effective for the Agency in 2021. The

Agency has assessed the financial statement impact of adopting the new statement, and since the Agency has no borrowings for construction, this statement has no impact on the Agency

In January 2020, GASB issued SGAS No. 92, ***"Omnibus 2020"*** (GASB No. 92). This Statement addresses a variety of topics and includes specific provisions to clarify issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This statement is effective for the Agency in 2020 or 2022 depending on the topic. The Agency has assessed the provisions of this Statement and no topics in this statement apply to the Agency.

In May 2020, GASB issued SGAS No. 95, ***"Postponement of the Effective Dates of Certain Authoritative Guidance"*** (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, ***"Leases"*** (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2020, GASB issued SGAS No. 94, ***"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*** (GASB No. 94). The primary objective of this Statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. ACCRUED DECOMMISSIONING

Asset Retirement Obligation (ARO). The Agency accounts for the ARO associated with the future retirement of its power plant facility. GASB No. 83 requires the measurement of the ARO be based on the best estimate of the current value of the outlays expected to be incurred and the current value be adjusted for the effects of the general inflation or deflation at least annually. In addition, it also requires a government to evaluate relevant factors that may significantly change the estimated asset retirement outlays.

The Agency's ground lease agreement with the SRCSD requires the Agency to restore the premises to its original condition upon termination of the contract. A new study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the most recent cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The estimated costs were in 2018 dollars. The result of this study was used to determine the new balance of the ARO and the deferred outflows at January 1, 2018, in order to account for the 2018 activity. The Agency used the annual All Urban Consumer Price Index to adjust this obligation for inflation in 2020 and 2019. The remaining useful life of the Agency's assets is five years at December 31, 2020. At December 31, 2020 and 2019, the Agency's Accrued Decommissioning balance in the Statements of Net Position was $8.6 million and $8.5 million, respectively.

NOTE 4. ELECTRIC UTILITY PLANT

The Agency had the following electric utility plant activity during 2020:

	Balance January 1, 2020	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2020
Nondepreciable electric utility plant:				
Construction work in progress	$ -0-	$ 500,096	$ (138,706)	$ 361,390
Total nondepreciable electric utility plant	-0-	500,096	(138,706)	361,390
Depreciable electric utility plant:				
Generation	153,440,498	138,706	-0-	153,579,204
Less: accumulated depreciation	(116,192,685)	(6,483,892)	-0-	(122,676,577)
Total electric utility plant - net	$ 37,247,813	$ (5,845,090)	$ (138,706)	$ 31,264,017

The Agency had the following electric utility plant activity during 2019:

	Balance January 1, 2019 (restated)	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2019
Nondepreciable electric utility plant:				
Construction work in progress	$ -0-	$ (9,954)	$ 9,954	$ -0-
Total nondepreciable electric utility plant	-0-	(9,954)	9,954	-0-
Depreciable electric utility plant:				
Generation	153,450,452	-0-	(9,954)	153,440,498
Less: accumulated depreciation	(109,710,722)	(6,481,963)	-0-	(116,192,685)
Total electric utility plant - net	$ 43,739,730	$ (6,491,917)	$ -0-	$ 37,247,813

NOTE 5. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk.

At December 31, 2020 and 2019, $1.0 million and $0.8 million of the Agency's bank balances were uninsured, respectively. The bank balance is also, per a depository pledge agreement between the Agency and the Agency's bank, collateralized at 134 percent and 131 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2020 and 2019, respectively.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency had no investments subject to this risk at December 31, 2020 and 2019.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2020 and 2019.

The following schedules present credit risk by type of security held at December 31, 2020 and 2019. The credit ratings listed are from Standard & Poor's. N/A is defined as not applicable to the rating disclosure requirements.

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:			
Deposits	N/A	$ 1,233,392	$ 1,001,129
LAIF	Not Rated	3,855,728	3,309,927
Total cash and cash equivalents		$ 5,089,120	$ 4,311,056

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:		
Unrestricted funds	$ 5,089,120	$ 4,311,056
Total cash and cash equivalents	$ 5,089,120	$ 4,311,056

NOTE 6. LONG-TERM DEBT

The Agency issued $48.9 million of 2009 Series Cogeneration project revenue bonds (Bonds) in August 2009 with interest rates ranging from 2.25 percent to 5.25 percent, maturing July 2020. The Agency did not have outstanding bonds at December 31, 2020.

The following summarizes activity in long-term debt for the year ended December 31, 2019:

	January 1, 2019	Defeasance, Payments or Amortizations	December 31, 2019
Cogeneration project revenue bonds	$ 10,590,000	$ (10,590,000)	$ -0-
Unamortized premium/(discounts) - net	89,811	(89,811)	-0-
Total long-term debt	$ 10,679,811	$ (10,679,811)	$ -0-

2019 Bond Defeasance. In September 2019, the Agency defeased $5.4 million of 2009 Series Bonds maturing on July 2020, along with the accrued interest using the Agency's available funds. The corresponding amount was placed in an irrevocable trust which had a balance of $5.6 million at December 31, 2019. The defeasance resulted in an accounting loss of $0.2 million which is included in Interest on Debt in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 7. INSURANCE PROGRAMS

The Agency purchases commercial property and casualty insurance coverage at levels consistent with coverages on similar facilities. The policies' deductible dollar amounts vary depending on the type of coverage. Excess liability coverage for most claims against the Agency is $140.0 million and property is covered under an all-risk policy to replacement value. Generally, the maximum risk that the Agency would be exposed to is limited to $0.3 million for most casualty claims and $2.5 million for property claims. No claims have exceeded the limits of property or liability insurance in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8. FAIR VALUE MEASUREMENTS

SGAS No. 72, ***"Fair Value Measurement and Application"*** (GASB No. 72), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Agency utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect the Agency's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are disclosed below. All of the Agency's investments are valued using Level 2 inputs.

- LAIF - uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted and/or observable market prices.

The following table identifies the level within the fair value hierarchy that the Agency's financial assets are accounted for on a recurring basis as of December 31, 2020 and 2019, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures (Level 2)

	December 31,	
	2020	2019
Investments reported as Cash and Cash Equivalents:		
LAIF	$ 3,855,728	$ 3,309,927
Total fair value investments	$ 3,855,728	$ 3,309,927

NOTE 9. COMMITMENTS

Commodity Agreement. The Agency provides SRCSD's sewage treatment plant with all of the steam required for its operation and emergency power should the outside power supply become disrupted. The Agency also purchases a minimum of 90 percent of the digester gas made available to the Project by the sewage treatment plant, provided the gas meets standards set forth in this agreement, as amended, which expires in October 2025.

Natural Gas Interconnection and Supply Agreement. Pursuant to the Natural Gas Interconnection and Supply Agreement, SMUD supplies all of the natural gas requirements of the Project. The Agency pays for the actual supply, storage and transportation costs for the fuel supplied to the Project as specified in this agreement through October 2025.

Operation and Maintenance Agreement. Ethos serves as the Project Operator and is responsible for the primary operation, repair, overhaul and maintenance services of the Project. The Agency pays for such services according to the terms of this agreement and provides, at no cost to Ethos, fuel, water, and power not already provided for in other agreements. At December 31, 2020, the minimum annual commitment to Ethos under this agreement was approximately $1.8 million.

Ground Lease Agreement. The Agency leases land from SRCSD under the ground lease agreement expiring October 2025. The minimum lease payment increases by the escalation in SRCSD's average electric power cost. At December 31, 2020, the Agency's annual minimum lease payment was approximately $0.2 million.

NOTE 10. CONTINGENCIES

General Contingencies. In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

4b

COMMISSION AGENDA ITEM

Northern California Gas Authority Number 1
STAFFING SUMMARY SHEET

SSS No.	Committee Meeting & Date
Chron # ACC 21-010	N/A
	Commission Meeting Date: April 15, 2021

TO		TO	
1.	Jennifer Davidson	6.	
2.	Frankie McDermott	7.	
3.		8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	04/02/21

NARRATIVE:

Requested Action: Present 2020 financial results for Northern California Gas Authority Number 1 (NCGA1).

Summary: Staff will present the Commission with NCGA1's financial results for the year 2020.

Board Policy: *(Number & Title)* Governance Process GP-3

Benefits: Provides Commissioners with information regarding NCGA1's financial condition.

Cost/Budgeted: There is no budgetary impact for this informational presentation.

Alternatives: N/A

Affected Parties: Commission, Accounting, Public

Coordination: Executive Office, Board Office, Accounting, and Legal Department

Presenter: Lisa Limcaco, Controller and Director of Accounting

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
2020 Annual Financial Performance	4b

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Northern California Gas Authority No. 1

Financial Statements

As of and for the years ended December 31, 2020 and 2019

including

Independent Auditors' Report

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
TABLE OF CONTENTS
As of and for the Years Ended December 31, 2020 and 2019

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the Years Ended December 31, 2020 and 2019

Using this Financial Report

This annual financial report for Northern California Gas Authority No. 1 (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2007. SFA is a JPA formed by SMUD and the Modesto Irrigation District (collectively, Members). The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas to be delivered over a twenty-year period by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Gas Supply) between the Agency and MSCG. The Agency then sells the natural gas to SMUD. The Agency issued bonds in May 2007 and commenced gas sales in June 2007.

SMUD purchases all of the natural gas delivered to the Agency pursuant to the Gas Supply Contract between SMUD and the Agency. The Agency has no employees and SMUD contributes to the Agency the actual costs of providing general and administrative services.

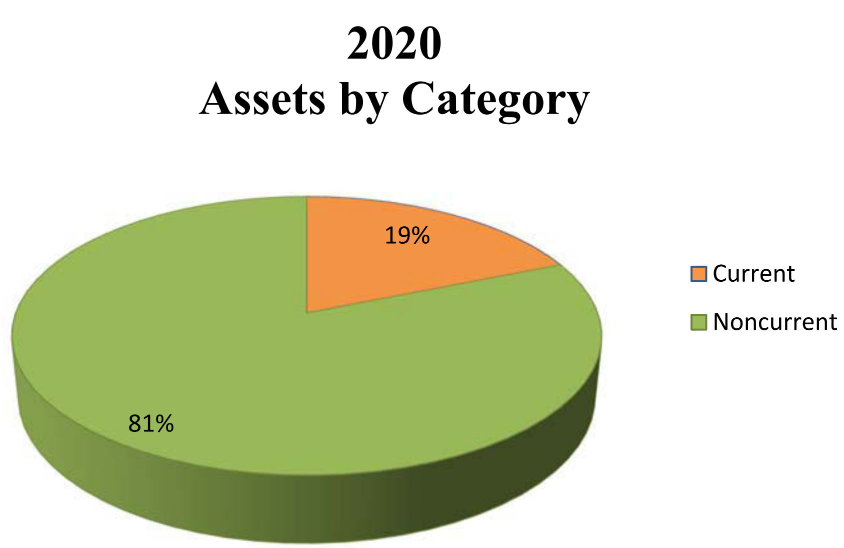
The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Assets							
Current assets	$ 37,271	$ 33,422	$ 50,818	$ 3,849	11.5%	$ (17,396)	-34.2%
Noncurrent assets	160,648	180,564	198,303	(19,916)	-11.0%	(17,739)	-8.9%
Total assets	$ 197,919	$ 213,986	$ 249,121	$ (16,067)	-7.5%	$ (35,135)	-14.1%
Liabilities							
Long-term debt - net	$ 163,485	$ 181,935	$ 198,610	$ (18,450)	-10.1%	$ (16,675)	-8.4%
Current liabilities	24,288	21,937	39,433	2,351	10.7%	(17,496)	-44.4%
Total liabilities	187,773	203,872	238,043	(16,099)	-7.9%	(34,171)	-14.4%
Net position							
Restricted	8,974	8,053	16,842	921	11.4%	(8,789)	-52.2%
Unrestricted	1,172	2,061	(5,764)	(889)	-43.1%	7,825	135.8%
Total net position	10,146	10,114	11,078	32	0.3%	(964)	-8.7%
Total liabilities and net position	$ 197,919	$ 213,986	$ 249,121	$ (16,067)	-7.5%	$ (35,135)	-14.1%

The following chart shows the breakdown of the Agency's assets by category:



2020 Compared to 2019

ASSETS

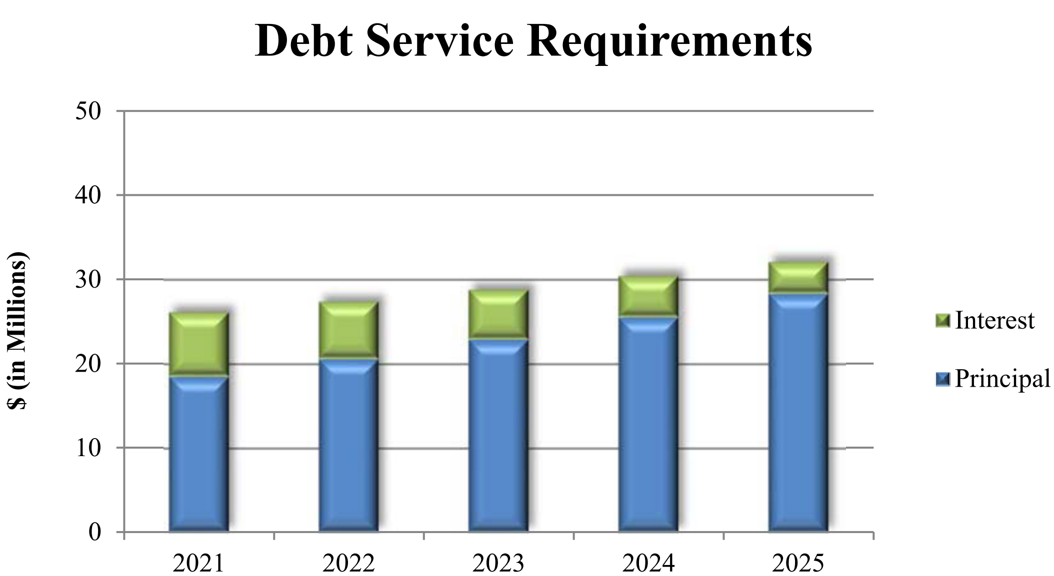
- Current Assets increased due to higher restricted cash and cash equivalents and prepaid gas supply for the current year as a result of a higher gas volume for the entire year.

- The Agency's main asset is its Prepaid Gas Supply, of which, the noncurrent portion was $160.0 million at December 31, 2020. Noncurrent Assets decreased due to the amortization of the Prepaid Gas Supply for gas delivered in 2020. The Prepaid gas supply (current and noncurrent portion) was about 81 percent of the Agency's assets at December 31, 2020.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased primarily due to $16.7 million of scheduled principal payments for 2020. At December 31, 2020, the Agency had bonds outstanding of $181.9 million with maturities through 2027. At December 31, 2020, the 2007 Agency Bonds are rated "A+" by Standard & Poor's. The Agency's bonds are tied to MSCG's credit rating.

  The following chart summarizes the debt service requirements of the Agency for the next five years:



- Current Liabilities increased due to higher accounts payable, current portion of long term debt and collateral for credit support as a result of higher gas volume, offset by lower accrued interest payable.

- Restricted Net Position increased due to higher debt service fund requirements and collateral for credit support due to higher gas volume.

2019 Compared to 2018

ASSETS

- Current Assets decreased due to lower Restricted cash for lower debt service, Accrued interest and other as a result of lower gas volume, and current portion of the Prepaid Gas Supply.

- The Agency's main asset is its Prepaid Gas Supply, of which, the noncurrent portion was $179.8 million at December 31, 2019. Noncurrent Assets decreased due to the amortization of the Prepaid Gas Supply for gas delivered in 2019.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased primarily due to $34.6 million of the scheduled principal payments for 2019. At December 31, 2019, the Agency had bonds outstanding of $198.6 million with maturities through 2027.

- Current Liabilities decreased primarily due to lower current portion of the long-term debt, partially offset by higher credit support obligation to a collateral deposit from MSCG.

RESULTS OF OPERATIONS

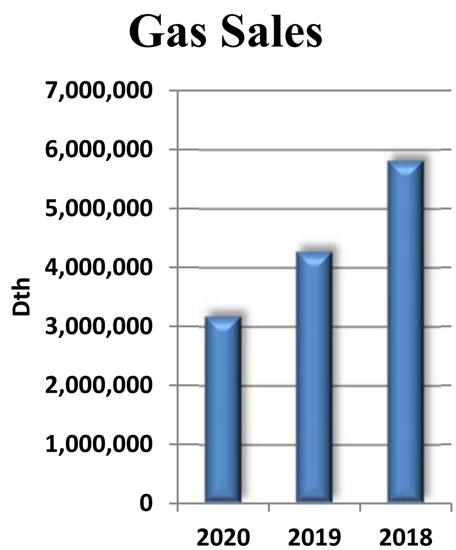
Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating revenues	$ 25,935	$ 33,472	$ 43,760	$ (7,537)	-22.5%	$ (10,288)	-23.5%
Operating expenses	(17,810)	(25,133)	(34,761)	7,323	29.1%	9,628	27.7%
Operating income	8,125	8,339	8,999	(214)	-2.6%	(660)	-7.3%
Interest and other income	533	850	876	(317)	-37.3%	(26)	-3.0%
Interest on debt	(8,205)	(9,280)	(10,645)	1,075	11.6%	1,365	12.8%
Change in net position before distributions and contributions	453	(91)	(770)	544	597.8%	679	88.2%
Distributions to Member	(507)	(953)	(881)	446	46.8%	(72)	-8.2%
Member contributions	86	80	69	6	7.5%	11	15.9%
Change in net position	32	(964)	(1,582)	996	103.3%	618	39.1%
Net position - beginning of year	10,114	11,078	12,660	(964)	-8.7%	(1,582)	-12.5%
Net position - end of year	$ 10,146	$ 10,114	$ 11,078	$ 32	0.3%	$ (964)	-8.7%

2020 Compared to 2019

The following chart shows gas sales in 2020, 2019 and 2018:



- Operating Revenue decreased due to lower Gas swap settlement as a result of lower gas volume.
- Operating Expense decreased due to lower amortization of the Prepaid Gas Supply.
- Interest expense decreased primarily due to lower bonds outstanding.
- Distributions to SMUD are based on interest earnings on the Debt Service fund not otherwise needed for another purpose, as specified in the indenture of trust. In 2020, the Agency distributed $0.5 million to SMUD.

