Generating clean energy
for vital services.

Hetch Hetchy Water and Power and CleanPowerSF

Financial Statements June 30, 2020 and 2019
(With Independent Auditors' Report Thereon)

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

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Table of Contents

KPMG LLP
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of each fund of Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), enterprise funds of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Hetch Hetchy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of each fund of Hetch Hetchy, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1, the financial statements of Hetch Hetchy are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the City that is attributable to the transactions of Hetch Hetchy. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021 on our consideration of Hetch Hetchy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hetch Hetchy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hetch Hetchy's internal control over financial reporting and compliance.

KPMG LLP

San Francisco, California
January 22, 2021

This section presents management's analysis of San Francisco Hetch Hetchy Water and Power and CleanPowerSF Enterprise's (Hetch Hetchy or the Enterprise) financial condition and activities as of and for fiscal years ended June 30, 2020 and 2019. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Enterprise's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

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

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

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

Organization and Business

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

In normal rain years, 85% of San Francisco's drinking water starts out as snow falling on 459 square miles of watershed land in Yosemite National Park, and the City may supplement water supply from an additional 193 square miles of watershed in the Stanislaus National Forest during extremely dry years. As the snow melts, it collects in Hetch Hetchy's storage reservoirs. As water flows by gravity through over 150 miles of pipelines and tunnels, it turns the turbines in three hydroelectric powerhouses, generating approximately 1.4 billion kilowatt hours of electricity per year. The electricity travels over 160 miles of transmission and distribution lines from the upcountry powerhouses to the San Francisco Bay Area. Approximately 86% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, City streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The remaining 14% of electricity generated is sold to CleanPowerSF and other publicly owned utilities.

Hetch Hetchy

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

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

Hetchy Water

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

Hetchy Power

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

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

Hetch Hetchy Joint Water and Power

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

CleanPowerSF

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

Overview of the Financial Statements

Hetch Hetchy's financial statements include the following:

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

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

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

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

COVID-19

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

Financial Analysis

Financial Highlights for Fiscal Year 2020

Hetch Hetchy

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

Hetchy Water

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

Hetchy Power

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

(Continued)

CleanPowerSF

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

Financial Highlights for Fiscal Year 2019

Hetch Hetchy

- Total assets of Hetch Hetchy exceeded total liabilities by $681,233, excluding interfund payable and receivable of $3,731 related to working capital loan between Hetchy Power and CleanPowerSF.
- Net position increased by $79,613 or 13.1% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $71,209 or 14.9% to $550,631.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $153,423 or 79.9% to $345,386.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $112,662 or 57% to $310,277.

Hetchy Water

- Total assets of Hetchy Water exceeded total liabilities by $198,686.
- Net position increased by $9,383 or 4.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $9,304 or 6.7% to $149,103.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $445 or 1.3% to $34,005.
- Operating expenses, excluding other non-operating expenses, increased by $10,513 or 26.4% to $50,305.

(Continued)

Hetchy Power

- Total assets of Hetchy Power exceeded total liabilities by $442,675.
- Net position increased by $39,089 or 9.6% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $61,905 or 18.2% to $401,528.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $24,726 or 20.8% to $143,561.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $3,293 or 2.8% to $122,688.

CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by $39,872.
- Net position increased by $31,141 or 351.5% during the fiscal year.
- CleanPowerSF had no capital assets, net of accumulated depreciation and amortization as of June 30, 2019.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $128,252 or 324.1% to $167,820.
- Operating expenses, excluding interest expense increased by $98,856 or 257.2% to $137,284.

(Continued)

(Dollars in thousands, unless otherwise stated)

Financial Position

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

Table 1A - Consolidated Hetch Hetchy
Comparative Condensed Net Position
June 30, 2020, 2019, and 2018

	2020 *	2019 *	2018 *	2020-2019 Change	2019-2018 Change
Total assets:					
Current and other assets	$ 441,635	392,967	350,263	48,668	42,704
Capital assets, net of accumulated depreciation and amortization	606,211	550,631	479,422	55,580	71,209
Total assets	1,047,846	943,598	829,685	104,248	113,913
Deferred outflows of resources:					
Pensions	18,238	14,665	16,963	3,573	(2,298)
Other post-employment benefits	5,452	3,092	1,974	2,360	1,118
Total deferred outflows of resources	23,690	17,757	18,937	5,933	(1,180)
Liabilities:					
Current liabilities:					
Bonds	2,115	2,528	2,480	(413)	48
Certificates of participation	384	366	348	18	18
Commercial paper	63,535	50,724	20,280	12,811	30,444
Other liabilities	63,178	52,128	44,165	11,050	7,963
Subtotal current liabilities	129,212	105,746	67,273	23,466	38,473
Long-term liabilities:					
Bonds	47,693	50,018	52,761	(2,325)	(2,743)
Certificates of participation	13,444	13,846	14,233	(402)	(387)
Other liabilities	98,697	92,755	102,902	5,942	(10,147)
Subtotal long-term liabilities	159,834	156,619	169,896	3,215	(13,277)
Total liabilities:					
Bonds	49,808	52,546	55,241	(2,738)	(2,695)
Certificates of participation	13,828	14,212	14,581	(384)	(369)
Commercial paper	63,535	50,724	20,280	12,811	30,444
Other liabilities	161,875	144,883	147,067	16,992	(2,184)
Total liabilities	289,046	262,365	237,169	26,681	25,196
Deferred inflows of resources:					
Related to pensions	10,843	8,811	4,119	2,032	4,692
Other post-employment benefits	3,867	3,290	58	577	3,232
Total deferred inflows of resources	14,710	12,101	4,177	2,609	7,924
Net position:					
Net investment in capital assets	482,986	450,637	410,717	32,349	39,920
Restricted for debt service	142	1,145	834	(1,003)	311
Restricted for capital projects	6,513	8,401	11,712	(1,888)	(3,311)
Unrestricted	278,139	226,706	184,013	51,433	42,693
Total net position	$ 767,780	686,889	607,276	80,891	79,613

*Eliminated interfund payable and receivable of $1,800, $3,731 and $5,601 working capital loan between Hetchy Power and CleanPowerSF for fiscal years 2020, 2019 and 2018, respectively.