2019 Compared to 2018

- Operating Revenue decreased due to lower Gas swap settlement and Gas sales to Member as a result of lower gas volume.
- Operating Expense decreased due to lower amortization of the Prepaid Gas Supply.
- Interest expense decreased primarily due to lower bonds outstanding.
- The Agency distributed $0.9 million to SMUD in 2019.

Requests for Information

For more information about the Northern California Gas Authority No. 1, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF NET POSITION

	December 31, 2020	December 31, 2019
ASSETS		
RESTRICTED ASSETS		
Debt service fund	$ 10,932,270	$ 10,189,434
Other restricted funds	3,880,177	3,125,785
Less current portion	(14,812,447)	(13,315,219)
Total restricted assets	-0-	-0-
CURRENT ASSETS		
Restricted cash and cash equivalents	14,812,447	13,315,219
Receivables:		
Gas sales to Member	409,439	374,608
Accrued interest and other	2,133,357	1,993,049
Prepaid gas supply	19,795,206	17,618,858
Other prepayments	15,630	15,630
Regulatory costs to be recovered within one year	104,796	104,796
Total current assets	37,270,875	33,422,160
NONCURRENT ASSETS		
Prepaid gas supply	159,985,872	179,781,077
Regulatory costs for future recovery	576,381	681,179
Prepaid bond insurance costs	85,966	101,598
Total noncurrent assets	160,648,219	180,563,854
TOTAL ASSETS	$ 197,919,094	$ 213,986,014
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 163,485,000	$ 181,935,000
CURRENT LIABILITIES		
Accounts payable	1,559,367	1,072,714
Credit support for collateral obligation	3,880,167	3,124,864
Long-term debt due within one year	18,450,000	16,675,000
Accrued interest	398,254	1,064,330
Total current liabilities	24,287,788	21,936,908
TOTAL LIABILITIES	187,772,788	203,871,908
NET POSITION		
Restricted	8,974,659	8,053,311
Unrestricted	1,171,647	2,060,795
TOTAL NET POSITION	10,146,306	10,114,106
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)		
TOTAL LIABILITIES AND NET POSITION	$ 197,919,094	$ 213,986,014

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2020	Years Ended December 31, 2019
OPERATING REVENUES		
Gas sales to Member	$ 3,067,797	$ 2,227,519
Gas swap settlement, net	22,867,356	31,244,270
Total operating revenues	25,935,153	33,471,789
OPERATING EXPENSES		
Prepaid gas amortization	17,618,857	24,948,582
Administrative and general	86,234	80,112
Regulatory amounts collected in rates	104,796	104,796
Total operating expenses	17,809,887	25,133,490
OPERATING INCOME	8,125,266	8,338,299
NON-OPERATING REVENUES (EXPENSES)		
Interest income	532,363	850,433
Interest on debt	(8,204,959)	(9,279,888)
Total non-operating revenues (expenses)	(7,672,596)	(8,429,455)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS	452,670	(91,156)
Distributions to Member	(506,704)	(952,825)
Member contributions	86,234	80,112
CHANGE IN NET POSITION	32,200	(963,869)
NET POSITION - BEGINNING OF YEAR	10,114,106	11,077,975
NET POSITION - END OF YEAR	$ 10,146,306	$ 10,114,106

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF CASH FLOWS

	December 31, 2020	December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from gas sales to Member	$ 3,032,966	$ 2,352,083
Receipts from others	22,808,833	32,849,373
Receipts/payments for credit support collateral	755,303	746,733
Net cash provided by operating activities	26,597,102	35,948,189
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds	(16,675,000)	(34,560,000)
Interest payments on long-term debt	(8,368,748)	(9,622,300)
Distributions to Member	(506,704)	(952,825)
Net cash used in noncapital financing activities	(25,550,452)	(45,135,125)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	450,578	786,680
Net cash provided by investing activities	450,578	786,680
Net (decrease) increase in cash and cash equivalents	1,497,228	(8,400,256)
Cash and cash equivalents - beginning of the year	13,315,219	21,715,475
Cash and cash equivalents - end of the year	$ 14,812,447	$ 13,315,219
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 8,125,266	$ 8,338,299
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of prepaid gas supply	17,618,857	24,948,582
Regulatory amortization	104,796	104,796
Receipts (payments) for credit support collateral	755,303	746,733
Changes in operating assets and liabilities:		
Receivables	(93,354)	1,729,667
Payables and accruals	86,234	80,112
Net cash provided by operating activities	$ 26,597,102	$ 35,948,189
SUPPLEMENTAL DISCLOSURE OF NONCASH RELATED FINANCING ACTIVITIES		
Amortization of debt related premiums	$ (15,632)	$ (15,630)
Contributions from Member	86,234	80,112

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Gas Authority No. 1 (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas to be delivered over a twenty-year period (Gas Project) by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Agreement) between the Agency and MSCG. The Prepaid Agreement terminates on May 31, 2027. MSCG is obligated to make payments to the Agency for any shortfall of gas not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Gas Supply Contract (GSC) with SMUD that provides for the sale of all of the natural gas delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of gas delivered under the GSC and to pay damages for gas that SMUD fails to take pursuant to the terms of the GSC. SMUD has no obligation to pay for gas that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Gas Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the GSC, the Agency has agreed to terminate the GSC and may enter into a replacement GSC with one or more municipal utilities on substantially the same terms as the GSC.

The Agency has no employees. The Gas Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed $0.1 million both in 2020 and 2019 for administrative and general services provided to the Agency by SMUD.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Gas Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or MSCG. If the Prepaid Agreement is terminated, MSCG will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Gas Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is also included in the financial statements of SMUD as a component unit of SMUD's financial reporting entity because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Natural gas sale revenues and purchase costs that are directly related to delivery of natural gas are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government securities and commercial paper which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Credit and Market Risk. The Agency entered into a synthetic guaranteed investment contract (see Note 3) in 2007 and is exposed to credit risk related to nonperformance by its investment provider. This contract requires the investment provider to post collateral if their credit ratings fall below agreed upon levels. The amount is recorded as current restricted asset with an associated current liability on the Statements of Net Position.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in money market funds.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of natural gas from the Gas Project.

Prepaid Gas Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the Prepaid Gas Supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its Prepaid Gas Supply, the amortization is recorded against the current portion of Prepaid Gas Supply.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which require that the effects of the rate making process be recorded in the financial statements. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight line method over the remaining life of the associated bonds and recorded in Regulatory Amounts Collected in Rates in the Statements of Revenues, Expenses and Changes in Net Position.

Prepaid Bond Insurance Costs. The Agency recorded a prepaid asset for the prepaid bond insurance portion of unamortized debt issuance costs of previously issued bonds of the Agency. The prepaid bond insurance costs will be amortized using the straight line method over the remaining life of the associated bonds and recorded in Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position.

Derivative Instruments. The Agency enters into forward contracts (interest rate swap and natural gas commodity price swap agreements) to manage its exposure to interest rate risk and market volatility of natural gas commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statement of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid for the gas swap are reported as a component of Operating Revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Gas Swap Agreement. The Agency uses forward contracts to hedge the impact of market volatility on gas commodity prices for its GSC.

Interest Rate Swap Agreements. The Agency enters into interest rate swap agreements to modify the effective interest rates on outstanding debt. Interest expense is reported net of the swap payments received or paid as a component of Interest on Debt in the Statement of Revenues, Expenses and Changes in Net Position.

Net Position. The Agency classifies its Net Position into two components as follows:

- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital), grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Gas sales to Member are recorded as revenues when the natural gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on Prepaid Gas Supply assets and Regulatory Costs for Future Recovery and are recorded when incurred.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member Contributions.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 19, 2021, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In January 2020, GASB issued SGAS No. 92, ***"Omnibus 2020"*** (GASB No. 92). This statement addresses a variety of topics and includes specific provisions to clarify issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This statement is effective for the Agency in 2020 or 2022 depending on the topic. The Agency has assessed the provisions of this statement and no topics in this statement apply to the Agency.

In May 2020, GASB issued SGAS No. 95, ***"Postponement of the Effective Dates of Certain Authoritative Guidance"*** (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases*; and GASB No. 93, *Replacement of Interbank Offered Rates*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, ***"Leases"*** (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2020, GASB issued SGAS No. 93, ***"Replacement of Interbank Offered Rates"*** (GASB No. 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, GASB No. 93 identifies the Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2020 and 2019, the Agency had money market funds of $6.0 million and $5.4 million which were uninsured, respectively. At December 31, 2020 and 2019, $2.1 million and $2.3 million of the money market funds were held in trust for the benefit of the Agency respectively, and $3.9 million and $3.1 million represent amounts held by the Agency as a collateral deposit by an investment provider, respectively.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. To limit the Agency's credit risk for commercial paper purchased under the Debt Service Fund Agreement, the aggregate maturity amount invested in any combination of one issuer, affiliate of issuer, or backed by any one credit support, cannot exceed $30.0 million. The Agency has concentrations of risk greater than five percent invested in Chesham Finance of 100 percent at December 31, 2020 and 2019.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. At December 31, 2020 and 2019, all of the Agency's investments had maturities of one year or less.

Debt Service Fund Agreement. The Agency has entered into a synthetic guaranteed investment contract, in the form of a forward supply agreement, in which it has agreed to purchase securities with the debt service deposit amounts for a guaranteed fixed rate of return of 5.148 percent. The agreement terminates on June 30, 2027.

The following schedules present credit risk by type of security held at December 31, 2020 and 2019. The credit ratings listed are from Standard & Poor's (S&P).

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:			
Money market funds	AAAm	$ 5,958,103	$ 5,374,882
Commercial paper - Chesham Finance	A-1	8,854,344	7,940,337
Total cash and cash equivalents		$ 14,812,447	$ 13,315,219

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31,	
	2020	2019
Cash and Cash Equivalents:		
Debt service fund	$ 10,932,270	$ 10,189,434
Other restricted funds:		
Collateral for credit support	3,880,167	3,124,864
Revenue fund	10	921
Total other restricted funds	3,880,177	3,125,785
Total cash and cash equivalents	$ 14,812,447	$ 13,315,219

NOTE 4. PREPAID GAS SUPPLY

The Agency's prepaid gas supply is presented below:

	December 31,	
	2020	2019
Prepaid gas supply	$ 178,596,039	$ 196,065,052
Prepaid gas supply revenue	1,185,039	1,334,883
Total prepaid gas supply	179,781,078	197,399,935
Less: amounts due within one year	(19,795,206)	(17,618,858)
Total prepaid gas supply - noncurrent portion	$ 159,985,872	$ 179,781,077

The following summarizes prepaid gas supply activity for the year ended December 31, 2020:

	January 1, 2020	Terminations	Amortization	December 31, 2020
Prepaid gas supply	$ 196,065,052	$ -0-	$ (17,469,013)	$ 178,596,039
Prepaid gas supply revenue	1,334,883	-0-	(149,844)	1,185,039
Total prepaid gas supply	$ 197,399,935	$ -0-	$ (17,618,857)	$ 179,781,078

The following summarizes prepaid gas supply activity for the year ended December 31, 2019:

	January 1, 2019	Terminations	Amortization	December 31, 2019
Prepaid gas supply	$ 220,796,428	$ -0-	$ (24,731,376)	$ 196,065,052
Prepaid gas supply revenue	1,552,089	-0-	(217,206)	1,334,883
Total prepaid gas supply	$ 222,348,517	$ -0-	$ (24,948,582)	$ 197,399,935

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per million British Thermal Units (mmbtu) as specified in, and over the remaining term of, the Prepaid Agreement. The prepaid gas supply revenue is the discounted NPV of $0.07 per mmbtu over the remaining term of the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency issued $668.5 million of 2007 Series B Gas project revenue bonds in May 2007 (Bonds) with variable interest rates, maturing July 2027.

The Agency's long-term debt is presented below:

	December 31, 2020	December 31, 2019
2007 Series B Gas project revenue bonds, variable rates, 2020-2027	$ 181,935,000	$ 198,610,000
Less: amounts due within one year	(18,450,000)	(16,675,000)
Total long-term debt - net	$ 163,485,000	$ 181,935,000

The following summarizes long-term debt activity for the year ended December 31, 2020:

	January 1, 2020	Additions	Payments/ Amortizations	December 31, 2020
2007 Gas project revenue bonds	$ 198,610,000	$ -0-	$ (16,675,000)	$ 181,935,000
Total long-term debt	$ 198,610,000	$ -0-	$ (16,675,000)	$ 181,935,000

The following summarizes long-term debt activity for the year ended December 31, 2019:

	January 1, 2019	Additions	Payments/ Amortizations	December 31, 2019
2007 Gas project revenue bonds	$ 233,170,000	$ -0-	$ (34,560,000)	$ 198,610,000
Total long-term debt	$ 233,170,000	$ -0-	$ (34,560,000)	$ 198,610,000

The annual debt service requirements to maturity for the Bonds are as follows at December 31, 2020:

Year	Principal	Interest	Total
2021	$ 18,450,000	$ 7,631,960	$ 26,081,960
2022	20,550,000	6,815,276	27,365,276
2023	22,865,000	5,905,895	28,770,895
2024	25,530,000	4,893,110	30,243,110
2025	28,295,000	3,764,547	32,059,547
2026-2027 (combined)	66,245,000	3,637,257	69,882,257
Total	$ 181,935,000	$ 32,648,045	$ 214,583,045

Interest includes interest requirements for fixed rate debt at their stated rates and variable rate debt covered by interest rate swaps at their fixed swap rate.

The Agency had pledged future net revenues to repay $181.9 million and $198.6 million at December 31, 2020 and 2019, respectively, for Bonds issued in May 2007. Proceeds from the Bonds were used to purchase the Gas Project from MSCG at a price of $754.1 million with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2027, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the GSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100 percent of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds was $214.5 million and $239.6 million at December 31, 2020 and 2019, respectively. Debt service payments on the Bonds are made quarterly on January 1, April 1, July 1 and October 1.

Principal and interest paid was $25.0 million and $44.2 million for 2020 and 2019, respectively. Total net revenues were $26.5 million and $34.3 million for 2020 and 2019, respectively.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Gas Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from MSCG. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as MSCG performs its gas delivery obligations under the Prepaid Agreement. Agency Members are not obligated to pay debt service costs if the Gas Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Gas Project are insufficient to meet debt service obligations.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements - 2007 Series B Bonds. The following summarizes the Agency's swap agreement at December 31, 2020:

The following summarizes the Agency's swap agreement at December 31, 2020:

Notional Amount	Agency Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating (S&P)
$ 181,935,000	Fixed	4.304%	67% of LIBOR +.72%	07/01/27	A+

The following summarizes the Agency's swap agreement at December 31, 2019:

Notional Amount	Agency Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating (S&P)
$ 198,610,000	Fixed	4.304%	67% of LIBOR +.72%	07/01/27	A+

At December 31, 2020 and 2019, the Agency had a variable-to-fixed interest rate swap agreement with a counterparty. The Agency pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three month London Interbank Offered Rates (LIBOR) (0.23 percent and 1.9 percent at December 31, 2020 and 2019, respectively) plus an interest rate spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2020 and 2019 was $181.9 million and $198.6 million, respectively, and was equivalent to the outstanding principal balance on the Agency's Bonds. The swap is amortized over the life of the swap agreement in a manner corresponding to the principal repayment schedule of the Bonds. Early termination of the swap would occur upon termination of the Prepaid Agreement for any reason. Upon early termination, the swap would have no value to either party.

Variable Rate 2007 Series B Bonds. The Agency's variable rate Bonds bear interest at a quarterly rate of 0.9 percent at December 31, 2020.

NOTE 6. COMMITMENTS

Natural Gas Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas commodity price swap agreement (Gas Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's natural gas sales to SMUD under the GSC. The Agency pays an index-based natural gas price over the twenty-year period and receives a fixed natural gas price as specified in the Gas Swap Agreement, for notional quantities of natural gas at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Gas Swap Agreement terminates on May 31, 2027. The total notional amount of the Gas Swap Agreement remaining at December 31, 2020 was 20.3 million mmbtu. Presently, the Gas Swap Agreement is 8,675 mmbtu per calendar day, and this amount will change on June 1 of each remaining year of the Gas Swap Agreement and will range from 8,675 to 8,673 mmbtu per calendar day. Early termination of the Gas Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Gas Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Gas Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the natural gas will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

4c

SSS No. Chron # ACC 21-009	**COMMISSION AGENDA ITEM** **Sacramento Cogeneration Authority** **STAFFING SUMMARY SHEET**	Committee Meeting & Date N/A Commission Meeting Date April 15, 2021

TO		TO	
1.	Jennifer Davidson	6.	
2.	Frankie McDermott	7.	
3.		8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	04/02/21

NARRATIVE:

Requested Action: Present 2020 financial results for Sacramento Cogeneration Authority (SCA).

Summary: Staff will present the Commission with SCA's financial results for the year 2020.

Board Policy: *(Number & Title)* Governance Process GP-3

Benefits: Provides Commissioners with information regarding SCA's financial condition.

Cost/Budgeted: There is no budgetary impact for this informational presentation.

Alternatives: N/A

Affected Parties: Commission, Accounting, Public

Coordination: Executive Office, Board Office, Accounting, and Legal Department

Presenter: Lisa Limcaco, Controller and Director of Accounting

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
2020 Annual Financial Performance	**4c**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Sacramento Cogeneration Authority

Financial Statements

as of and for the years ended
December 31, 2020 and 2019

and

Including
Independent Auditors' Report

SACRAMENTO COGENERATION AUTHORITY
TABLE OF CONTENTS
As of and for the Years Ended December 31, 2020 and 2019

SACRAMENTO COGENERATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
As of and For the Years Ended December 31, 2020 and 2019

Using this Financial Report

This annual financial report for Sacramento Cogeneration Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 1993. SFA is a JPA formed by SMUD and the Modesto Irrigation District (collectively, Members). The Agency was formed for the purpose of owning and operating the Procter & Gamble Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in 1997, is comprised of a 136 megawatt (MW) natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operation in 2001.

SMUD purchases all of the electricity produced by the Project pursuant to the Power Purchase Agreement (PPA) between SMUD and the Agency. The Agency has no employees and is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

Financial & Operational Highlights

In 2020, the Agency's operator, Ethos Energy Power Plant Services, LLC, continued implementation of a normal six-week cycle of gas turbine water washes and inspections as part of standard maintenance protocols. These outages and inspections have been an integral part of the Agency's successful performance, which for 2020 included an Institute of Electrical and Electronics Engineers (IEEE) Availability rating of 93.51 percent, an IEEE Reliability rating of 99.84 percent and a successful call-up ratio for the simple cycle unit of 100.00 percent.

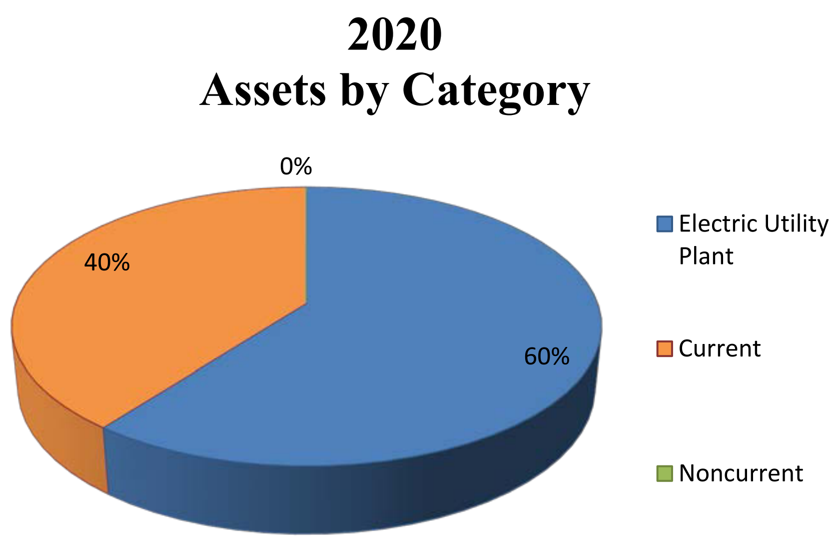
The plant completed combustion turbine 1A (Engine 185-191) major overhaul and the DCS Controls Upgrade.

FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Assets							
Electric utility plant - net	$ 48,502	$ 56,309	$ 64,171	$ (7,807)	-13.9%	$ (7,862)	-12.3%
Current assets	31,823	26,939	30,453	4,884	18.1%	(3,514)	-11.5%
Noncurrent assets	1	2	61	(1)	-50.0%	(59)	-96.7%
Total assets	80,326	83,250	94,685	(2,924)	-3.5%	(11,435)	-12.1%
Deferred outflows of resources	-0-	-0-	283	-0-	0.0%	(283)	-100.0%
Total assets and deferred outflows of resources	$ 80,326	$ 83,250	$ 94,968	$ (2,924)	-3.5%	$ (11,718)	-12.3%
Liabilities							
Long-term debt - net	$ -0-	$ -0-	$ 13,250	$ -0-	0.0%	$ (13,250)	-100.0%
Current liabilities	5,515	4,952	12,735	563	11.4%	(7,783)	-61.1%
Total liabilities	5,515	4,952	25,985	563	11.4%	(21,033)	-80.9%
Net position							
Net investment in capital assets	48,502	56,309	45,174	(7,807)	-13.9%	11,135	24.6%
Restricted	-0-	-0-	3,015	-0-	0.0%	(3,015)	-100.0%
Unrestricted	26,309	21,989	20,794	4,320	19.6%	1,195	5.7%
Total net position	74,811	78,298	68,983	(3,487)	-4.5%	9,315	13.5%
Total liabilities and net position	$ 80,326	$ 83,250	$ 94,968	$ (2,924)	-3.5%	$ (11,718)	-12.3%

The following chart shows the breakdown of the Agency's assets by category:



2020 Compared to 2019

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

- The Agency's main asset is its investment in the Project, which comprises $48.5 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2020. The Electric Utility Plant - net decreased primarily due to $7.9 million of depreciation expense for the year. Electric Utility Plant assets make up about 60 percent of the Agency's assets.

- Current Assets increased primarily due to higher Unrestricted cash as part of normal operations.

LIABILITIES & NET POSITION

- Current Liabilities increased primarily due to higher fuel billings from SMUD for November and December 2020.

2019 Compared to 2018

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

- The Agency's main asset is its investment in the Project, which comprises $56.3 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2019. The Electric Utility Plant - net decreased primarily due to $7.9 million depreciation expense for the year.

- Current Assets decreased primarily due to lower Restricted cash as a result of the defeasance of the 2009 Series Bonds, Receivable from SMUD for the debt service payments, and fuel portions of the PPA billings in November and December 2019, partially offset by higher Unrestricted cash as part of normal operations.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased due to defeasance of the 2009 Series Bonds in September 2019.

- Current liabilities decreased primarily due to lower Long-term debt due within one year due to defeasance of the 2009 Series Bonds and lower accounts payable due to lower overhaul costs and fuel billings from SMUD for November and December 2019.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating revenues	$ 35,932	$ 36,208	$ 52,109	$ (276)	-0.8%	$ (15,901)	-30.5%
Operating expenses	(39,624)	(33,947)	(47,031)	(5,677)	-16.7%	13,084	27.8%
Operating income	(3,692)	2,261	5,078	(5,953)	-263.3%	(2,817)	-55.5%
Interest income	205	363	268	(158)	-43.5%	95	35.4%
Interest on debt	-0-	(1,211)	(1,096)	1,211	-100.0%	(115)	-10.5%
Other income	-0-	-0-	1,079	-0-	0.0%	(1,079)	-100.0%
Change in net position before distributions	(3,487)	1,413	5,329	(4,900)	-346.8%	(3,916)	-73.5%
Distributions to Member	-0-	-0-	(10,000)	-0-	0.0%	10,000	100.0%
Contributions to Member	-0-	7,902	-0-	(7,902)	-100.0%	7,902	100.0%
Change in net position	(3,487)	9,315	(4,671)	(12,802)	137.4%	13,986	299.4%
Net position - beginning of year	78,298	68,983	73,654	9,315	13.5%	(4,671)	-6.3%
Net position - end of year	$ 74,811	$ 78,298	$ 68,983	$ (3,487)	-4.5%	$ 9,315	13.5%

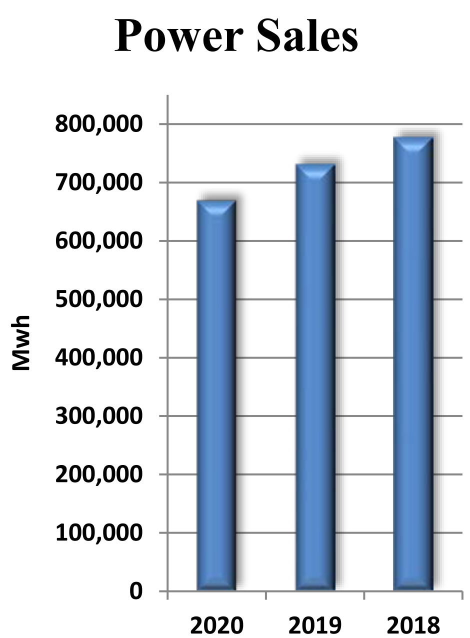
2020 Compared to 2019

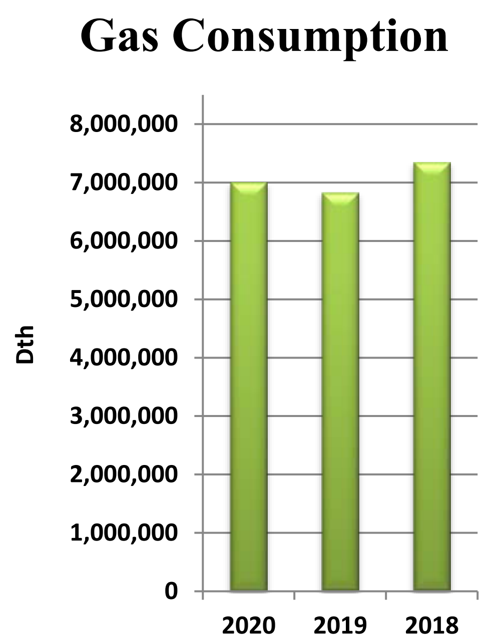
OPERATING REVENUES

Operating revenues decreased due to lower steam sales offset by higher power sales to member. Steam sales decreased due to lower steam prices and volume in 2020. The Agency's power sales are determined monthly, based on a formula defined in the PPA, which is driven by the Agency's actual cost of operations. In 2020, Power sales to Member increased due to higher fuel, operator and capital costs, offset by lower financial payments due to the defeasance of the Agency bonds in 2019 and lower overhaul costs. There was no debt service cost in 2020 as a result of the defeasance of the Agency bonds in 2019.

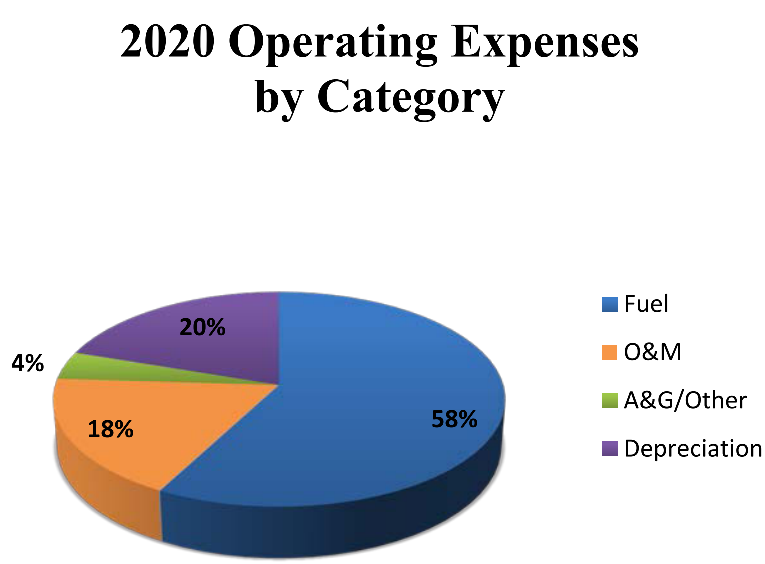
The Agency saw a decrease in power sales as a result of the Member's entrance into the California Independent System Operator's Energy Imbalance Market (EIM) in April 2019. The EIM provided the Member with access to a larger more cost effective energy market resulting in a reduction in run time in 2019 and 2020. The increase in gas consumption in 2020 is the due to the Agency's agreement to provide steam to Proctor & Gamble requiring the plant to run in order to produce the required amount of steam.

The following charts show power sales and gas consumption in 2020, 2019 and 2018:





OPERATING EXPENSES



The following table summarizes Operating Expenses for the years ended December 31 (dollars in thousands):

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating Expenses							
Fuel	$ 22,885	$ 17,514	$ 26,041	$ 5,371	30.7%	$ (8,527)	-32.7%
Operations and Maintenance	7,210	7,059	11,797	151	2.1%	(4,738)	-40.2%
Administrative & general and Other	1,668	1,513	1,370	155	10.2%	143	10.4%
Depreciation	7,861	7,861	7,823	-0-	0.0%	38	0.5%
Total operating expenses	$ 39,624	$ 33,947	$ 47,031	$ 5,677	16.7%	$ (13,084)	-27.8%

- Fuel expense increased due to higher fuel prices of $5.1 million and fuel volume of $0.3 million.

MEMBER CONTRIBUTIONS

Member contributions from SMUD in 2019 was used for the September defeasance of the 2009 Series Bonds.

DISTRIBUTIONS TO MEMBER

Distributions to SMUD are optional and based on excess funds collected through the billings for operating costs as compared to projected cash requirements and may vary significantly from year to year. There was no distribution to SMUD in 2020.

INTEREST ON DEBT

Interest on debt decreased due to defeasance of the 2009 Series Bonds in 2019.

2019 Compared to 2018

RESULTS OF OPERATIONS

- Operating Revenues decreased primarily due to lower Power sales to Member. In 2019, less revenue was needed due to lower fuel, overhaul costs, debt service payments and other costs.

- Fuel expense decreased due to lower fuel cost of $6.9 million and fuel volume of $1.6 million.

- Operations and Maintenance expense decreased due to lower steam turbine overhaul costs.

- Other income decreased due to the 2018 Generator Step-up Transformer replacement insurance claim.

- SMUD contributed $7.9 million to Agency for the defeasance of the 2009 Series Bonds.

Requests for Information

For more information about the Sacramento Cogeneration Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

SACRAMENTO COGENERATION AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2020		December 31, 2019	
ASSETS				
ELECTRIC UTILITY PLANT				
Plant in service	$	197,577,692	$	197,577,692
Less accumulated depreciation		(149,129,788)		(141,268,347)
Plant in service - net		48,447,904		56,309,345
Construction work in progress		54,348		-0-
Total electric utility plant - net		48,502,252		56,309,345
CURRENT ASSETS				
Cash and cash equivalents:				
Unrestricted cash and cash equivalents		20,652,945		16,003,255
Receivables:				
Power sales to Member		6,005,051		5,690,325
Steam sales		384,452		483,355
Accrued interest and other		27,327		64,858
Materials and supplies		4,282,052		4,353,726
Prepayments		471,192		343,398
Total current assets		31,823,019		26,938,917
NONCURRENT ASSETS				
Other		1,055		1,406
Total noncurrent assets		1,055		1,406
TOTAL ASSETS		80,326,326		83,249,668
TOTAL ASSETS	$	80,326,326	$	83,249,668

The accompanying notes are an integral part of these financial statements.

SACRAMENTO COGENERATION AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2020		December 31, 2019	
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	$	744,777	$	1,012,014
Payable due to Member		4,770,960		3,940,117
Total current liabilities		5,515,737		4,952,131
TOTAL LIABILITIES		5,515,737		4,952,131
NET POSITION				
Net investment in capital assets		48,502,252		56,309,345
Unrestricted		26,308,337		21,988,192
TOTAL NET POSITION		74,810,589		78,297,537
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)				
TOTAL LIABILITIES AND NET POSITION	$	80,326,326	$	83,249,668

The accompanying notes are an integral part of these financial statements.

SACRAMENTO COGENERATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2020	Years Ended December 31, 2019
OPERATING REVENUES		
Power sales to Member	$ 31,711,865	$ 30,847,925
Steam sales	4,219,979	5,359,515
Total operating revenues	35,931,844	36,207,440
OPERATING EXPENSES		
Fuel	22,884,836	17,513,528
Operations	7,137,574	6,700,339
Maintenance	71,865	358,105
Administrative and general	1,667,672	1,414,552
Depreciation	7,861,441	7,861,442
Regulatory amounts collected in rates	-0-	98,752
Total operating expenses	39,623,388	33,946,718
OPERATING INCOME (LOSS)	(3,691,544)	2,260,722
NON-OPERATING REVENUES (EXPENSES)		
Interest income	204,596	362,378
Interest on debt	-0-	(1,210,929)
Other income	-0-	31
Total non-operating revenues (expenses)	204,596	(848,520)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS	(3,486,948)	1,412,202
Member Contributions	-0-	7,902,006
CHANGE IN NET POSITION	(3,486,948)	9,314,208
NET POSITION - BEGINNING OF YEAR	78,297,537	68,983,329
NET POSITION - END OF YEAR	$ 74,810,589	$ 78,297,537

The accompanying notes are an integral part of these financial statements.

SACRAMENTO COGENERATION AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from power sales to Member	$ 31,397,139	$ 32,672,457
Receipts from steam sales and other	4,318,882	5,525,013
Payments to Member	(24,091,215)	(20,156,756)
Payments to vendors	(7,162,895)	(7,186,094)
Net cash provided by operating activities	4,461,911	10,854,620
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Member	-0-	7,902,006
Net cash provided by noncapital financing activities	-0-	7,902,006
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(54,348)	-0-
Repayment of long-term debt	-0-	(18,965,000)
Interest payments on long-term debt	-0-	(1,732,618)
Net cash used in capital and related financing activities	(54,348)	(20,697,618)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	242,127	351,181
Net cash provided by investing activities	242,127	351,181
Net increase (decrease) in cash and cash equivalents	4,649,690	(1,589,811)
Cash and cash equivalents - beginning of the year	16,003,255	17,593,066
Cash and cash equivalents - end of the year	$ 20,652,945	$ 16,003,255
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (3,691,544)	$ 2,260,722
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	7,861,441	7,861,442
Regulatory amortization	-0-	98,752
Other income	-0-	31
Changes in operating assets and liabilities:		
Receivables	(215,823)	1,989,999
Other assets	(55,769)	(93,510)
Payables and accruals	563,606	(1,262,816)
Net cash provided by operating activities	$ 4,461,911	$ 10,854,620
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Net amortization of debt related premiums	$ -0-	$ 31,395

The accompanying notes are an integral part of these financial statements.