(Continued)

(Dollars in thousands, unless otherwise stated)

Table 1B - Hetchy Water
Comparative Condensed Net Position
June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Total assets:					
Current and other assets	$ 92,711	94,432	97,578	(1,721)	(3,146)
Capital assets, net of accumulated depreciation and amortization	160,782	149,103	139,799	11,679	9,304
Total assets	253,493	243,535	237,377	9,958	6,158
Deferred outflows of resources:					
Pensions	7,950	6,447	7,488	1,503	(1,041)
Other post-employment benefits	2,332	1,343	870	989	473
Total deferred outflows of resources	10,282	7,790	8,358	2,492	(568)
Liabilities:					
Current liabilities	6,769	6,726	8,978	43	(2,252)
Long-term liabilities	40,441	38,123	43,123	2,318	(5,000)
Total liabilities	47,210	44,849	52,101	2,361	(7,252)
Deferred inflows of resources:					
Related to pensions	4,335	3,874	1,818	461	2,056
Other post-employment benefits	1,195	1,429	26	(234)	1,403
Total deferred inflows of resources	5,530	5,303	1,844	227	3,459
Net position:					
Net investment in capital assets	160,782	149,103	139,799	11,679	9,304
Restricted for capital projects	6,513	8,401	11,712	(1,888)	(3,311)
Unrestricted	43,740	43,669	40,279	71	3,390
Total net position	$ 211,035	201,173	191,790	9,862	9,383

(Dollars in thousands, unless otherwise stated)

Table 1C - Hetchy Power
Comparative Condensed Net Position
June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Total assets:					
Current and other assets *	$ 228,845	239,222	238,023	(10,377)	1,199
Capital assets, net of accumulated depreciation and amortization	445,429	401,528	339,623	43,901	61,905
Total assets	674,274	640,750	577,646	33,524	63,104
Deferred outflows of resources:					
Pensions	9,716	7,879	9,152	1,837	(1,273)
Other post-employment benefits	2,850	1,641	1,064	1,209	577
Total deferred outflows of resources	12,566	9,520	10,216	3,046	(696)
Liabilities:					
Current liabilities:					
Bonds	2,115	2,528	2,480	(413)	48
Certificates of participation	384	366	348	18	18
Commercial paper	63,535	50,724	20,280	12,811	30,444
Other liabilities	33,218	28,346	30,935	4,872	(2,589)
Subtotal current liabilities	99,252	81,964	54,043	17,288	27,921
Long-term liabilities:					
Bonds	47,693	50,018	52,761	(2,325)	(2,743)
Certificates of participation	13,444	13,846	14,233	(402)	(387)
Other liabilities	54,085	52,247	57,946	1,838	(5,699)
Subtotal long-term liabilities	115,222	116,111	124,940	(889)	(8,829)
Total liabilities:					
Bonds	49,808	52,546	55,241	(2,738)	(2,695)
Certificates of participation	13,828	14,212	14,581	(384)	(369)
Commercial paper	63,535	50,724	20,280	12,811	30,444
Other liabilities	87,303	80,593	88,881	6,710	(8,288)
Total liabilities	214,474	198,075	178,983	16,399	19,092
Deferred inflows of resources:					
Related to pensions	5,298	4,734	2,222	564	2,512
Other post-employment benefits	1,461	1,746	31	(285)	1,715
Total deferred inflows of resources	6,759	6,480	2,253	279	4,227
Net position:					
Net investment in capital assets	322,204	301,534	270,918	20,670	30,616
Restricted for debt service	142	1,145	834	(1,003)	311
Unrestricted	143,261	143,036	134,874	225	8,162
Total net position	$ 465,607	445,715	406,626	19,892	39,089

*Included $1,800, $3,731 and $5,601 working capital loan to CleanPowerSF for fiscal years 2020, 2019 and 2018, respectively.

(Dollars in thousands, unless otherwise stated)

Table 1D - CleanPowerSF
Comparative Condensed Net Position
June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Total assets:					
Current and other assets	$ 121,879	63,044	20,263	58,835	42,781
Total assets	121,879	63,044	20,263	58,835	42,781
Deferred outflows of resources:					
Pensions	572	339	323	233	16
Other post-employment benefits	270	108	40	162	68
Total deferred outflows of resources	842	447	363	395	84
Liabilities:					
Current liabilities	24,991 *	17,056	4,252	7,935	12,804
Long-term liabilities	4,171	6,116 *	7,434 *	(1,945)	(1,318)
Total liabilities	29,162	23,172	11,686	5,990	11,486
Deferred inflows of resources:					
Related to pensions	1,210	203	79	1,007	124
Other post-employment benefits	1,211	115	1	1,096	114
Total deferred inflows of resources	2,421	318	80	2,103	238
Net position:					
Unrestricted	91,138	40,001	8,860	51,137	31,141
Total net position	$ 91,138	40,001	8,860	51,137	31,141

*Included $1,800, $3,731 and $5,601 working capital loan from Hetchy Power for fiscal years 2020, 2019 and 2018, respectively.

Net Position, Fiscal Year 2020

Hetch Hetchy

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

Current and other assets were $441,635, a $48,668 or 12.4% increase from prior year with elimination of a $1,800 working capital loan from Hetchy Power to CleanPowerSF. The increase was primarily due to an increase of $49,328 in cash and investment with/outside City Treasury as a result of higher collection from CleanPowerSF electricity sales. Due from other City departments increased by $3,623, of which $3,981 was a receivable from the Treasure Island Development Authority (TIDA) in connection of an upgraded submarine power cable for the Treasure Island to increase service capacity and $435 from the City Attorney's Office for legal services; offset by repayments of $506 for the Sustainable Energy Account, $108 from the Wastewater Enterprise for the Living Machine System, $105 from the Recreation and Parks Department for Energy Efficiency Projects, and $74 from the Department of Public Works for Hunters Point Shipyard Development Project and Transbay Folsom Street Improvement custom work projects. Other increases included $707 in grants receivables from State and Federal related to disaster emergency recoveries for the 2018 Moccasin Storm Project, Early Intake Switchyard Project and Rim Fire Project; and $181 in inventory due to more purchase than issuance during the fiscal year. These increases were offset by decreases of $2,964 in charges for services receivable due to $1,797 increase in allowance for uncollectible attributable to higher past due balances as a result of the Mayor's emergency declaration that Hetch Hetchy temporary suspended collection procedures for past due accounts to help customers with financial hardship due to COVID-19, $1,127 in lower year-end accrual for California Independent System Operator (CAISO) Congestion Revenue Right (CRR) credits, and $40 decrease in billings due to lower consumption. Prepaid charges, advances, and other receivables decreased by $1,117 due to payment of $2,209 billing credits from Western Area Power Administration, $45 in lower vendor prepayments, and $17 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage; offset by increases of $615 in receivables for the Distributed Antenna System (DAS) program due to higher billings, $448 in Rim Fire insurance recoveries, $80 in rental receivables, and $11 in custom work receivables for the Sunnydale Housing Projects. Interest receivables decreased by $1,090 due to lower annualized interest rate.

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

Total liabilities increased by $26,681 or 10.2%, to $289,046. A working capital loan of $1,800 due to Hetchy Power from CleanPowerSF was eliminated upon consolidation. As of June 30, 2020, outstanding debts increased by $9,689 was attributable to $12,811 in commercial paper issuance for Hetchy Power facilities, offset by decreases of $2,894 in bonds and certificates of participation principal repayments and $228 in amortization of premium and discount. Other liabilities of $161,875, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by $16,992 or 11.7%, mainly due to increases of $8,235 in restricted and unrestricted payables to vendors and contractors, of which $5,696 from CleanPowerSF due to higher power purchases and $3,239 from Hetchy Power due to higher capital spending, offset by a decrease of $700 from Hetchy Water due to reduced capital spending. Net pension liability increased by $3,151 based on actuarial report, and $3,058 increase in OPEB obligations based on actuarial assumptions. Other increases included $1,318 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll mainly due to more days in current year-end payroll accrual when compared to prior year, coupled with a 3% increase of cost of living adjustment (COLA), $602 in general liability based on actuarial estimates, $499 in due to other City departments including $480 to the City Attorney's Office for unbilled legal services and $19 to the Port of San Francisco for Pier 70 Shoreside Power Project. Unearned revenue increased by $163 due to $360 in deposits from custom work projects, $306 in net energy metering credits from CleanPowerSF, $11 in prepayments from the DAS program, and $3 from prepaid rent; offset by decreases of $440 in customer deposits from retail and commercial customers and $77 in sales tax, utility, and electric energy surcharge tax payables. These increases were offset by a decrease of $34 in interest payable due to lower bond and loan outstanding.

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

Hetchy Water

Hetchy Water's net position of $211,035 increased by $9,862 or 4.9% resulting from an increase of $12,450 in total assets and deferred outflows of resources, offset by an increase of $2,588 in total liabilities and deferred inflows of resources (see Table 1B). Decrease of $1,721 in current and other assets was attributed to decreases of $1,166 in cash and investment with City Treasury mainly due to reduced project spending, $336 in State grant receivable mainly from reimbursement related to disaster emergency recoveries for the Lower Cherry Aqueduct Project, $308 in interest receivables due to lower annualized interest rate, $50 decrease in charges for services receivables mainly due to lower consumption from Lawrence Livermore National Laboratory, and $11 decrease in inventory due to more issuance than purchase during the fiscal year. The decrease was offset by increases of $104 in due from the City Attorney's Office for legal services, and $46 in prepaid charges, advances, and other receivables, of which $448 in pending Rim Fire insurance recoveries and $36 in rental receivables; offset by decreases of $434 in vendor prepayment mainly for Don Pedro Reservoir operating license and $4 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage.