SACRAMENTO COGENERATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1. ORGANIZATION AND OPERATIONS

The Sacramento Cogeneration Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA comprised of SMUD and the Modesto Irrigation District. The purpose of the Agency is to own and operate the Procter & Gamble Project (Project) for electric power generation. The Project, which began commercial operations in 1997, is comprised of a 136 megawatt (MW) natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. The Project is situated on approximately 8 acres of land owned by the Agency, which is adjacent to the Procter & Gamble plant in Sacramento.

The Agency has no employees. The Project is operated by Ethos Energy Power Plant Services, LLC (Ethos) under the terms of the Operations & Maintenance Agreement.

Pursuant to the Power Purchase Agreement (PPA) with SMUD, SMUD purchases, on a "take-or-pay" basis, all capacity, energy and environmental attributes of the Project. The Agency is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf. The Agency was charged $24.6 million in 2020 and $18.8 million in 2019 for general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency sells steam to Procter & Gamble pursuant to a Steam Sales Agreement, which was assigned to the Agency from SMUD.

SMUD is entitled to all rights and property of the Project in the event of termination of the JPA agreement. SFA has no obligation to make contributions or advances to the Agency. The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Project agreements.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit of SMUD's financial reporting entity because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric revenues and costs that are directly related to generation of electricity and steam are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Plant in Service. The Agency generally computes depreciation on Electric Utility Plant on a straight-line basis using five years for software and the remaining life of the JPA for all other capital assets. The cost of replacement units is capitalized. Repair and maintenance costs are charged to expense. When the Agency retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Capital assets are generally defined by the Agency as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of power generated by the Project.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Prepayments. The Agency pays for property insurance, leases and permits annually. These prepayments are recognized as expenses in the month the actual costs are incurred.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which require that the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and credits normally reflected in the Change in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, SMUD through the PPA. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight line method over the remaining life of the associated bonds and recorded in Regulatory Amounts Collected in Rates in the Statements of Revenues, Expenses and Changes in Net Position. In September 2019, the Agency defeased all outstanding bonds and the related regulatory asset was written off.

Gains and Losses on Bond Refundings. Gains and losses resulting from bond refundings are included in Deferred Outflows and Deferred Inflows of Resources and amortized as a part of Interest on Debt, over the shorter of the life of the refunded debt or the new debt using the effective interest method, in the Statements of Revenues, Expenses and Changes in Net Position. In September 2019, the Agency defeased all outstanding bonds and the related loss on bond refunding was written off.

Payable to Member. The Agency records as a Payable to Member the amounts due to SMUD for general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

Net Position. The Agency classifies its Net Position into two components as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation. Deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets are also included.
- Unrestricted - This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "Net investment in capital assets" or "Restricted."

Power Sales to Member. Power sales to Member are recorded as revenues when the electricity is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets and are recorded when incurred.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Member Contributions. Amounts contributed by SMUD are recorded as Member Contributions. In September 2019, SMUD contributed $7.9 million to the Agency to be used for the defeasance of the remaining 2009 Series Bonds, maturing July 2021.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 19, 2021, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In June 2018, GASB issued SGAS No. 89, ***"Accounting for Interest Cost Incurred before the End of a Construction Period"*** (GASB No. 89). The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. This statement is effective for the Agency in 2021. The Agency has assessed the financial statement impact of adopting the new statement, and since the Agency has no borrowings for construction, this statement has no impact on the Agency.

In January 2020, GASB issued SGAS No. 92, ***"Omnibus 2020"*** (GASB No. 92). This Statement addresses a variety of topics and includes specific provisions to clarify issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This statement is effective for the Agency in 2020 or 2022 depending on the topic. The Agency has assessed the provisions of this Statement and no topics in this statement apply to the Agency.

In May 2020, GASB issued SGAS No. 95, ***"Postponement of the Effective Dates of Certain Authoritative Guidance"*** (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, ***"Leases"*** (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2020, GASB issued SGAS No. 94, ***"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*** (GASB No. 94). The primary objective of this Statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. ELECTRIC UTILITY PLANT

The Agency had the following electric utility plant activity during 2020:

	Balance January 1, 2020	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2020
Nondepreciable electric utility plant:				
Land	$ 772,000	$ -0-	$ -0-	$ 772,000
Construction work in progress	-0-	54,348	-0-	54,348
Total nondepreciable electric utility plant	772,000	54,348	-0-	826,348
Depreciable utility plant:				
Generation	196,805,692	-0-	-0-	196,805,692
Less: accumulated depreciation	(141,268,347)	(7,861,441)	-0-	(149,129,788)
Total electric utility plant - net	$ 56,309,345	$ (7,807,093)	$ -0-	$ 48,502,252

The Agency had the following electric utility plant activity during 2019:

	Balance January 1, 2019	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2019
Nondepreciable electric utility plant:				
Land	$ 772,000	$ -0-	$ -0-	$ 772,000
Construction work in progress	-0-	-0-	-0-	-0-
Total nondepreciable electric utility plant	772,000	-0-	-0-	772,000
Depreciable utility plant:				
Generation	196,805,692	-0-	-0-	196,805,692
Less: accumulated depreciation	(133,406,905)	(7,861,442)	-0-	(141,268,347)
Total electric utility plant - net	$ 64,170,787	$ (7,861,442)	$ -0-	$ 56,309,345

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes, LAIF; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk.

At December 31, 2020 and 2019, $2.3 million and $0.9 million of the Agency's bank balances were uninsured, respectively. The bank balance is also, per a depository pledge agreement between the Agency and the Agency's bank, collateralized at 134 percent and 131 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2020 and 2019, respectively. The Agency had no money market funds at December 31, 2020 and December 31, 2019.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency had no investments subject to this risk at December 31, 2020 and 2019.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2020 and 2019.

The following schedules present credit risk by type of security held at December 31, 2020 and 2019. The credit ratings listed are from Standard & Poor's. N/A is defined as not applicable to the rating disclosure requirements.

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:			
Deposits	N/A	$ 2,527,962	$ 1,120,399
LAIF	Not Rated	18,124,983	14,882,856
Total cash and cash equivalents		$ 20,652,945	$ 16,003,255

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:		
Unrestricted funds	$ 20,652,945	$ 16,003,255
Total cash and cash equivalents	$ 20,652,945	$ 16,003,255

NOTE 5. LONG-TERM DEBT

The Agency issued $57.5 million of 2009 Cogeneration project revenue bonds (Bonds) in August 2009 with interest rates ranging from 4.0 percent to 5.25 percent, maturing July 2021 which were defeased in 2019. The Agency did not have outstanding bonds at December 31, 2020.

The following summarizes activity in long-term debt for the year ended December 31, 2019:

	January 1, 2019	Defeasance, Payments or Amortizations	December 31, 2019
Cogeneration project revenue bonds	$ 18,965,000	$ (18,965,000)	$ -0-
Unamortized premium/ (discounts) - net	314,749	(314,749)	-0-
Total long-term debt	$ 19,279,749	$ (19,279,749)	$ -0-

2019 Bond Defeasance. In September 2019, the Agency defeased $12.9 million of 2009 Series Bonds maturing July 2020 and July 2021, along with the accrued interest using SMUD's contribution of $7.9 million and the Agency's available funds. The corresponding amount was placed in an irrevocable trust which has a remaining balance of $6.9 million and $13.7 million as of December 31, 2020 and 2019, respectively. The defeasance resulted in an accounting loss of $0.6 million which is included in Interest on Debt in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 6. INSURANCE PROGRAMS

The Agency purchases commercial, property and casualty insurance coverage at levels consistent with coverages on similar facilities. The policies' deductible dollar amounts vary depending on the type of coverage. Excess liability coverage for most claims against the Agency is $140.0 million and property is covered under an all-risk policy to replacement value. Generally, the maximum risk that the Agency would be exposed to is limited to $0.3 million for most casualty claims and $2.5 million for property claims. No claims have exceeded the limits of property or liability insurance in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 7. FAIR VALUE MEASUREMENTS

SGAS No. 72, ***"Fair Value Measurement and Application"*** (GASB No. 72), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Agency utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect the Agency's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are disclosed below. All of the Agency's investments are valued using Level 2 inputs.

- LAIF - uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted and/or observable market prices.

The following table identifies the level within the fair value hierarchy that the Agency's financial assets are accounted for on a recurring basis as of December 31, 2020 and 2019, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures (Level 2)

	December 31,	
	2020	2019
Investments reported as Cash and Cash Equivalents:		
LAIF	$ 18,124,983	$ 14,882,856
Total fair value investments	$ 18,124,983	$ 14,882,856

NOTE 8. COMMITMENTS

Natural Gas Interconnection and Supply Agreement. Pursuant to the Natural Gas Interconnection and Supply Agreement, SMUD supplies all of the natural gas required by the Project and the auxiliary boiler. The Agency pays for the actual supply, storage and transportation costs of the fuel supplied to the Project as specified in this agreement through March 2027.

Operations and Maintenance Agreement. Ethos serves as the Project Operator and is responsible for the primary operation, repair, overhaul and maintenance services of the Project. The Agency pays for such services according to the terms of this agreement and provides, at no cost to Ethos, fuel, water, and power not already provided for in other agreements. At December 31, 2020, the minimum annual commitment to Ethos under this agreement was approximately $2.5 million.

NOTE 9. CONTINGENCIES

General Contingencies. In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

4d

SSS No.	**COMMISSION AGENDA ITEM**	Committee Meeting & Date
Chron # ACC 21-007	**Sacramento Municipal Utility District Financing Authority**	N/A
	STAFFING SUMMARY SHEET	Commission Meeting Date
		April 15, 2021

TO		TO	
1.	Jennifer Davidson	6.	
2.	Frankie McDermott	7.	
3.		8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	04/02/21

NARRATIVE:

Requested Action: Present 2020 financial results for Sacramento Municipal Utility District Financing Authority (SFA).

Summary: Staff will present the Commission with SFA's financial results for the year 2020.

Board Policy: *(Number & Title)* Governance Process GP-3

Benefits: Provides Commissioners with information regarding SFA's financial condition.

Cost/Budgeted: There is no budgetary impact for this informational presentation.

Alternatives: N/A

Affected Parties: Commission, Accounting, Public

Coordination: Executive Office, Board Office, Accounting, and Legal Department

Presenter: Lisa Limcaco, Controller and Director of Accounting

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
2020 Annual Financial Performance	**4d**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Sacramento Municipal Utility District Financing Authority

Financial Statements

as of and for the years ended
December 31, 2020 and 2019

and

Including
Independent Auditors' Report

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
TABLE OF CONTENTS
As of and for the Years Ended December 31, 2020 and 2019

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
As of and For the Years Ended December 31, 2020 and 2019

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District Financing Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District (collectively, Members). The Agency owns and operates the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in 2006, is comprised of a 602 megawatt (MW) natural gas-fired combined cycle generation plant.

SMUD purchases all of the electricity produced by the Project pursuant to the Power Purchase Agreement (PPA) between SMUD and the Agency. The Agency has no employees and is obligated to reimburse SMUD for the actual costs of providing general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

Financial & Operational Highlights

In 2020, the Agency's plant operator, Ethos Energy Power Plant Services, LLC, continued to perform quarterly off line gas turbine water washes and inspections as part of standard maintenance protocols. These outages and inspections have been an integral part of the Agency's successful performance, which for 2020 included an Institute of Electrical and Electronics Engineers (IEEE) Availability rating of 89.84 percent, an IEEE Reliability rating of 99.8 percent and an overall capacity factor of 69.3 percent.

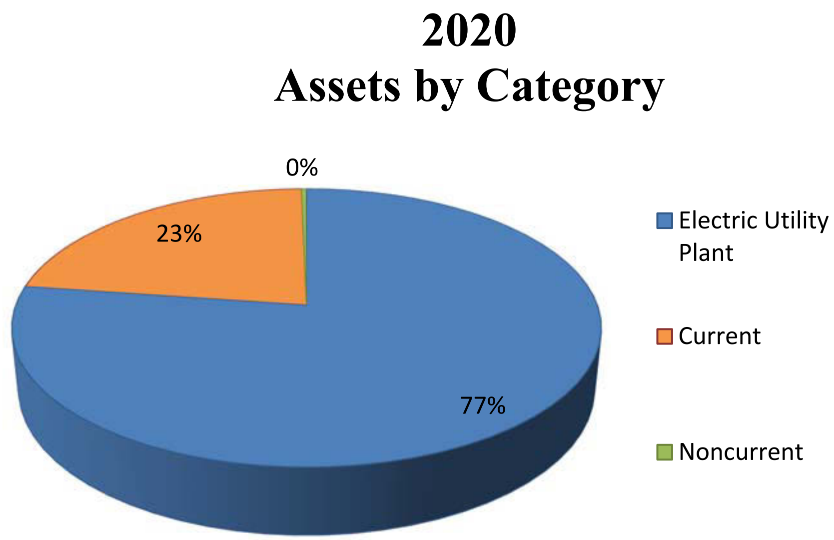
The plant completed the Zero Liquid Discharge (ZLD) Evaporator Replacement Project. The ZLD evaporator / brine loop section was exhibiting significant cracks. The material used in 2006 was not the recommended stainless material now being recommended by the original equipment manufacturer. The existing stainless steel was replaced with an AL-6XN weldable stainless steel to provide better resistance to chloride stress-corrosion cracking.

FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Assets							
Electric utility plant - net	$ 207,058	$ 220,676	$ 230,315	$ (13,618)	-6.2%	$ (9,639)	-4.2%
Current assets	60,107	54,906	74,372	5,201	9.5%	(19,466)	-26.2%
Noncurrent assets	892	998	1,103	(106)	-10.6%	(105)	-9.5%
Total assets	268,057	276,580	305,790	(8,523)	-3.1%	(29,210)	-9.6%
Deferred outflows of resources	1,829	2,195	2,593	(366)	-16.7%	(398)	-15.3%
Total assets and deferred outflows of resources	$ 269,886	$ 278,775	$ 308,383	$ (8,889)	-3.2%	$ (29,608)	-9.6%
Liabilities							
Long-term debt - net	$ 113,152	$ 126,571	$ 138,049	$ (13,419)	-10.6%	$ (11,478)	-8.3%
Current liabilities	36,819	33,257	84,439	3,562	10.7%	(51,182)	-60.6%
Total liabilities	149,971	159,828	222,488	(9,857)	-6.2%	(62,660)	-28.2%
Net position							
Net investment in capital assets	84,835	87,590	83,154	(2,755)	-3.1%	4,436	5.3%
Restricted	5,450	4,355	5,852	1,095	25.1%	(1,497)	-25.6%
Unrestricted	29,630	27,002	(3,111)	2,628	9.7%	30,113	968.0%
Total net position	119,915	118,947	85,895	968	0.8%	33,052	38.5%
Total liabilities and net position	$ 269,886	$ 278,775	$ 308,383	$ (8,889)	-3.2%	$ (29,608)	-9.6%

The following chart shows the breakdown of the Agency's assets by category:



2020 Compared to 2019

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

- The Agency's main asset is its investment in the Project, which comprises $207.1 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2020. The Electric Utility Plant - net decreased primarily due to $15.5 million depreciation expense for the year, offset $1.9 million of additions. The additions included the ZLD Upgrade and Candle Filter Upgrade. Electric Utility Plant assets make up about 77 percent of the Agency's assets.

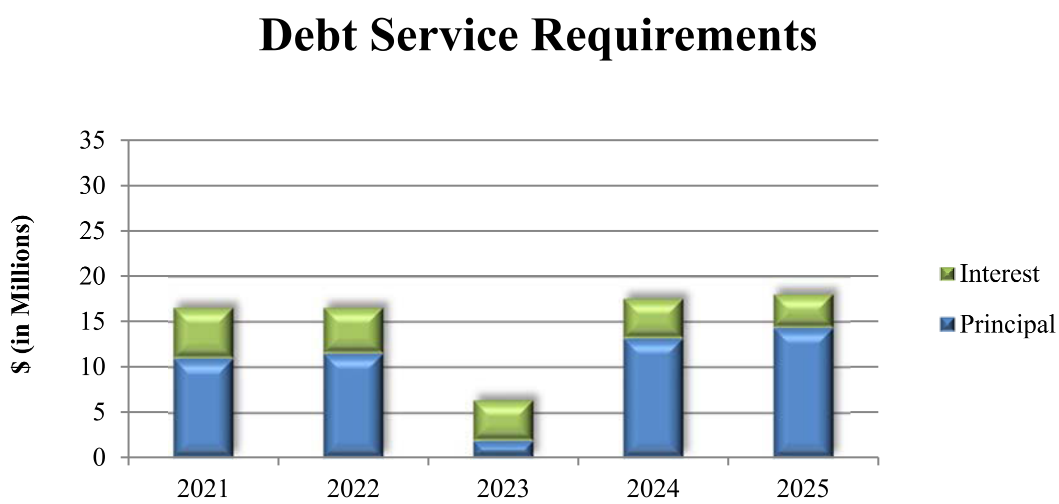
- Current Assets increased primarily due to higher Unrestricted cash as part of normal operations, Restricted cash for debt service, Receivables from SMUD for the fuel portion of the PPA billings in November and December 2020, and Prepayments due to a milestone payment for the purchase of the spare gas turbine rotor.

- Deferred Outflows of Resources decreased due to amortization of the loss on bond refunding.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased primarily due to $13.4 million of scheduled principal payments for 2020. At December 31, 2020, the Agency had bonds outstanding of $112.1 million with maturities through 2030. The Agency's Bonds are rated "AA" by Standard and Poor's and Fitch.

The following chart summarizes the debt service requirements of the Agency for the next five years:



- Current Liabilities increased due to higher fuel payables to SMUD in November and December 2020 and current portion of the long-term debt.

2019 Compared to 2018

<u>ASSETS & DEFERRED OUTFLOWS OF RESOURCES</u>

- The Agency's main asset is its investment in the Project, which comprises $220.7 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2019. The Electric Utility Plant - net decreased primarily due to $13.5 million depreciation expense for the year, offset by $3.9 million of additions. The additions included the Combustion Turbine Generator 2 and Spare Advanced Gas Path, ZLD Upgrade, Flex Software Upgrade, and Valve Access Platform.

- Current Assets decreased primarily due to lower Receivable from SMUD for the advance portion of the PPA billings in November and December 2018, Restricted cash for debt service, and Unrestricted cash as part of normal operations, partially offset by higher Materials and supplies for the purchase of the spare gas turbine rotor.

- Deferred Outflows of Resources decreased due to amortization of the loss on bond refunding.

<u>LIABILITIES & NET POSITION</u>

- Long-Term Debt - net decreased primarily due to $11.7 million of the scheduled principal payments for 2019. At December 31, 2019, the Agency had bonds outstanding of $120.8 million with maturities through 2030.

- Current Liabilities decreased due to the 2018 advance from SMUD to cover payments for the AGP project, lower accounts payable for the AGP project, and current portion of the long-term debt.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating revenues	$ 141,874	$ 157,200	$ 154,235	$ (15,326)	-9.7%	$ 2,965	1.9%
Operating expenses	(137,415)	(120,562)	(131,133)	(16,853)	-14.0%	10,571	8.1%
Operating income	4,459	36,638	23,102	(32,179)	-87.8%	13,536	58.6%
Interest income	179	368	302	(189)	-51.4%	66	21.9%
Interest on debt	(3,669)	(3,962)	(4,269)	293	7.4%	307	-7.2%
Other income (expense)	(1)	8	(12,730)	(9)	112.5%	12,738	100.1%
Change in net position	968	33,052	6,405	(32,084)	-97.1%	26,647	416.0%
Net position - beginning of year	118,947	85,895	79,490	33,052	38.5%	6,405	8.1%
Net position - end of year	$ 119,915	$ 118,947	$ 85,895	$ 968	0.8%	$ 33,052	38.5%

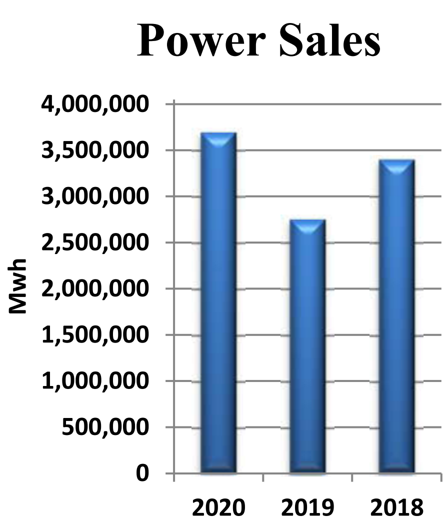
2020 Compared to 2019

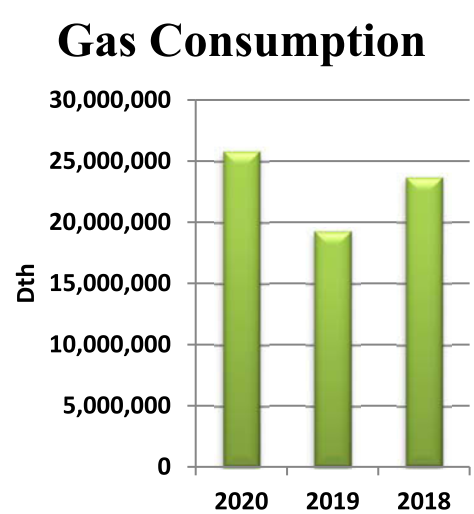
OPERATING REVENUES

Operating Revenues decreased primarily due to lower Power sales to Member in 2020. The Agency's power sales are determined monthly, based on a formula defined in the PPA, which is driven by the Agency's actual cost of operations including debt service. In 2020, less revenue was needed due to lower capital, overhaul, financial payment, and other costs, partially offset by higher fuel and operator costs.

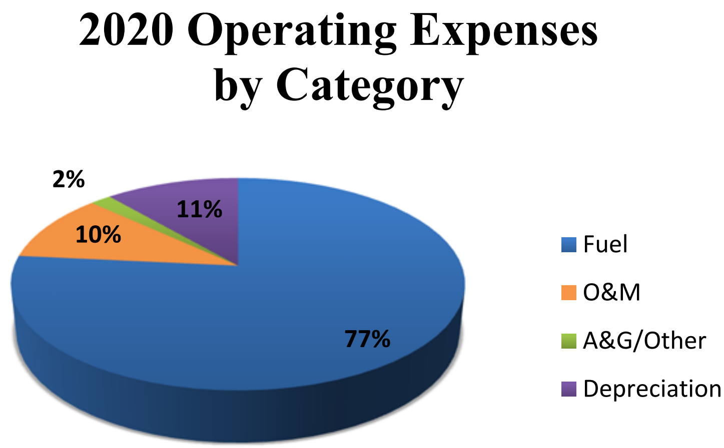
In 2020, the Agency saw an increase in power sales and gas consumption as a result of the Member's entrance into the California Independent System Operator's Energy Imbalance Market (EIM) in April 2019. The EIM provides other California and western United States utilities access to a larger more cost effective energy market. The Agency's plant is the most efficient in California requiring the plant to run more to provide energy for the market. In 2019 the decrease in power sales and gas consumption are due to an extended maintenance outage.

The following charts show power sales and gas consumption in 2020, 2019, and 2018:





OPERATING EXPENSES



The following table summarizes Operating Expenses for the years ended December 31 (dollars in thousands):

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating Expenses							
Fuel	$ 105,187	$ 86,902	$ 93,008	$ 18,285	21.0%	$ (6,106)	-6.6%
Operations and Maintenance	14,303	17,888	20,548	(3,585)	-20.0%	(2,660)	-12.9%
Administrative & general and Other	2,451	2,242	2,088	209	9.3%	154	7.4%
Depreciation	15,474	13,530	15,489	1,944	14.4%	(1,959)	-12.6%
Total operating expenses	$ 137,415	$ 120,562	$ 131,133	$ 16,853	14.0%	$ (10,571)	-8.1%

- Fuel expense increased due to higher fuel volume of $29.3 million, offset by lower fuel prices of $11.0 million.
- Operations and Maintenance expense decreased primarily due to the lower steam turbine overhaul costs, partially offset by higher operator fees.
- Depreciation expense increased due to unitization of CTG assets.

2019 Compared to 2018

RESULTS OF OPERATIONS

- Operating Revenues increased primarily due to higher Power sales to Member in 2019 due to higher capital and other costs, partially offset by lower fuel, overhaul costs, and financial payment.
- Fuel expense decreased due to lower fuel volume of $17.3 million, partially offset by higher fuel cost of $11.2 million.
- Operations and Maintenance expense decreased primarily due to the lower steam turbine overhaul costs, partially offset by higher operator fees.
- Depreciation expense decreased due to the retirement of CTG assets.
- Other expenses decreased due to the retirement of CTG assets in 2018.

Requests for Information

For more information about the Sacramento Municipal Utility District Financing Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2020	December 31, 2019
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 390,507,984	$ 388,181,575
Less accumulated depreciation	(183,449,762)	(169,723,822)
Plant in service - net	207,058,222	218,457,753
Construction work in progress	-0-	2,218,147
Total electric utility plant - net	207,058,222	220,675,900
RESTRICTED ASSETS		
Debt service funds	8,252,135	7,374,875
Less current portion	(8,252,135)	(7,374,875)
Total restricted assets	-0-	-0-
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted cash and cash equivalents	15,613,637	13,274,986
Restricted cash and cash equivalents	8,252,135	7,374,875
Receivables:		
Power sales to Member	26,526,800	25,577,192
Accrued interest and other	20,115	66,811
Materials and supplies	7,344,348	7,235,618
Prepayments	2,245,313	1,272,444
Regulatory costs recovered within one year	104,416	104,416
Total current assets	60,106,764	54,906,342
NONCURRENT ASSETS		
Regulatory costs for future recovery	887,534	991,950
Other	4,571	5,626
Total noncurrent assets	892,105	997,576
TOTAL ASSETS	268,057,091	276,579,818
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized bond losses	1,829,027	2,195,364
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,829,027	2,195,364
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 269,886,118	$ 278,775,182

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31,	
	2020	2019
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 113,152,421	$ 126,571,174
CURRENT LIABILITIES		
Accounts payable	2,651,395	2,422,389
Payable due to Member	20,465,473	19,104,190
Long-term debt due within one year	10,900,000	8,710,000
Accrued interest	2,802,125	3,019,875
Total current liabilities	36,818,993	33,256,454
TOTAL LIABILITIES	149,971,414	159,827,628
NET POSITION		
Net investment in capital assets	84,834,828	87,590,090
Restricted	5,450,010	4,355,000
Unrestricted	29,629,866	27,002,464
TOTAL NET POSITION	119,914,704	118,947,554
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)		
TOTAL LIABILITIES AND NET POSITION	$ 269,886,118	$ 278,775,182

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2020	Years Ended December 31, 2019
OPERATING REVENUES		
Power sales to Member	$ 141,874,444	$ 157,200,782
Total operating revenues	141,874,444	157,200,782
OPERATING EXPENSES		
Fuel	105,187,258	86,901,965
Operations	12,172,685	11,940,605
Maintenance	2,129,611	5,947,916
Administrative and general	2,347,251	2,137,594
Depreciation	15,474,370	13,529,809
Regulatory amounts collected in rates	104,416	104,416
Total operating expenses	137,415,591	120,562,305
OPERATING INCOME	4,458,853	36,638,477
NON-OPERATING REVENUES (EXPENSES)		
Interest income	179,451	368,258
Interest on debt	(3,669,584)	(3,961,890)
Other revenues (expenses) - net	(1,570)	7,622
Total non-operating revenues (expenses)	(3,491,703)	(3,586,010)
CHANGE IN NET POSITION	967,150	33,052,467
NET POSITION - BEGINNING OF YEAR	118,947,554	85,895,087
NET POSITION - END OF YEAR	$ 119,914,704	$ 118,947,554

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	Years Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from power sales to Member	$ 140,924,836	$ 155,282,407
Payments to Member	(106,744,121)	(89,942,489)
Payments to vendors	(14,507,939)	(22,653,605)
Net cash provided by operating activities	19,672,776	42,686,313
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(1,933,262)	(28,132,469)
Repayment of long-term debt	(8,710,000)	(11,705,000)
Interest payments on long-term debt	(6,039,750)	(6,625,000)
Net cash used in capital and related financing activities	(16,683,012)	(46,462,469)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	226,147	389,184
Net cash provided by investing activities	226,147	389,184
Net increase (decrease) in cash and cash equivalents	3,215,911	(3,386,972)
Cash and cash equivalents - beginning of the year	20,649,861	24,036,833
Cash and cash equivalents - end of the year	$ 23,865,772	$ 20,649,861
CASH AND CASH EQUIVALENTS INCLUDED IN:		
Unrestricted cash and cash equivalents	$ 15,613,637	$ 13,274,986
Restricted cash and cash equivalents	8,252,135	7,374,875
Cash and cash equivalents - end of the year	$ 23,865,772	$ 20,649,861

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 4,458,853	$ 36,638,477
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,474,370	13,529,809
Regulatory amortization	104,416	104,416
Changes in operating assets and liabilities:		
Receivables	(949,608)	(1,918,375)
Other assets	(1,080,544)	(4,649,869)
Payables and accruals	1,665,289	(1,018,145)
Net cash provided by operating activities	$ 19,672,776	$ 42,686,313
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Net amortization of debt related (expenses) and premiums	$ 2,152,416	$ 2,370,485
Gain (loss) on asset retirements	(1,570)	7,622

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1. ORGANIZATION AND OPERATIONS

The Sacramento Municipal Utility District Financing Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District (MID) pursuant to the California Government Code (collectively, Members). The purpose of the Agency is to own and operate the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in February 2006, is comprised of a 602 megawatt natural gas-fired combined cycle generation plant. The Project is situated on approximately 38 acres adjacent to SMUD's decommissioned nuclear power plant. The land is owned by SMUD and leased to the Agency.

The Agency has no employees. The Project is operated by Ethos Energy Power Plant Services, LLC (Ethos) under the terms of the Operations and Maintenance Agreement.

Pursuant to the Power Purchase Agreement (PPA) with SMUD, SMUD purchases, on a "take-or-pay" basis, all capacity, energy and environmental attributes of the Project. The Agency is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf. The Agency was charged $107.9 million in 2020 and $89.3 million in 2019 for general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

SMUD is entitled to all rights and property of the Project in the event of termination of the JPA agreement. MID has no obligation to make contributions or advances to the Agency. The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD is required to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture of Trust (Indenture), dated June 1, 2015. Neither MID nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Project agreements.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit of SMUD's financial reporting entity because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric revenues and costs that are directly related to generation of electricity and steam are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, revenues and expenses. Actual results could differ from those estimates.

Plant in Service. The Agency generally computes depreciation on Electric Utility Plant on a straight-line basis using five years for software and the remaining life of the JPA for all other capital assets. The costs of replacement units are capitalized. Major overhaul parts are depreciated over their estimated useful lives, ranging from 4 to 24 years. Repair and maintenance costs are charged to expense. When the Agency retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Capital assets are generally defined by the Agency as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years.

Restricted Assets. The Agency's restricted assets are comprised of cash, which is limited for specific purposes pursuant to the Indenture requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of power generated by the Project.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Prepayments. The Agency's prepayments consist of an advance payment for inventory, property insurance, leases and permits. The Agency pays for property insurance, leases and permits annually in advance. These prepayments are recognized as expenses in the month the actual costs are incurred.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which require that the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and credits normally reflected in the Change in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, SMUD through the PPA. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight-line method over the remaining life of the associated bonds and recorded in Regulatory Amounts Collected in Rates in the Statements of Revenues, Expenses and Changes in Net Position.

Gains and Losses on Bond Refundings. Gains and losses resulting from bond refundings are included in Deferred Outflows and Deferred Inflows of Resources and amortized as a part of Interest on Debt, over the shorter of the life of the refunded debt or the new debt using the effective interest method, in the Statements of Revenues, Expenses and Changes in Net Position.

Payable to Member. The Agency records as a Payable to Member the amounts due to SMUD for general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

Net Position. The Agency classifies its Net Position into three components as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included.
- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital, above), grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets, deferred outflows of resources and liabilities that do not meet the definition of "Net investment in capital assets" or "Restricted."

Power Sales to Member. Power sales to Member are recorded as revenues when the electricity is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets and are recorded when incurred.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 19, 2021, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In June 2018, GASB issued SGAS No. 89, ***"Accounting for Interest Cost Incurred before the End of a Construction Period"*** (GASB No. 89). The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. This statement is effective for the Agency in 2021. The Agency has assessed the financial statement impact of adopting the new statement, and since the Agency has no borrowings for construction, this statement has no impact on the Agency.

In January 2020, GASB issued SGAS No. 92, ***"Omnibus 2020"*** (GASB No. 92). This Statement addresses a variety of topics and includes specific provisions to clarify issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This statement is effective for the Agency in 2020 or 2022 depending on the topic. The Agency has assessed the provisions of this Statement and no topics in this statement apply to the Agency.

In May 2020, GASB issued SGAS No. 95, ***"Postponement of the Effective Dates of Certain Authoritative Guidance"*** (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases* and GASB No. 93, *Replacement of Interbank Offered Rates*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, ***"Leases"*** (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2020, GASB issued SGAS No. 93, ***"Replacement of Interbank Offered Rates"*** (GASB No. 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, GASB No. 93 identifies the Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement but does not expect it to be material.

In March 2020, GASB issued SGAS No. 94, ***"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*** (GASB No. 94). The primary objective of this Statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. ELECTRIC UTILITY PLANT

The Agency had the following electric utility plant activity during 2020:

	Balance January 1, 2020	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2020
Nondepreciable electric utility plant:				
Construction work in progress	$ 2,218,147	$ 1,858,262	$ (4,076,409)	$ -0-
Total nondepreciable electric utility plant	2,218,147	1,858,262	(4,076,409)	-0-
Depreciable electric utility plant:				
Generation	388,181,575	4,076,409	(1,750,000)	390,507,984
Less: accumulated depreciation	(169,723,822)	(15,474,370)	1,748,430	(183,449,762)
Total electric utility plant - net	$ 220,675,900	$ (9,539,699)	$ (4,077,979)	$ 207,058,222

The Agency had the following electric utility plant activity during 2019:

	Balance January 1, 2019	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2019
Nondepreciable electric utility plant:				
Construction work in progress	$ 30,648,861	$ 3,883,155	$ (32,313,869)	$ 2,218,147
Total nondepreciable electric utility plant	30,648,861	3,883,155	(32,313,869)	2,218,147
Depreciable electric utility plant:				
Generation	355,888,891	32,313,869	(21,185)	388,181,575
Less: accumulated depreciation	(156,222,818)	(13,529,809)	28,805	(169,723,822)
Total electric utility plant - net	$ 230,314,934	$ 22,667,215	$ (32,306,249)	$ 220,675,900

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow the Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned, or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk.

At December 31, 2020 and 2019, $2.1 million and $0.5 million of the Agency's cash balances were uninsured, respectively. The bank balance is also, per a depository pledge agreement between the Agency and the Agency's bank, collateralized at 134 percent and 131 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Agency had money market funds of $8.3 million and $7.4 million which were uninsured, respectively. The Agency's money market funds are held in trust for the benefit of the Agency.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency had no investments subject to this risk at December 31, 2020 and 2019.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2020 and 2019.

The following schedules present credit risk by type of security held at December 31, 2020 and 2019. The credit ratings listed are from Standard & Poor's. N/A is defined as not applicable to the rating disclosure requirements.