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

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

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

Hetchy Power

Hetchy Power's net position of $465,607 increased by $19,892 or 4.5% resulting from an increase of $36,570 in total assets and deferred outflows of resources, offset by an increase of $16,678 in total liabilities and deferred inflows of resources (see Table 1C). Current and other assets decreased by $10,377 or 4.3%, of which $8,184 decrease in cash and investment with/outside City Treasury due primarily to increase in operating and capital spending. Charges for services receivable decreased by $2,837 due to decreases of $1,138 in billings, $1,127 in lower year-end accrual for CAISO CRR credits as related to prior year, and $572 increase in allowance for uncollectible due to higher past due balances as a result of the Mayor's emergency declaration that Hetch Hetchy temporary suspended collection procedures for past due accounts to help customers with financial hardship due to COVID-19. Prepaid charges, advances, and other receivables decreased by $1,379 due to payment of $2,209 billing credits from Western Area Power Administration, and $13 in amortization of the advance paid to the Recreation and Parks Department for the Civic Center Garage, offset by increases of $615 in receivables for the DAS program due to higher billings, $173 in vendor prepayment for license and permit fees, $44 in rental receivables, and $11 in custom work receivables for the Sunnydale Housing Projects. Interest receivables decreased by $800 due to lower annualized interest rate. These decreases were offset by an increase of $1,588 in due from other City departments, of which $3,981 was a receivable from the TIDA in connection of an upgraded submarine power cable for the Treasure Island to increase service capacity and $331 from the City Attorney's Office for legal services; offset by repayments of $2,000 from CleanPowerSF for working capital loan net of accrued interest of $69, $506 for the Sustainable Energy Account, $108 from the Wastewater Enterprise for the Living Machine System, $105 from the Recreation and Parks Department for Energy Efficiency Projects, and $74 from the Department of Public Works for Hunters Point Shipyard Development and Transbay Folsom Street Improvement custom work projects. State and Federal grants receivables increased by $1,043 due to disaster emergency recoveries for the 2018 Moccasin Storm Project, Early Intake Switchyard Project and Rim Fire Project, and $192 increase in inventory due to more purchase than issuance during the fiscal year.

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

Hetchy Power's total liabilities of $214,474 increased by $16,399 or 8.3%. As of June 30, 2020, outstanding debts increased by $9,689 and was attributable to $12,811 in commercial paper issuance for

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

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

CleanPowerSF

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

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

Total liabilities of $29,162 increased by $5,990 or 25.9%, which was explained by $5,696 in payables to vendors and contractors for goods and services under contractual agreements as a result of higher power purchases, $955 in OPEB obligations based on actuarial assumptions, $735 in net pension liability based on actuarial report, $306 in unearned revenue, of which $306 from net energy metering credits to retail and commercial customers, and $13 from utility and electric energy surcharge tax payables, offset by a decrease of $13 from customers' prepayments. Employee related benefits including vacation, sick leave and accrued payroll increased by $121 mainly due to more days in current year-end payroll accrual when compared to prior year, coupled with a 3% increase of COLA. General liability increased by $99 based on actuarial estimates. The increases were offset by a decrease of $1,922 in due to other City departments, including $2,000 working capital loan repayment to Hetchy Power, net of $69 accrued interest, and $9 to City Attorney's Office for unbilled legal services.

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

Net Position, Fiscal Year 2019

Hetch Hetchy

Hetch Hetchy's net position of $686,889 increased by $79,613 or 13.1% during the year (see Table 1A). Current and other assets were $392,967, a $42,704 or 12.2% increase from prior year with elimination of a $3,731 working capital loan from Hetchy Power to CleanPowerSF. The increases were attributed to $28,000 in charges for services receivables mainly due to completion of citywide full enrollment from CleanPowerSF, $7,383 in cash and investment mainly from increased CleanPowerSF electricity sales, $3,252 in grants receivables from State and Federal for the Lower Cherry Aqueduct Project, 2018 Moccasin Storm Project and Early Intake Switchyard Project, $2,614 in prepaid charges, advances, and other receivables, of which $2,209 billing credits from Western Area Power Administration, $373 in receivable of refund from purchased electricity, $278 in receivables for Distributed Antenna System (DAS), $18 in payroll credit, $5 in custom work receivables for the Sunnydale Housing Projects, and $2 in rental receivables, offset by decreases of $173 in vendor prepayments, $81 payment from prior year Rim Fire insurance reimbursement, and $17 from advance paid to the Recreation and Parks Department for the Civic Center Garage. Other increases included $1,214 in inventory due to recognition of the in-city warehouses, and $1,123 in restricted and unrestricted interest receivables due to higher annualized interest rates. The increases were offset by a decrease of $882 in due from other City departments including repayments of $685 from Sustainable Energy Account, $106 from the Wastewater Enterprise for the Living Machine System, and $105 from Recreation and Parks Department for Energy Efficiency Projects, offset by an increase of $14 in custom work receivables from the Department of Public Works for Hunters Point Shipyard Projects.

Capital assets, net of accumulated depreciation and amortization, increased by $71,209 or 14.9% to $550,631 primarily from construction and capital improvement activities. Deferred outflows of resources decreased by $1,180, of which $2,298 was for pensions based on actuarial report, offset by an increase of $1,118 in other post-employment benefits (OPEB) based on actuarial report.

Total liabilities increased by $25,196 or 10.6%, to $262,365. A working capital loan of $3,731 due to Hetchy Power from CleanPowerSF was eliminated upon consolidation. As of June 30, 2019, outstanding debts increased by $27,380 was attributable to an increase of $30,444 in additional Hetchy Power commercial paper issuance; offset by $2,828 in principal repayments, and $236 in amortization of premium and discount.

Other liabilities of $144,883, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, decreased by $2,184 or 1.5%, mainly attributable to decreases of $10,742 in pension liability based on actuarial report, $1,544 in unearned revenue, $528 in OPEB obligations based on actuarial assumptions, and $182 in general liability based on actuarial estimates. Decrease of $1,544 in unearned revenue included $2,257 billing true up for Modesto Irrigation District (MID) in prior year, and $952 in customer deposits from retail and commercial customers; offset by increases of $729 in sales tax, utility, and electric energy surcharge tax payables, $382 in prepayments for Distributed Antenna System (DAS), $271 in additional deposits for custom work projects, $160 from CleanPowerSF net energy metering credits to retail and commercial customers, $121 in customers' prepayments from charges for services, and $2 in rental prepayment. The decreases were offset by increases of $9,341 in restricted and unrestricted payables to vendors and contractors mainly due to $12,130 higher power purchases from CleanPowerSF; offset by decreased payables of $2,276 for Hetchy Water, and $513 for Hetchy Power due to more payments than vouchers. Employee related benefits including workers' compensation, vacation, sick leave and accrued payroll increased by $1,104 based on actuarial estimates and 3% increase of cost of living adjustment (COLA), $350 increase in payable to the Port of San Francisco for power rebate, and $17 in interest payables mainly due to higher commercial paper outstanding.

(Continued)

Deferred inflows of resources increased by $7,924, due to increases of $4,692 in related to pensions and $3,232 in OPEB based on actuarial reports.

Hetchy Water

Hetchy Water's net position of $201,173 increased by $9,383 or 4.9% resulting from increases of $5,590 in total assets and deferred outflows of resources, and $3,793 decreases in total liabilities and deferred inflows of resources (see Table 1B). Decrease in current and other assets of $3,146 was attributed to $6,315 decrease in cash and investment with City Treasury due primarily to increase in operating and capital project spending, and $4 in prepaid charges, advances, and other receivables, of which $7 in payment from prior year Rim Fire insurance reimbursement, and $4 in advance paid to the Recreation and Parks Department for the Civic Center Garage, offset by increases of $4 in vendor prepayments, $2 in payroll credit, and $1 in rental receivables. The decreases were offset by increases of $2,858 in State grants receivables for the Lower Cherry Aqueduct Project and 2018 Moccasin Storm Project, $252 in restricted and unrestricted interest receivables due to higher annualized interest rates, $51 in charges for services receivables mainly from Lawrence Livermore National Laboratory due to pending collection, and $12 in inventory due to more purchase than issuance.

Capital assets, net of accumulated depreciation and amortization, increased by $9,304 or 6.7% to $149,103 primarily from construction and capital improvement activities. Deferred outflows of resources decreased by $568, due to a decrease of $1,041 in pensions based on actuarial report, offset by an increase of $473 in OPEB based on actuarial report.

Hetchy Water's total liabilities decreased by $7,252 or 13.9% to $44,849, as explained by decreases of $4,826 in pension liability based on actuarial report, $2,276 in restricted and unrestricted payables to vendors and contractors, $468 in OPEB obligations based on actuarial assumptions, and $9 in general liability based on actuarial estimates, offset by increases of $321 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll based on actuarial estimates and 3% increase of COLA, and $6 in unearned revenue included $3 in sales tax payables, $2 in customers' prepayments from charges for services, and $1 in rental prepayment. Deferred inflows of resources increased by $3,459, due to increases of $2,056 in related to pensions and $1,403 in OPEB based on actuarial reports.

Hetchy Power

Hetchy Power's net position of $445,715 increased by $39,089 or 9.6% resulting from an increase of $62,408 in total assets and deferred outflows of resources, offset by an increase of $23,319 in total liabilities and deferred inflows of resources (see Table 1C). Current and other assets increased by $1,199 or 0.5%. Prepaid charges, advances, and other receivables increased by $2,512, of which $2,209 billing credits from Western Area Power Administration, $278 in receivables for DAS, $91 in vendor prepayments, $15 in payroll credit, $5 in custom work receivables for the Sunnydale Housing Projects, and $1 in rental receivables, offset by decreases of $74 payment from prior year Rim Fire insurance reimbursement, and $13 in advance paid to the Recreation and Parks Department for the Civic Center Garage. Other increases included $1,202 in inventory due to recognition of the in-city warehouses, $733 in restricted and unrestricted interest receivables due to higher annualized interest rates, $579 in cash and investment with City Treasury and outside City Treasury, and $394 in grants receivables from State and Federal mainly for the Early Intake Switchyard Project. The increases were offset by decreases of $2,752 in due from other City departments due to repayments of $1,870 from CleanPowerSF for working capital loan net of interest, $685 from Sustainable Energy Account, $106 from the Wastewater Enterprise for the Living Machine System, and $105 from Recreation and Parks Department for energy efficiency projects, offset by an increase of $14 in custom work receivables from the Department of Public Works for Hunters Point Shipyard Projects. Charges for service receivables decreased by $1,469 mainly due to higher collections from retail customers.

Capital assets, net of accumulated depreciation and amortization, increased by $61,905 or 18.2% to $401,528 primarily from construction and capital improvement activities. Deferred outflows of resources decreased by $696, due to a decrease of $1,273 in pensions based on actuarial report, offset by an increase of $577 in OPEB based on actuarial report.