The Agency's cash and cash equivalents consist of the following:

	Credit	December 31,	
	Rating	2020	2019
Cash and Cash Equivalents:			
Deposits	N/A	$ 2,381,815	$ 739,723
LAIF	Not Rated	13,231,822	12,535,263
Money market funds	AAAm	8,252,135	7,374,875
Total cash and cash equivalents		$ 23,865,772	$ 20,649,861

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31,	
	2020	2019
Cash and Cash Equivalents:		
Debt service funds	$ 8,252,135	$ 7,374,875
Unrestricted funds	15,613,637	13,274,986
Total cash and cash equivalents	$ 23,865,772	$ 20,649,861

NOTE 5. LONG-TERM DEBT

The Agency issued $193.3 million of 2015 project revenue bonds in June 2015 with interest rates ranging from 2.0 percent to 5.0 percent, maturing July 2030.

The Agency's long-term debt is presented below:

	December 31, 2020	December 31, 2019
2015 Cosumnes project revenue refunding bonds, fixed rates 5.00%, 2021-2030	$ 112,085,000	$ 120,795,000
Unamortized premium - net	11,967,421	14,486,174
Total long-term debt	124,052,421	135,281,174
Less: amounts due within one year	(10,900,000)	(8,710,000)
Total long-term debt - net	$ 113,152,421	$ 126,571,174

The following summarizes activity in long-term debt for the year ended December 31, 2020:

	January 1, 2020	Additions	Refunding, Payments or Amortization	December 31, 2020
Cosumnes project revenue bonds	$ 120,795,000	$ -0-	$ (8,710,000)	$ 112,085,000
Unamortized premiums - net	14,486,174	-0-	(2,518,753)	11,967,421
Total long-term debt	$ 135,281,174	$ -0-	$ (11,228,753)	$ 124,052,421

The following summarizes activity in long-term debt for the year ended December 31, 2019:

	January 1, 2019	Additions	Refunding, Payments or Amortization	December 31, 2019
Cosumnes project revenue bonds	$ 132,500,000	$ -0-	$ (11,705,000)	$ 120,795,000
Unamortized premiums - net	17,254,455	-0-	(2,768,281)	14,486,174
Total long-term debt	$ 149,754,455	$ -0-	$ (14,473,281)	$ 135,281,174

The annual debt service requirements to maturity for Bonds are as follows at December 31, 2020:

Year	Principal	Interest	Total
2021	$ 10,900,000	$ 5,604,250	$ 16,504,250
2022	11,450,000	5,059,250	16,509,250
2023	1,845,000	4,486,750	6,331,750
2024	13,115,000	4,394,500	17,509,500
2025	14,270,000	3,738,750	18,008,750
2026-2030(combined)	60,505,000	8,386,000	68,891,000
Total	$ 112,085,000	$ 31,669,500	$ 143,754,500

Proceeds from the 2015 Series Bonds were used to refund previously issued 2006 Bonds that provided financing for the Project. The 2015 Series Bonds, payable through 2030, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes revenues from the PPA and investment income from funds established under the Indenture.

The Agency has pledged future net revenues to repay $112.1 million for 2015 Series Bonds at December 31, 2020 and $120.8 million at December 31, 2019. Annual principal and interest payments on the 2015 Series Bonds required approximately 10.4 percent and 11.7 percent of the Agency's net revenues for 2020 and 2019, respectively. The total principal and interest remaining to be paid on the 2015 Series Bonds is $143.8 million and $158.5 million at December 31, 2020 and 2019, respectively. Debt service payments are made semi-annually on January 1 and July 1. Principal and interest paid was $14.7 million and $18.3 million for 2020 and 2019, respectively. Total net revenues were $141.9 million and $157.4 million for 2020 and 2019, respectively.

The payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD guarantees to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture, under a "take-or-pay" contract. The Agency is not required to repay SMUD for any amounts paid under this guarantee.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 6. INSURANCE PROGRAMS

The Agency purchases commercial property and casualty insurance coverage at levels consistent with coverages on similar facilities. The policies' deductible dollar amounts vary depending on the type of coverage. Excess liability coverage for most claims against the Agency is $140.0 million and property is covered under an all-risk policy to replacement value. Generally, the maximum risk that the Agency would be exposed to is limited to $0.3 million for most casualty claims, and $2.5 million for property claims. No claims have exceeded the limits of property or liability insurance in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 7. FAIR VALUE MEASUREMENTS

SGAS No. 72, ***"Fair Value Measurement and Application"*** (GASB No. 72), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Agency utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect the Agency's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are disclosed below. All of the Agency's investments are valued using Level 2 inputs.

- LAIF - uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted and/or observable market prices.

The following table identifies the level within the fair value hierarchy that the Agency's financial assets and are accounted for on a recurring basis as of December 31, 2020 and 2019, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures (Level 2)

	December 31,	
	2020	2019
Investments reported as Cash and Cash Equivalents:		
LAIF	$ 13,231,822	$ 12,535,263
Total fair value investments	$ 13,231,822	$ 12,535,263

NOTE 8. COMMITMENTS

Natural Gas Interconnection and Supply Agreement. Pursuant to the Natural Gas Interconnection and Supply Agreement, SMUD supplies all of the natural gas requirements of the Project. The Agency pays for the actual supply, storage and transportation costs for the fuel supplied to the Project as specified in this agreement for 30 years following Acceptance, which means that the Natural Gas Interconnection and Supply Agreement will be in effect through September 2039.

Operation and Maintenance Agreement. Ethos serves as the Project Operator and is responsible for the primary operation, repair, overhaul and maintenance services of the Project. The Agency pays for such services according to the terms of this agreement and provides, at no cost to Ethos, fuel, water, and power not already provided for in other agreements. At December 31, 2020, the minimum annual commitment to Ethos under this agreement was approximately $4.0 million.

Ground Lease Agreement. The Agency leases land from SMUD under the Ground Lease Agreement expiring December 2040. The minimum lease payment increases by three percent annually and the rate is renegotiated based on the average Consumer Price Index every five years. At December 31, 2020, the Agency's annual minimum lease payment was approximately $0.2 million.

Water Supply Agreement. Pursuant to the Water Supply Agreement, SMUD supplies water to the Agency. The Agency is obligated to pay for the actual water supply, storage, and transportation costs for 30 years through September 2039.

NOTE 9. CONTINGENCIES

General Contingencies. In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

4e

SSS No. Chron # ACC 21-006	**COMMISSION AGENDA ITEM** **Sacramento Power Authority** **STAFFING SUMMARY SHEET**	Committee Meeting & Date N/A Commission Meeting Date April 15, 2021

TO		TO	
1.	Jennifer Davidson	6.	
2.	Frankie McDermott	7.	
3.		8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	04/02/21

NARRATIVE:

Requested Action: Present 2020 financial results for Sacramento Power Authority (SPA).

Summary: Staff will present the Commission with SPA's financial results for the year 2020.

Board Policy: *(Number & Title)* Governance Process GP-3

Benefits: Provides Commissioners with information regarding SPA's financial condition.

Cost/Budgeted: There is no budgetary impact for this informational presentation.

Alternatives: N/A

Affected Parties: Commission, Accounting, Public

Coordination: Executive Office, Board Office, Accounting, and Legal Department

Presenter: Lisa Limcaco, Controller and Director of Accounting

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
2020 Annual Financial Performance	**4e**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Sacramento Power Authority

Financial Statements

As of and for the years ended December 31, 2020 and 2019

including

Independent Auditors' Report

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Using this Financial Report

This annual financial report for Sacramento Power Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 1993. SFA is a JPA formed by SMUD and the Modesto Irrigation District (collectively, Members). The Agency was formed for the purpose of owning and operating the Campbell Soup Project (Project) and related facilities for electric power generation. The Project, which began commercial operation in 1997, is comprised of a 160 megawatt (MW) natural gas-fired combined cycle cogeneration plant. Campbell Soup closed its Sacramento plant in May 2013 and the Agency's Steam Sales Agreement with Campbell Soup ended in October 2013. The Agency also owns the McClellan Gas Turbine Power Plant (McClellan) which is a 72 MW natural gas-fired simple cycle combustion turbine and has been operating since 1986.

SMUD purchases all of the electricity produced by the Project and McClellan pursuant to the Purchase Power Agreements (PPA) between SMUD and the Agency. The Agency has no employees and is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

Financial & Operational Highlights

For the Water Reclamation project, a new horizontal fire pump was installed and fed by a repurposed tank to address concerns from the City of Sacramento Department of Utilities (Department of Utilities) about cross-contamination with the potable fire protection system. Recycled water was supplied in the summer of 2020, but then suspended shortly thereafter due to issues at Sacramento Regional County Sanitation District (SRCSD) (VOC content & PM10 (electrical conductance, TDS)) of the recycled water. The Agency continues working with the SRCSD and the Department of Utilities to address these concerns in an effort to accept recycled water for the Cooling Tower.

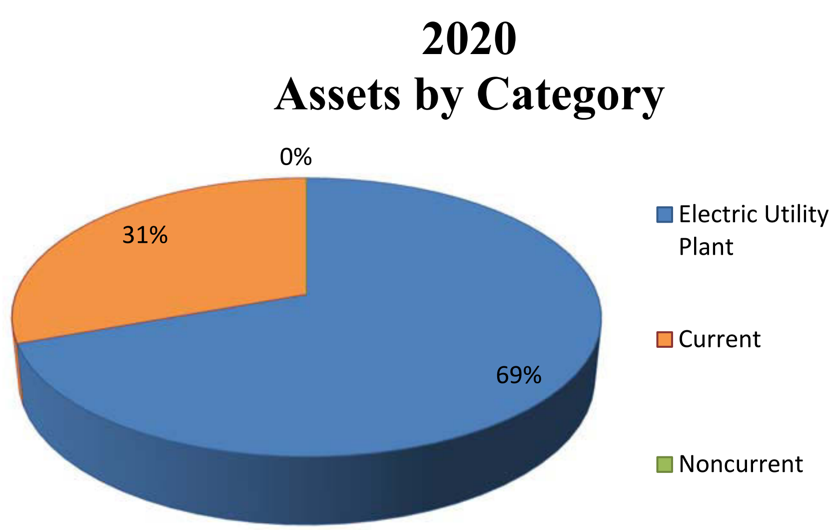
In 2020, the Agency completed the year with an Institute of Electrical and Electronics Engineers (IEEE) Availability rating of 96.23 percent, an IEEE Reliability rating of 99.92 percent and a unit capacity factor of 36.8 percent.

FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Assets							
Electric utility plant - net	$ 48,351	$ 55,074	$ 59,643	$ (6,723)	-12.2%	$ (4,569)	-7.7%
Current assets	21,285	20,487	20,356	798	3.9%	131	0.6%
Noncurrent assets	1	2	2	(1)	-50.0%	-0-	0.0%
Total assets	$ 69,637	$ 75,563	$ 80,001	$ (5,926)	-7.8%	$ (4,438)	-5.5%
Liabilities							
Current liabilities	$ 5,190	$ 5,502	$ 6,708	$ (312)	-5.7%	$ (1,206)	-18.0%
Total liabilities	5,190	5,502	6,708	(312)	-5.7%	(1,206)	-18.0%
Net position							
Net investment in capital assets	48,350	55,074	59,643	(6,724)	-12.2%	(4,569)	-7.7%
Unrestricted	16,097	14,987	13,650	1,110	7.4%	1,337	9.8%
Total net position	64,447	70,061	73,293	(5,614)	-8.0%	(3,232)	-4.4%
Total liabilities and net position	$ 69,637	$ 75,563	$ 80,001	$ (5,926)	-7.8%	$ (4,438)	-5.5%

The following chart shows the breakdown of the Agency's assets by category:



2020 Compared to 2019

ASSETS

- The Agency's main asset is its investment in the Project and McClellan, which comprises $48.3 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2020. The Electric Utility Plant decreased primarily due to $7.5 million depreciation expense for the year, partially offset by the $0.7 million addition of the Fire Pump Upgrade of 2020. Electric Utility Plant assets make up about 69 percent of the Agency's assets.

LIABILITIES & NET POSITION

- Current Liabilities decreased due to lower accounts payable for operator costs.

2019 Compared to 2018

ASSETS

- The Agency's main asset is its investment in the Project and McClellan, which comprises $55.1 million in Electric Utility Plant, net of Accumulated Depreciation at December 31, 2019. The Electric Utility Plant - net decreased primarily due to $7.2 million depreciation expense for the year, partially offset by $3.5 million addition of the Wet Compression Upgrade and Safety Showers Flow Meter.

LIABILITIES & NET POSITION

- Current Liabilities decreased due to lower accounts payable for operator costs.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating revenues	$ 26,818	$ 27,732	$ 36,421	$ (914)	-3.3%	$ (8,689)	-23.9%
Operating expenses	(32,545)	(31,106)	(39,549)	(1,439)	-4.6%	8,443	21.3%
Operating income	(5,727)	(3,374)	(3,128)	(2,353)	-69.7%	(246)	-7.9%
Interest income	113	142	109	(29)	-20.4%	33	30.3%
Change in net position	(5,614)	(3,232)	(3,019)	(2,382)	-73.7%	(213)	-7.1%
Net position - beginning of year	70,061	73,293	76,312	(3,232)	-4.4%	(3,019)	-4.0%
Net position - end of year	$ 64,447	$ 70,061	$ 73,293	$ (5,614)	-8.0%	$ (3,232)	-4.4%

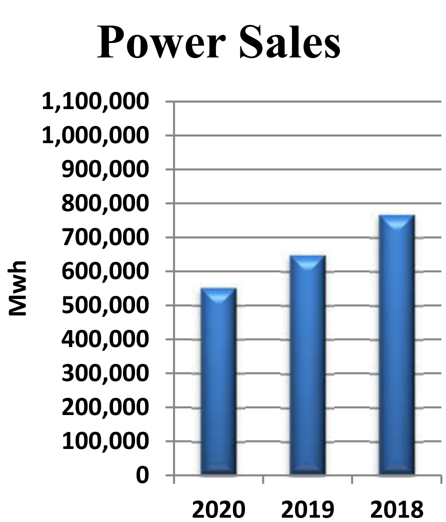
2020 Compared to 2019

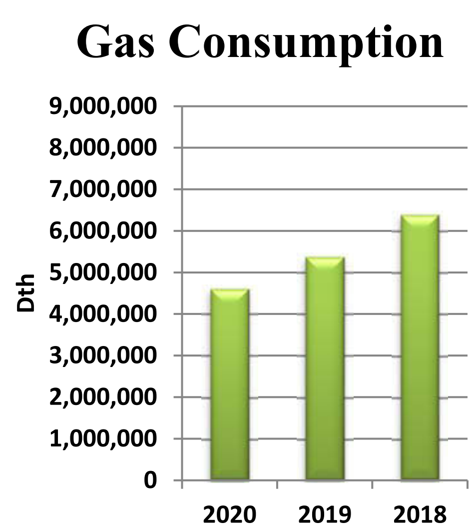
OPERATING REVENUES

Operating Revenues decreased primarily due to lower Power sales to Member. The Agency's power sales are determined monthly, based on a formula defined in the PPA, which is driven by the Agency's actual cost of operations. In 2020, less revenue was needed due to lower maintenance costs attributed to routine maintenance not requiring a major overhaul.

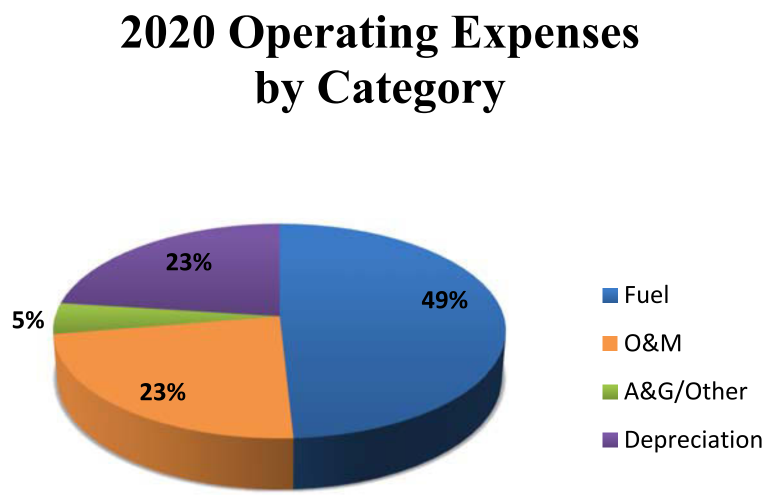
The Agency saw a decrease in power sales and gas consumption as a result of the Member's entrance into the California Independent System Operator's Energy Imbalance Market (EIM) in April 2019. The EIM provided the Member with access to a larger more cost effective energy market resulting in a reduction in run time in 2019 and 2020.

The following charts show power sales and gas consumption in 2020, 2019, and 2018:





OPERATING EXPENSES



The following table summarizes Operating Expenses for the years ended December 31 (dollars in thousands):

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating Expenses							
Fuel	$ 15,996	$ 13,817	$ 23,457	$ 2,179	15.8%	$ (9,640)	-41.1%
Operations and Maintenance	7,549	8,713	7,251	(1,164)	-13.4%	1,462	20.2%
Administrative & general and Other	1,528	1,356	1,283	172	12.7%	73	5.7%
Depreciation	7,472	7,220	7,558	252	3.5%	(338)	-4.5%
Total operating expenses	$ 32,545	$ 31,106	$ 39,549	$ 1,439	4.6%	$ (8,443)	-21.3%

- Fuel expense increased due to higher fuel costs of $4.2 million, partially offset by lower gas volume of $2.0 million.

- Operation and maintenance decreased due to lower maintenance costs.

2019 Compared to 2018

RESULTS OF OPERATIONS

- Fuel expense decreased due to lower fuel costs of $5.8 million and fuel volume of $3.8 million.

- Operation and maintenance increased due to the combustion turbine overhaul.

Requests for Information

For more information about the Sacramento Power Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

SACRAMENTO POWER AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2020	December 31, 2019
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 208,220,325	$ 208,220,325
Less accumulated depreciation	(160,618,243)	(153,145,978)
Plant in service - net	47,602,082	55,074,347
Construction work in progress	748,425	-0-
Total electric utility plant - net	48,350,507	55,074,347
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted cash and cash equivalents	10,904,665	9,585,780
Receivables:		
Power sales to Member	5,509,874	6,004,647
Accrued interest and other	14,370	39,279
Materials and supplies	4,658,757	4,691,349
Prepayments	197,736	166,354
Total current assets	21,285,402	20,487,409
NONCURRENT ASSETS		
Other	1,230	1,582
Total noncurrent assets	1,230	1,582
TOTAL ASSETS	$ 69,637,139	$ 75,563,338
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 1,423,366	$ 1,189,727
Payable due to Member	3,766,284	4,312,465
Total current liabilities	5,189,650	5,502,192
TOTAL LIABILITIES	5,189,650	5,502,192
NET POSITION		
Net investment in capital assets	48,350,507	55,074,347
Unrestricted	16,096,982	14,986,799
TOTAL NET POSITION	64,447,489	70,061,146
COMMITMENTS AND CONTINGENCIES (Notes 7 and 8)		
TOTAL LIABILITIES AND NET POSITION	$ 69,637,139	$ 75,563,338

The accompanying notes are an integral part of these financial statements.

SACRAMENTO POWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2020	Years Ended December 31, 2019
OPERATING REVENUES		
Power sales to Member	$ 26,817,535	$ 27,732,067
Total operating revenues	26,817,535	27,732,067
OPERATING EXPENSES		
Fuel	15,996,403	13,816,696
Operations	6,197,447	5,782,487
Maintenance	1,350,197	2,930,744
Administrative and general	1,528,394	1,355,844
Depreciation	7,472,265	7,220,011
Total operating expenses	32,544,706	31,105,782
OPERATING LOSS	(5,727,171)	(3,373,715)
NON-OPERATING REVENUES		
Interest income	113,514	141,963
Total non-operating revenues	113,514	141,963
CHANGE IN NET POSITION	(5,613,657)	(3,231,752)
NET POSITION - BEGINNING OF YEAR	70,061,146	73,292,898
NET POSITION - END OF YEAR	$ 64,447,489	$ 70,061,146

The accompanying notes are an integral part of these financial statements.

SACRAMENTO POWER AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	Years Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from power sales to Member	$ 27,312,308	$ 28,264,797
Payments to Member	(18,619,180)	(16,037,784)
Payments to vendors	(6,764,241)	(8,932,192)
Net cash provided by operating activities	1,928,887	3,294,821
CASH FLOWS FROM CAPITAL ACTIVITIES		
Construction expenditures	(748,425)	(2,774,139)
Net cash used in capital activities	(748,425)	(2,774,139)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	138,423	133,913
Net cash provided by investing activities	138,423	133,913
Net increase in cash and cash equivalents	1,318,885	654,595
Cash and cash equivalents - beginning of the year	9,585,780	8,931,185
Cash and cash equivalents - end of the year	$ 10,904,665	$ 9,585,780
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (5,727,171)	$ (3,373,715)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	7,472,265	7,220,011
Changes in operating assets and liabilities:		
Receivables	494,773	532,730
Other assets	1,562	(1,226)
Payables and accruals	(312,542)	(1,082,979)
Net cash provided by operating activities	$ 1,928,887	$ 3,294,821

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Sacramento Power Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA comprised of SMUD and the Modesto Irrigation District. The purpose of the Agency is to own and operate the Campbell Soup Project (Project) and the McClellan Gas Turbine Power Plant (McClellan) for electric power generation.

The Project, which began commercial operations in 1997, is a 160 megawatt (MW) natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. The Project is situated on approximately six acres of land which is owned by SMUD and leased to the Agency.

In May 2007, SMUD sold McClellan to the Agency, including the generating equipment and related assets. The McClellan gas turbine is a 72 MW simple cycle combustion turbine and has been operating since 1986. McClellan is located on the United States Air Force property at the former McClellan Air Force Base in Sacramento. The land is leased by SMUD and subleased to the Agency.

The Agency has no employees. The Project and McClellan are operated by Ethos Energy Power Plant Services, LLC (Ethos) under the terms of the Operations and Maintenance Agreement.

Pursuant to the Purchase Power Agreement (PPA) with SMUD, SMUD purchases, on a “take-or-pay” basis, all capacity, energy and environmental attributes of the Project and McClellan. The Agency is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, and other costs paid by SMUD on the Agency’s behalf. The Agency was charged $17.5 million in 2020 and $15.2 million in 2019 for general and administrative services, fuel costs, and other costs paid by SMUD on the Agency’s behalf.

SMUD is entitled to all rights and property of the Project and McClellan in the event of termination of the JPA agreement. SFA has no obligation to make contributions or advances to the Agency. The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Project and McClellan agreements.

The Agency’s Commission is comprised of SMUD’s Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit of SMUD’s financial reporting entity because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency’s accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric revenues and costs that are directly related to generation of electricity and steam are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Plant in Service. The Agency generally computes depreciation on Electric Utility Plant on a straight-line basis using five years for software and the remaining life of the JPA for all other capital assets. The costs of replacement units are capitalized. Major overhaul parts are depreciated over their estimated useful lives, ranging from 5 to 15 years. Repair and maintenance costs are charged to expense. When the Agency retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Capital assets are generally defined by the Agency as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of power generated by the Project.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Prepayments. The Agency pays for property insurance, leases and permits annually. These prepayments are recognized as expenses in the month the actual costs are incurred.

Payable to Member. The Agency records as a Payable to Member the amounts due to SMUD for general and administrative services, fuel costs, and other costs paid by SMUD on the Agency's behalf.

Net Position. The Agency classifies its Net Position into two components as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation. Deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets are also included.
- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "Net investment in capital assets" or "Restricted."

Power Sales to Member. Power sales to Member are recorded as revenues when the electricity is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets and are recorded when incurred.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 19, 2021 which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In January 2020, GASB issued SGAS No. 92, ***"Omnibus 2020"*** (GASB No. 92). This Statement addresses a variety of topics and includes specific provisions to clarify issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This statement is effective for the Agency in 2020 or 2022 depending on the topic. The Agency has assessed the provisions of this Statement and no topics in this statement apply to the Agency.

In May 2020, GASB issued SGAS No. 95, ***"Postponement of the Effective Dates of Certain Authoritative Guidance"*** (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, ***"Leases"*** (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2020, GASB issued SGAS No. 94, ***"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*** (GASB No. 94). The primary objective of this Statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. ELECTRIC UTILITY PLANT

The Agency had the following electric utility plant activity during 2020:

	Balance January 1, 2020	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2020
Nondepreciable electric utility plant:				
Construction work in progress	$ -0-	$ 748,425	$ -0-	$ 748,425
Total nondepreciable electric utility plant	-0-	748,425	-0-	748,425
Depreciable electric utility plant:				
Generation	208,220,325	-0-	-0-	208,220,325
Less: accumulated depreciation	(153,145,978)	(7,472,265)	-0-	(160,618,243)
Total electric utility plant - net	$ 55,074,347	$ (6,723,840)	$ -0-	$ 48,350,507

The Agency had the following electric utility plant activity during 2019:

	Balance January 1, 2019	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2019
Nondepreciable electric utility plant:				
Construction work in progress	$ 806,059	$ 2,651,024	$ (3,457,083)	$ -0-
Total non-depreciable electric utility plant	806,059	2,651,024	(3,457,083)	-0-
Depreciable electric utility plant:				
Generation	204,763,242	3,457,083	-0-	208,220,325
Less: accumulated depreciation	(145,925,967)	(7,220,011)	-0-	(153,145,978)
Total electric utility plant - net	$ 59,643,334	$ (1,111,904)	$ (3,457,083)	$ 55,074,347

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit policy for custodial credit risk.

At December 31, 2020 and 2019, $1.3 million and $0.6 million of the Agency's cash balances were uninsured, respectively. The bank balance is also, per a depository pledge agreement between the Agency and the Agency's bank, collateralized at 134 percent and 131 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2020 and 2019, respectively.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The agency had no investments at December 31, 2020 and 2019.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments at December 31, 2020 and 2019.

The following schedules present credit risk by type of security held at December 31, 2020 and 2019. If applicable, the credit ratings listed are from Standard & Poor's. N/A is defined as not applicable to the rating disclosure requirements.

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:			
Deposits	N/A	$ 1,556,718	$ 876,256
LAIF	Not Rated	9,347,947	8,709,524
Total cash and cash equivalents		$ 10,904,665	$ 9,585,780

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:		
Unrestricted funds	$ 10,904,665	$ 9,585,780
Total cash and cash equivalents	$ 10,994,665	$ 9,585,780

NOTE 5. INSURANCE PROGRAMS

The Agency purchases commercial, property and casualty insurance coverage at levels consistent with coverage on similar facilities. The policies' deductible dollar amounts vary depending on the type of coverage. Excess liability coverage for most claims against the Agency is $140.0 million and property is covered under an all-risk policy to replacement value. Generally, the maximum risk that the Agency would be exposed to is limited to $0.3 million for most casualty claims, and $2.5 million for property claims. No claims have exceeded the limits of property or liability insurance in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 6. FAIR VALUE MEASUREMENTS

SGAS No. 72, ***"Fair Value Measurement and Application***" (GASB No. 72), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Agency utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect the Agency's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are disclosed below. All of the Agency's investments are valued using Level 2 inputs.

- LAIF - uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted and/or observable market prices.

The following table identifies the level within the fair value hierarchy that the Agency's financial assets are accounted for on a recurring basis as of December 31, 2020 and 2019, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures (Level 2)

	December 31,	
	2020	2019
Investments reported as Cash and Cash Equivalents:		
LAIF	$ 9,347,947	$ 8,709,524
Total fair value investments	$ 9,347,947	$ 8,709,524

NOTE 7. COMMITMENTS

Natural Gas Interconnection and Supply Agreements. Pursuant to the Natural Gas Interconnection and Supply Agreements, SMUD supplies all of the natural gas requirements of the Project, McClellan and the Campbell Soup boiler plant (Boiler). The Agency pays for the actual supply, storage and transportation costs for the fuel supplied to the Project, McClellan and the Boiler as specified in these agreements through December 2027.

Operations and Maintenance Agreement. Ethos serves as the Project Operator and is responsible for the primary operation, repair, overhaul and maintenance services of the Project. The Agency pays for such services according to the terms of this agreement and provides, at no cost to Ethos, fuel, water, and power not already provided for in other agreements. At December 31, 2020, the Agency's annual minimum obligation under this agreement was approximately $3.0 million.

Ground Lease Agreement. The Agency leases land from SMUD under the ground lease agreement expiring December 2030. The minimum lease payment increases or decreases by the Producer Price Index annually. At December 31, 2020, the Agency's annual minimum lease payment was approximately $0.1 million.

NOTE 8. CONTINGENCIES

General Contingencies. In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

4f

SSS No. Chron # ACC 21-011	# COMMISSION AGENDA ITEM **Northern California Energy Authority** **STAFFING SUMMARY SHEET**	Committee Meeting & Date N/A Commission Meeting Date April 15, 2021

	TO		TO
1.	Jennifer Davidson	6.	
2.	Frankie McDermott	7.	
3.		8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	04/09/21

NARRATIVE:

Requested Action: Present 2020 financial results for Northern California Energy Authority.

Summary: Staff will present the Commission with NCEA's financial results for the year 2020.

Board Policy: *(Number & Title)* Governance Process GP-3

Benefits: Provides Commissioners with information regarding NCEA's financial condition.

Cost/Budgeted: There is no budgetary impact for this informational presentation.

Alternatives: N/A

Affected Parties: Commission, Accounting, Public

Coordination: Executive Office, Board Office, Accounting, and Legal Department

Presenter: Lisa Limcaco, Controller and Director of Accounting

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
2020 Annual Financial Performance	**4f**

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Northern California Energy Authority

Financial Statement

As of and for the years ended December 31, 2020 and 2019
including

Independent Auditors' Report

NORTHERN CALIFORNIA ENERGY AUTHORITY
TABLE OF CONTENTS
As of and for the Year Ended December 31, 2020 and 2019

NORTHERN CALIFORNIA ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the Years Ended December 31, 2020 and 2019

Using this Financial Report

This annual financial report for Northern California Energy Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provides information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position reports all of the Agency's revenues and expenses during the period indicated.

The Statements of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2018. SFA is a JPA formed by SMUD and the Modesto Irrigation District (collectively, Members). The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas and electricity to be delivered over a thirty-year period by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement between the Agency and J. Aron. The Agency then sells the natural gas and electricity to SMUD. The Agency issued bonds in December 2018 and gas sales started in June 2019.

SMUD purchases all the natural gas and electricity delivered to the Agency pursuant to the Commodity Supply Contract between SMUD and the Agency. The Agency has no employees and SMUD contributes to the Agency the actual costs of providing general and administrative services.

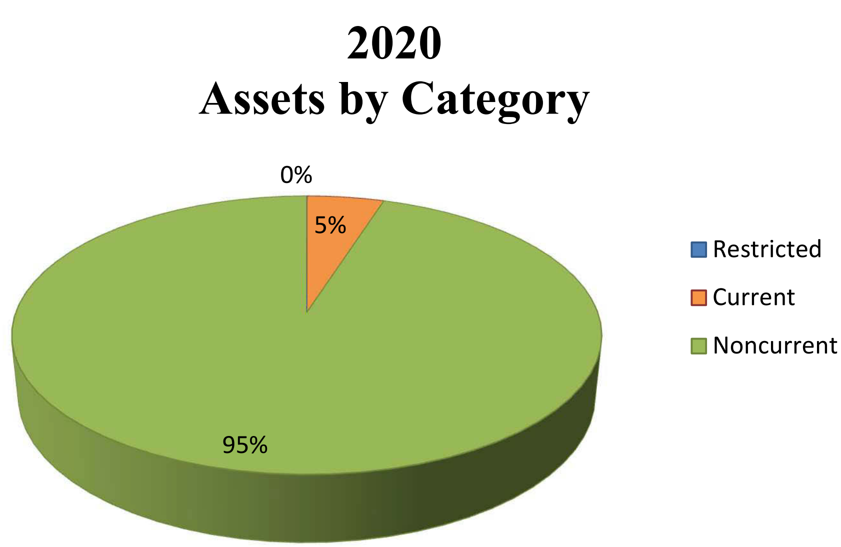
The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

Statements of Net Position Summary
(Dollars in thousands)

	December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Assets							
Restricted assets	$ 90	$ 2,840	$ 2,478	$ (2,750)	-96.8%	$ 362	14.6%
Current assets	27,857	27,096	22,027	761	2.8%	5,069	23.0%
Noncurrent assets	532,525	535,991	539,238	(3,466)	-0.6%	(3,247)	-0.6%
Total assets	$ 560,472	$ 565,927	$ 563,743	$ (5,455)	-1.0%	$ 2,184	0.4%
Liabilities							
Long-term debt - net	$ 556,794	$ 561,820	$ 566,893	$ (5,026)	-0.9%	$ (5,073)	-0.9%
Current liabilities	10,876	10,876	1,449	-0-	0.0%	9,427	650.6%
Noncurrent liabilities	121	77	-0-	44	57.1%	77	100.0%
Total liabilities	567,791	572,773	568,342	(4,982)	-0.9%	4,431	0.8%
Net position							
Restricted	10,829	13,165	20,394	(2,336)	-17.7%	(7,229)	-35.4%
Unrestricted	(18,148)	(20,011)	(24,993)	1,863	9.3%	4,982	19.9%
Total net position	(7,319)	(6,846)	(4,599)	(473)	-6.9%	(2,247)	-48.9%
Total liabilities and net position	$ 560,472	$ 565,927	$ 563,743	$ (5,455)	-1.0%	$ 2,184	0.4%

The following chart shows the breakdown of the Agency's assets by category:



2020 compared to 2019

ASSETS

- Restricted Asset decreased due to a lowering of the current portion of the debt service requirement to $90,000.

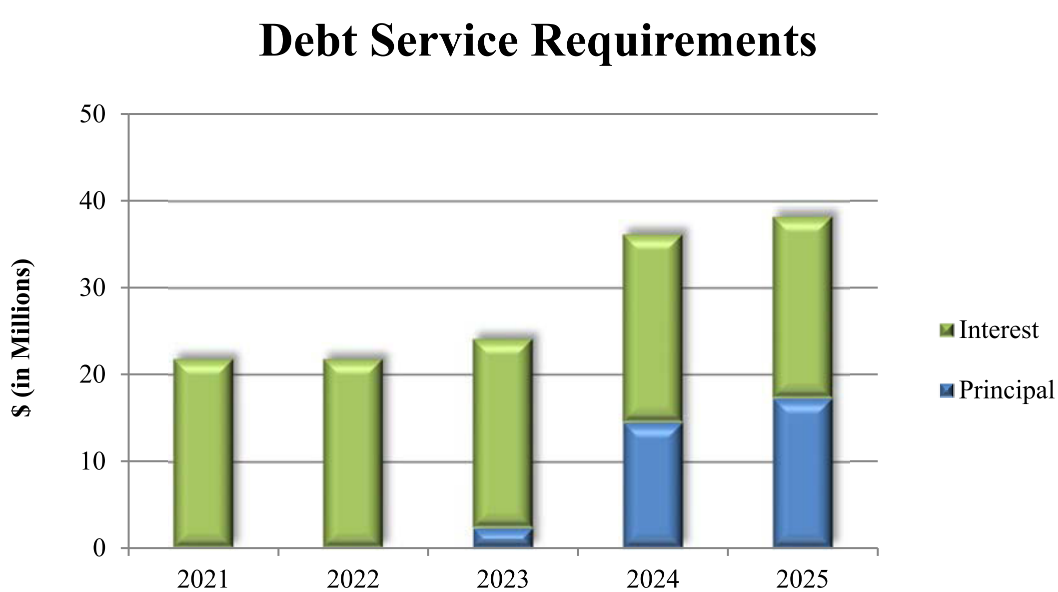
- Current Assets increased primarily due to higher restricted investment balances, accrued interest, and short term prepaid gas supply offset by lower gas sales to member and restricted cash and cash equivalents.