Hetchy Power's total liabilities of $198,075 increased by $19,092 or 10.7%. As of June 30, 2019, outstanding debts increased by $27,380 was attributable to an increase of $30,444 in additional Hetchy Power commercial paper issuance; offset by $2,828 in principal repayments, and $236 in amortization of premium and discount.

Other liabilities of $80,593, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, decreased by $8,288 or 9.3%, mainly attributable to $5,899 in pension liability based on actuarial report, $2,019 in unearned revenues, $574 in OPEB obligations based on actuarial assumptions, $513 in payables to vendors and contractors, and $180 in general liability based on actuarial estimates, offset by increases of $530 in employee related benefits including workers' compensation, vacation, sick leave and accrued payroll based on actuarial estimates and 3% increase of COLA, $350 increase in payable due to the Port of San Francisco for power rebate, and $17 in interest payables mainly due to higher commercial paper outstanding. Decrease of $2,019 in unearned revenues included $2,257 billing true up for MID in prior year, and $952 in customer deposits from retail and commercial customers; offset by increases of $536 in utility and electric energy surcharge tax payables, $382 in prepayment for DAS, $271 in additional deposits for custom work projects, and $1 in rental prepayment.

Deferred inflows of resources increased by $4,227, of which $2,512 was related to pensions and $1,715 in OPEB based on actuarial reports.

CleanPowerSF

CleanPowerSF's net position of $40,001 increased by $31,141 or 351.5%, resulting from an increase of $42,865 in total assets and deferred outflows of resources, offset by an increase of $11,724 in total liabilities and deferred inflows of resources (see Table 1D). Total assets increased by $42,781 over the prior year. Charges for services receivables increased by $29,418 from higher electricity sales mainly due to completion of citywide full enrollment, $13,119 in cash and investment with City Treasury due to higher collection from electricity sales, $138 in interest receivables due to higher annualized interest rates, and $106 increase in prepaid charges, advances, and other receivables due to increases of $373 in receivable of refund from purchased electricity and $1 in payroll credit, offset by a decrease of $268 in vendor prepayments.

Deferred outflows of resources increased by $84 due to an increase of $68 in OPEB based on actuarial report and $16 in pensions based on actuarial report.

Total liabilities of $23,172 increased by $11,486 or 98.3% included $12,130 in restricted and unrestricted payables to vendors and contractors for goods and services under contractual agreements as a result of higher power purchases, $514 in OPEB obligations based on actuarial assumptions, and $469 in unearned revenue, of which $190 from utility and electric energy surcharge tax payables, $160 from net energy metering credits to retail and commercial customers, and $119 from customers' prepayments. Employee related benefits including vacation, sick leave and accrued payroll increased by $253 due to higher employment as a result of program growth. General liability increased by $7 based on actuarial estimates. The increases were offset by decreases of $1,870 due to working capital loan payment to Hetchy Power, net of accrued interest, and $17 in net pension liability based on actuarial report.

(Dollars in thousands, unless otherwise stated)

Deferred inflows of resources increased by $238 due to increases of $124 in related to pensions and $114 in OPEB based on actuarial reports.

Results of Operations

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

Table 2A - Consolidated Hetch Hetchy
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Revenues:					
Charges for services	$ 420,937	345,109	191,667	75,828	153,442
Rents and concessions	347	277	296	70	(19)
Interest and investment income	9,449	10,288	2,929	(839)	7,359
Other non-operating revenues	28,868	13,920	11,311	14,948	2,609
Total revenues	459,601	369,594	206,203	90,007	163,391
Expenses:					
Operating expenses	389,026	310,277	197,615	78,749	112,662
Interest expenses	2,809	3,066	3,204	(257)	(138)
Amortization of premium, discount, and issuance costs	(228)	(237)	(248)	9	11
Non-operating expenses	1,071	1,365	1,795	(294)	(430)
Total expenses	392,678	314,471	202,366	78,207	112,105
Change in net position before transfers	66,923	55,123	3,837	11,800	51,286
Transfers from the City and County of San Francisco	14,000	24,522	30,087	(10,522)	(5,565)
Transfers to the City and County of San Francisco	(32)	(32)	(512)	–	480
Net transfers	13,968	24,490	29,575	(10,522)	(5,085)
Change in net position	80,891	79,613	33,412	1,278	46,201
Net position at beginning of year	686,889	607,276	578,260	79,613	29,016
Cumulative effect of accounting change	–	–	(4,396) *	–	4,396
Beginning of year as restated	686,889	607,276	573,864	79,613	33,412
Net position at end of year	$ 767,780	686,889	607,276	80,891	79,613

*Cumulative effect of accounting change per GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.*

(Dollars in thousands, unless otherwise stated)

Table 2B - Hetchy Water
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Revenues:					
Charges for services	$ 34,797	33,880	33,427	917	453
Rents and concessions	156	125	133	31	(8)
Interest and investment income	1,932	2,670	218	(738)	2,452
Other non-operating revenues	3,861	3,013	1,237	848	1,776
Total revenues	40,746	39,688	35,015	1,058	4,673
Expenses:					
Operating expenses	44,873	50,305	39,792	(5,432)	10,513
Non-operating expenses	11	–	68	11	(68)
Total expenses	44,884	50,305	39,860	(5,421)	10,445
Change in net position before transfers	(4,138)	(10,617)	(4,845)	6,479	(5,772)
Transfers from the City and County of San Francisco	14,000	20,000	30,000	(6,000)	(10,000)
Change in net position	9,862	9,383	25,155	479	(15,772)
Net position at beginning of year	201,173	191,790	168,356	9,383	23,434
Cumulative effect of accounting change	–	–	(1,721) *	–	1,721
Beginning of year as restated	201,173	191,790	166,635	9,383	25,155
Net position at end of year	$ 211,035	201,173	191,790	9,862	9,383

*Cumulative effect of accounting change per GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.*

Table 2C - Hetchy Power
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Revenues:					
Charges for services	$ 140,680	143,409	118,672	(2,729)	24,737
Rents and concessions	191	152	163	39	(11)
Interest and investment income	5,746	6,883	2,537	(1,137)	4,346
Other non-operating revenues	25,006	10,907	10,073	14,099	834
Total revenues	171,623	161,351	131,445	10,272	29,906
Expenses:					
Operating expenses	148,127	122,688	119,395	25,439	3,293
Interest expenses	2,740	2,936	3,103	(196)	(167)
Amortization of premium, discount, and issuance costs	(228)	(237)	(248)	9	11
Non-operating expenses	1,060	1,365	1,727	(305)	(362)
Total expenses	151,699	126,752	123,977	24,947	2,775
Change in net position before transfers	19,924	34,599	7,468	(14,675)	27,131
Transfers from the City and County of San Francisco	–	4,522	87	(4,522)	4,435
Transfers to the City and County of San Francisco	(32)	(32)	(512)	–	480
Net transfers	(32)	4,490	(425)	(4,522)	4,915
Change in net position	19,892	39,089	7,043	(19,197)	32,046
Net position at beginning of year	445,715	406,626	401,686	39,089	4,940
Cumulative effect of accounting change	–	–	(2,103) *	–	2,103
Beginning of year as restated	445,715	406,626	399,583	39,089	7,043
Net position at end of year	$ 465,607	445,715	406,626	19,892	39,089

*Cumulative effect of accounting change per GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.*

(Dollars in thousands, unless otherwise stated)

Table 2D - CleanPowerSF
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020, 2019, and 2018

		2020	2019	2018	2020-2019 Change	2019-2018 Change
Revenues:						
Charges for services	$	245,460	167,820	39,568	77,640	128,252
Interest and investment income		1,771	735	174	1,036	561
Other non-operating revenues		1	—	1	1	(1)
Total revenues		247,232	168,555	39,743	78,677	128,812
Expenses:						
Operating expenses		196,026	137,284	38,428	58,742	98,856
Interest expenses		69	130	101	(61)	29
Total expenses		196,095	137,414	38,529	58,681	98,885
Change in net position		51,137	31,141	1,214	19,996	29,927
Net position at beginning of year		40,001	8,860	8,218	31,141	642
Cumulative effect of accounting change		—	—	(572) *	—	572
Beginning of year as restated		40,001	8,860	7,646	31,141	1,214
Net position at end of year	$	91,138	40,001	8,860	51,137	31,141

*Cumulative effect of accounting change per GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.*

Result of Operations, Fiscal Year 2020

Hetch Hetchy

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

Hetchy Water

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

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

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

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

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

Hetchy Power

Hetchy Power's total revenues were $171,623, an increase of $10,272 or 6.4% from prior year's revenues (see Table 2C). Increases included $14,099 from other non-operating revenues and $39 from rents and concessions. The increases were offset by decreases of $2,729 from charges for services and $1,137 from interest and investment income.

Charges for services were $140,680, a decrease of $2,729 or 1.9% was attributed to decreases of $4,213 in sale of electricity to retail, wholesale and Treasure Island customers due to COVID-19 and CAISO CRR credits, and $709 in resale of capacity related to electric system reliability compliance product, offset by an increase of $2,193 in sales to other City departments mainly due to average rate increase. Rents were $191, an increase of $39 or 25.7% mainly from cottage rental revenue. Interest and investment income were $5,746, a decrease of $1,137 or 16.5% mainly due to $1,073 in interest earned resulting from lower interest rates and $1,023 in unrealized gains attributed to decrease in market value in cash and investments with City Treasury, offset by an increase of $959 in interest accrued in connection of an upgraded submarine power cable for the Treasure Island. Other non-operating revenues were $25,006, increase of $14,099 or 129.3% mainly due to $6,920 from LCFS credit sales revenue, $4,825 from the Power System Impact Mitigation Project, $1,610 in fees collected from the DAS program, $1,479 in State and Federal grants related to disaster emergency recoveries for the 2018 Moccasin Storm Project, Early Intake Switchyard Project and Rim Fire Project, $341 in Cap and Trade revenues, $92 reimbursement for the Central Subway Project, $52 in annual license fee received from the Transbay Cable Project, $42 in damage claims, and $12 in overhead charges. These increases were offset by decreases of $705 in Rim Fire insurance recoveries from prior year, $330 in miscellaneous revenue from completion of Hunters Point Projects, $195 in settlement received from prior year, $41 in Federal interest subsidy due to lower debt outstanding, and $3 in net gain from sale of fixed assets, scrap, and waste.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $25,439 or 20.7% to $148,127. The increase was attributed to $16,130 in other operating expenses mainly due to lower capitalization of project expense, $3,129 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, higher pension obligations based on actuarial reports and increased personnel and fringe benefit costs, $1,656 in contractual services mainly for equipment maintenance and property rent, $1,588 in materials and supplies mainly explained by prior year recognition of material and supplies to inventory for the in-city warehouse, $1,394 in purchased electricity and transmission, distribution and other power costs mainly due to wheeling charge rate increase, $1,239 in depreciation and amortization related to additional building, structure and equipment placed in service, and $710 in general and administrative expenses mainly due to judgements and claims based on actuarial estimates. These increases were offset by a decrease of $407 in services of other departments mainly due to legal services provided by City Attorney. Interest expenses were $2,740, a decrease of $196 or 6.7% mainly due to higher capitalized interest. Amortization of premium and discount slightly decreased by $9 or 3.8% to $228.