- The Agency's main asset is its Prepaid Gas Supply, of which the noncurrent portion was $532.5 million at December 31, 2020. Noncurrent Assets decreased due to the amortization of the Prepaid Gas Supply for gas delivered in 2020. The Prepaid Gas Supply (current and noncurrent portion) was about 95 percent of the Agency's assets at December 31, 2020.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased due to the amortization of bond premium. The Agency currently has bonds outstanding in the amount of $539.6 million with maturities through 2049. The Agency's bonds are rated "A3" by Moody's and "A" by Fitch.

The following chart summarizes the debt service requirements of the Agency for the next five years:



2019 compared to 2018

ASSETS

- Current Assets increased primarily due to higher debt service fund balance, receivable from Member for gas sales, and Prepaid Gas Supply.

- The Agency's main asset is its Prepaid Gas Supply, of which the noncurrent portion was $536.0 million at December 31, 2019. Noncurrent Assets decreased due to the amortization of the Prepaid Gas Supply for gas delivered in 2019.

LIABILITIES & NET POSITION

- Long-Term Debt - net decreased due to the amortization of bond premium. The Agency currently has bonds outstanding in the amount of $539.6 million with maturities through 2049.

- Current Liabilities increased due to higher accrued interest for the 2018 Bonds.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	Year Ended December 31,			Change			
	2020	2019	2018	2020 vs. 2019		2019 vs. 2018	
Operating revenues	$ 20,053	$ 16,438	$ -0-	$ 3,615	22.0%	$ 16,438	100.0%
Operating expenses	(3,366)	(2,682)	(4,045)	(684)	-25.5%	1,363	33.7%
Operating income	16,687	13,756	(4,045)	2,931	21.3%	17,801	440.1%
Interest income - net	530	589	-0-	(59)	-10.0%	589	100.0%
Interest on debt	(16,727)	(16,680)	(555)	(47)	-0.3%	(16,125)	-2905.4%
Change in net position before Contributions	490	(2,335)	(4,600)	2,825	121.0%	2,265	49.2%
Distributions to Member	(1,090)	-0-	-0-	(1,090)	-100.0%	-0-	0.0%
Member contributions	127	88	1	39	44.3%	87	8700.0%
Change in net position	(473)	(2,247)	(4,599)	1,774	78.9%	2,352	51.1%
Net position - beginning of year	(6,846)	(4,599)	-0-	(2,247)	-48.9%	(4,599)	-100.0%
Net position - end of year	$ (7,319)	$ (6,846)	$ (4,599)	$ (473)	-6.9%	$ (2,247)	-48.9%

2020 compared to 2019

- Operating revenues increased due to a full year of gas sales compared to seven months of gas sales in the prior year.

- Operating expenses increased due to a full year of prepaid gas amortization compared to seven months in the prior year.

- Distributions to SMUD are based on interest earnings on the Debt Service fund not otherwise needed for another purpose, as specified in the indenture of trust. The first distribution to Member was completed in July 2020, in the amount of $1.1 million.

2019 compared to 2018

- Operating revenues represent proceeds from gas sales to Member and gas swap settlements which started in June 2019.

- Operating expenses were $2.7 million, primarily comprised of amortization of Prepaid Gas Supply.

- Interest expense increased due to a full year of interest incurred on the 2018 Bonds.

Requests for Information

For more information about the Northern California Energy Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2020	December 31, 2019
ASSETS		
RESTRICTED ASSETS		
Debt service funds	$ 18,825,750	$ 20,965,159
Other restricted funds	3,000,027	3,076,479
Less current portion	(21,735,777)	(21,201,638)
Total restricted assets	90,000	2,840,000
CURRENT ASSETS		
Restricted cash and cash equivalents	10,876,509	10,952,908
Restricted investments	10,859,268	10,248,730
Receivables:		
Gas sales to Member	2,068,320	2,365,920
Accrued interest and other	541,632	244,032
Prepaid gas supply	3,466,109	3,247,134
Prepayments	44,795	36,940
Total current assets	27,856,633	27,095,664
NONCURRENT ASSETS		
Prepaid gas supply	532,524,976	535,991,085
Total noncurrent assets	532,524,976	535,991,085
TOTAL ASSETS	$ 560,471,609	$ 565,926,749
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 556,794,186	$ 561,820,089
CURRENT LIABILITIES		
Accrued interest	10,876,425	10,876,425
Total current liabilities	10,876,425	10,876,425
NONCURRENT LIABILITIES		
Arbitrage rebate liability	120,486	76,431
Total noncurrent liabilities	120,486	76,431
TOTAL LIABILITIES	567,791,097	572,772,945
NET POSITION		
Restricted	10,828,866	13,165,213
Unrestricted	(18,148,354)	(20,011,409)
TOTAL NET POSITION	(7,319,488)	(6,846,196)
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)		
TOTAL LIABILITIES AND NET POSITION	$ 560,471,609	$ 565,926,749

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2020	Years Ended December 31, 2019
OPERATING REVENUES		
Gas sales to Member	$ 11,954,383	$ 9,112,470
Gas swap settlement, net	8,099,099	7,326,018
Total operating revenues	20,053,482	16,438,488
OPERATING EXPENSES		
Prepaid gas amortization	3,247,134	2,661,781
Administrative and general	119,448	20,359
Total operating expenses	3,366,582	2,682,140
OPERATING INCOME	16,686,900	13,756,348
NON-OPERATING REVENUES (EXPENSES)		
Interest income - net	530,171	588,159
Interest on debt	(16,726,946)	(16,679,715)
Total non-operating revenues (expenses)	(16,196,775)	(16,091,556)
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS AND DISTRIBUTIONS	490,125	(2,335,208)
Distributions to Member	(1,090,719)	-0-
Member contributions	127,302	88,146
CHANGE IN NET POSITION	(473,292)	(2,247,062)
NET POSITION - BEGINNING OF YEAR	(6,846,196)	(4,599,134)
NET POSITION - END OF YEAR	$ (7,319,488)	$ (6,846,196)

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from gas sales to Member	$ 12,251,982	$ 6,746,550
Receipts from others	7,801,499	7,081,986
Payments to vendors	-0-	(693,153)
Net cash provided by operating activities	20,053,481	13,135,383
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest payments on long-term debt	(21,752,850)	(11,601,520)
Distributions to Member	(1,090,718)	-0-
Net cash used in noncapital financing activities	(22,843,568)	(11,601,520)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	20,195,004	19,952,185
Purchase of investments	(18,055,542)	(11,960,915)
Interest received	574,226	664,590
Net cash provided by investing activities	2,713,688	8,655,860
Net increase (decrease) in cash and cash equivalents	(76,399)	10,189,723
Cash and cash equivalents - beginning of year	10,952,908	763,185
Cash and cash equivalents - end of the year	$ 10,876,509	$ 10,952,908
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 16,686,900	$ 13,756,348
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of prepaid gas supply	3,247,134	2,661,781
Changes in operating assets and liabilities:		
Receivables	-0-	(2,609,952)
Prepaid expenses	(7,855)	(36,940)
Payables and accruals	127,302	(635,854)
Net cash provided by operating activities	$ 20,053,481	$ 13,135,383
SUPPLEMENTAL DISCLOSURE OF NONCASH AND RELATED FINANCING ACTIVITIES		
Amortization of debt related premiums	$ 5,025,903	$ 5,073,135
Contributions from Member	127,302	88,146

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2020 and 2019

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Energy Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District, collectively Members. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas and electricity (commodity) to be delivered over a thirty-year period (Commodity Project) by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement (Prepaid Agreement) between the Agency and J. Aron. The Prepaid Agreement terminates on May 31, 2049. J. Aron is obligated to make payments to the Agency for any shortfall of commodity not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Commodity Supply Contract (CSC) with SMUD that provides for the sale of all commodities delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of commodity delivered under the CSC and to pay damages for commodity that SMUD fails to take pursuant to the terms of the CSC. SMUD has no obligation to pay for commodity that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Commodity Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the CSC, the Agency has agreed to terminate the CSC and may enter into a replacement CSC with one or more municipal utilities on substantially the same terms as the CSC.

The Agency has no employees. The Commodity Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed $127.3 thousand in 2020 and $88.1 thousand in 2019 for administrative and general services provided to the Agency by SMUD.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Commodity Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or J. Aron. If the Prepaid Agreement is terminated, J. Aron will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Commodity Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is also included in the financial statements of SMUD as a component unit of SMUD's financial reporting entity because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Commodity sale revenues and purchase costs that are directly related to delivery of commodity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government securities and a guaranteed investment contracts which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in money market funds.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of commodity from the Commodity Project.

Prepaid Gas Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the Prepaid Gas Supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its Prepaid Gas Supply, the amortization is recorded against the current portion of Prepaid Gas Supply.

Derivative Instruments. The Agency enters into a forward contract (commodity price swap agreement) to manage its exposure to market volatility of commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statement of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid are reported as a component of Operating Revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Commodity Price Swap Agreement. The Agency uses a forward contract to hedge the impact of market volatility on gas commodity process for its Commodity Supply Contract.

Net Position. The Agency classifies its Net Position into two components as follows:

- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital), grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Gas sales to Member are recorded as revenues when the gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on Prepaid Commodity Supply assets and are recorded when incurred.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member Contributions.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 19, 2021 which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In January 2020, GASB issued SGAS No. 92, ***"Omnibus 2020"*** (GASB No. 92). This statement addresses a variety of topics and includes specific provisions to clarify issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This statement is effective for the Agency in 2020 or 2022 depending on the topic. The Agency has assessed the provisions of this statement and no topics in this statement apply to the Agency.

In May 2020, GASB issued SGAS No. 95, ***"Postponement of the Effective Dates of Certain Authoritative Guidance"*** (GASB No. 95). The primary objective of this statement is to provide temporary relief to governments and other stakeholders as a result of the COVID-19 pandemic. GASB No. 95 postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement is effective for the Agency in 2020. The Agency will postpone the implementation of GASB No. 87, *Leases* and GASB No. 93, *Replacement of Interbank Offered Rates*.

Recent Accounting Pronouncements, not yet adopted. In June 2017, GASB issued SGAS No. 87, ***"Leases"*** (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2020, GASB issued SGAS No. 93, ***"Replacement of Interbank Offered Rates"*** (GASB No. 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, GASB No. 93 identifies the Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. This statement is effective for the Agency in 2022. The Agency is currently assessing the financial statement impact of adopting this statement but does not expect it to be material.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, *Leases*, as amended. This statement is effective for the Agency in 2023. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated at least, at the credit rating of the commodity supplier, or, if the commodity supplier is not rated, the guarantor of the commodity supplier which is currently Goldman Sachs.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2020 and 2019, the Agency had money market funds of $10.9 million and $11.0 million, respectively, which were uninsured and were held in trust for the benefit of the Agency.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency has concentrations of risk greater than five percent invested in J. Aron of 100 percent at December 31, 2020 and 2019.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2020 and 2019. At December 31, 2020 and 2019, all investment funds were in guaranteed investment contracts that will terminate on June 30, 2024.

Investment Agreement. The Agency has entered into guaranteed investment contracts in which it has agreed to invest the debt service fund for a fixed rate of return of 3.4 percent, and the debt service reserve and the working capital funds for a guaranteed fixed rate of return of 3.6 percent with J. Aron. The agreements terminate on June 30, 2024.

The following schedules present credit risk by type of security held at December 31, 2020 and 2019. The credit ratings listed are from Standard & Poor's.

The Agency's cash, cash equivalents, and investments consist of the following:

	Credit Rating	December 31, 2020	December 31, 2019
Cash and Cash Equivalents:			
Money market funds	AAAm	$ 10,876,509	$ 10,952,908
Total cash and cash equivalents		10,876,509	10,952,908
Investments:			
Guaranteed investment contracts	BBB+	10,949,268	13,088,730
Total investments		10,949,268	13,088,730
Total cash, cash equivalents, and investments		$ 21,825,777	$ 24,041,638

The Agency's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31, 2020	December 31, 2019
Cash, cash equivalents, and investments:		
Debt service funds:		
Debt service fund	$ 14,825,750	$ 16,965,159
Debt service reserve fund	4,000,000	4,000,000
Total debt service funds	18,825,750	20,965,159
Other restricted funds:		
Working capital fund	3,000,000	3,000,000
Revenue fund	27	76,479
Total other restricted funds	3,000,027	3,076,479
Total cash, cash equivalents, and investments	$ 21,825,777	$ 24,041,638

NOTE 4. PREPAID GAS SUPPLY

The Agency's prepaid gas supply is presented below:

	December 31, 2020	December 31, 2019
Prepaid gas supply	$ 535,991,085	$ 539,238,219
Less: amounts due within one year	(3,466,109)	(3,247,134)
Total prepaid gas supply - noncurrent portion	$ 532,524,976	$ 535,991,085

The following summarizes prepaid gas supply activity for the year ended December 31, 2020:

	January 1, 2020	Additions	Amortization	December 31, 2020
Prepaid gas supply	$ 539,238,219	$ -0-	$ (3,247,134)	$ 535,991,085

The following summarizes prepaid gas supply activity for the year ended December 31, 2019:

	January 1, 2019	Additions	Amortization	December 31, 2019
Prepaid gas supply	$ 541,900,000	$ -0-	$ (2,661,781)	$ 539,238,219

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per million British Thermal Units (mmbtu) as specified in, and over the remaining term of, the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency issued $539.6 million of 2018 Commodity Supply Revenue Bonds (Bonds) in December 2018 maturing in June 2049, with a mandatory tender purchase in June 2024. The Bonds have fixed interest rates of 4.0 percent to 5.0 percent.

The Agency's long-term debt is presented below:

	December 31,	
	2020	2019
2018 Commodity supply revenue bonds, fixed rates 4.00% - 5.00%, 2020-2049	$ 539,615,000	$ 539,615,000
Unamortized premiums	17,179,186	22,205,089
Less: amounts due within one year	-0-	-0-
Total long-term debt - net	$ 556,794,186	$ 561,820,089

The following summarizes long-term debt activity for the year ended December 31, 2020:

	January 1, 2020	Additions	Payments/ Amortizations	December 31, 2020
2018 Commodity supply revenue bonds	$ 539,615,000	$ -0-	$ -0-	$ 539,615,000
Unamortized premiums	22,205,089	-0-	(5,025,903)	17,179,186
Total long-term debt	$ 561,820,089	$ -0-	$ (5,025,903)	$ 556,794,186

The following summarizes long-term debt activity for the year ended December 31, 2019:

	January 1, 2019	Additions	Payments/ Amortizations	December 31, 2019
2018 Commodity supply revenue bonds	$ 539,615,000	$ -0-	$ -0-	539,615,000
Unamortized premiums	27,278,224	-0-	(5,073,135)	22,205,089
Total long-term debt	$ 56,6893,224	$ -0-	$ (5,073,135)	$ 561,820,089

The annual debt service requirements to maturity for the Bonds are as follows at December 31, 2020:

Year	Principal	Interest	Total
2021	$ -0-	$ 21,752,850	$ 21,752,850
2022	-0-	21,752,850	21,752,850
2023	2,320,000	21,752,850	24,072,850
2024	14,505,000	21,636,850	36,141,850
2025	17,300,000	20,911,600	38,211,600
2026-2030	94,045,000	93,855,400	187,900,400
2031-2035	72,705,000	76,652,400	149,537,400
2036-2040	104,815,000	57,943,400	162,758,400
2041-2045	119,340,000	37,585,000	156,925,000
2046-2049	114,585,000	11,743,400	126,328,400
Total	$ 539,615,000	$ 385,586,600	$ 925,201,600

Interest in the preceding table includes interest requirements at current fixed rate coupon of 4 percent to 5 percent until mandatory remarketing date on July 1, 2024, and percent fixed rate after mandatory remarketing. Principal in the preceding table includes known principal payments until mandatory remarketing date and the amortization schedule after mandatory remarketing date.

The Agency had pledged future net revenues to repay $539.6 million at December 31, 2020 and 2019, for Bonds issued in December 2018. Proceeds from the Bonds were used to purchase the Commodity Project from J. Aron at a price of $541.9 million with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2049, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the GSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100 percent of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds is $925.2 million and $947.0 million at December 31, 2020 and 2019, respectively. Gas deliveries started in June 2019. Total gross revenues were $20.5 million for 2020. Debt service payments on the Bonds are made semi-annually on January 1 and July 1.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Commodity Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from J. Aron. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as J. Aron performs its commodity delivery obligations under the Prepaid Agreement. Agency Members are not obligated to pay debt service costs if the Commodity Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Commodity Project are insufficient to meet debt service obligations.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 6. COMMITMENTS

Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas and electricity commodity price swap agreement (Commodity Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's commodity sales to SMUD under the CSC. The Agency pays an index-based commodity price over the thirty-year period and receives a fixed commodity price as specified in the Commodity Swap Agreement, for notional quantities of commodity at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Commodity Swap Agreement terminates on July 1, 2049. The total notional amount of the Commodity Swap Agreement remaining at December 31, 2020 and 2019 was 110.4 million mmbtu and 9.9 million MWh, and 116.1 million mmbtu and 9.9 million MWh, respectively. Presently, the Commodity Swap Agreement is an average of 17,972 mmbtu per calendar day. Actual daily commodity deliveries will vary month to month, changing on the first day of the month. Early termination of the Commodity Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Commodity Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Commodity Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the commodity will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.