Other non-operating expenses were $1,060, a decrease of $305 or 22.3% due to $354 in loss from sale of fixed assets in prior year, offset by an increase of $49 in payments for GoSolarSF Incentive Program and community-based organization programs. Transfer out of $32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2020 increased by $19,892 or 4.5% compared to prior year.

CleanPowerSF

CleanPowerSF's total revenues were $247,232, a $78,677 or 46.7% increase over prior year (see Table 2D). Charges for services increased by $77,640 or 46.3% mainly due to $74,099 increased electricity sales to retail and commercial customers, and $3,541 from capacity sales to Hetchy Power and other entities. Consumption increased to 1,010,934 MWh or 51% and number of customer accounts have grown from 376,787 to 383,895 as of June 2020. Interest and investment income increased by $1,036 or 141% due to $638 in interest earned resulting from higher average cash balance and $398 in unrealized gains attributed to increase in market value in cash and investments with City Treasury. Other non-operating revenue increased by $1 due to termination fees from customers.

Total operating expenses, excluding interest expenses were $196,026, an increase of $58,742 or 42.8% from prior year. The increase was due to $51,932 in purchased electricity and transmission, distribution and other power costs as a result of higher electricity sales, $3,308 in personnel services resulting from cost of living adjustments, higher retirement contribution rates, higher pension obligations based on actuarial reports and increased personnel and fringe benefit costs, $2,771 in professional and contractual services mainly from services provided by Calpine Energy Solution for customer billings, $1,142 in general and administrative mainly from increased taxes, license, and permits fees, $63 in other operating expenses mainly from the Neighborhood Steward Program Project and $6 in materials and supplies. These increases were offset by a decrease of $480 in services provided by other departments mainly explained by lower mail services and support provided by Hetchy Power for administrative services. Interest expenses were $69, a decrease of $61 or 46.9% due to lower outstanding balance for the working capital loan from Hetchy Power.

As a result of the above activities, net position for the year ended June 30, 2020 increased by $51,137 or 127.8% compared to prior year.

Result of Operations, Fiscal Year 2019

Hetch Hetchy

Hetch Hetchy's total revenues were $369,594, an increase of $163,391 or 79.2% over prior year (see Table 2A). Charges for services were $345,109, an increase of $153,442 or 80.1%, due to an increase of $128,252 from CleanPowerSF electricity sales resulting from citywide full enrollment, $24,737 from Hetchy Power due primarily to $11,721 in wholesale electricity, $7,462 in sales to City departments, and $5,554 in sales to non-City customers and capacity sales. Hetchy Water charges for services increased by $453 mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Hetch Hetchy's total expenses were $314,471, an increase of $112,105 or 55.4% over prior year. (See Table 2A).

Hetchy Water

Hetchy Water's total revenues were $39,688, an increase of $4,673 or 13.3% over prior year (see Table 2B). Charges for services were $33,880, an increase of $453 or 1.4% mainly due to an increase of $978 water assessment fees from the Water Enterprise to fund upcountry water-related cost, offset by decreases of $497 from Lawrence Livermore National Laboratory and $28 from other customers. Rents and concessions decreased by $8 or 6.0% due to lower Moccasin cottage rentals. Interest and investment income increased by $2,452 or 1,124.8% due to $1,794 in unrealized gains attributed to increase in market value in cash and investments with City Treasury and $658 in interest earned resulting from higher interest rates. Other non-operating revenue increased by $1,776 or 143.6% mainly due to $1,934 from State grants for the 2018 Moccasin Storm Project and Lower Cherry Aqueduct Project, offset by decreases of $106 in overhead charges, $33 from prior year Rim Fire insurance recoveries, $12 decreased sale of fixed assets, scrap, and waste, and $7 in miscellaneous revenue.

Total operating expenses were $50,305, an increase of $10,513 or 26.4% due to increases of $9,365 in other operating expenses mainly due to higher capital project expenses, and $1,880 in general and administrative expenses mainly due to increased taxes, licenses and permit payments to National Park Service and Turlock Irrigation District, $314 in depreciation and amortization related to building, structure and equipment, $50 in services provided by other departments mainly explained by higher light, heat, and power charges, and $32 increase in materials and supplies mainly for fuels and lubricants. These increases were offset by decreases of $809 in personnel services primarily due to lower pension and OPEB obligations based on actuarial reports, and $319 in contractual services mainly from decreased engineering services.

Other non-operating expenses decreased by $68 due to no payments to community-based organization programs. Transfer in of $20,000 was received from the Water Enterprise to fund upcountry projects.

As a result of the above activities, net position for the year ended June 30, 2019 increased by $9,383 or 4.9% compared to prior year.

Hetchy Power

Hetchy Power's total revenues were $161,351, an increase of $29,906 or 22.8% over prior year (see Table 2C). Charges for services were $143,409, an increase of $24,737 or 20.8% primarily due to $11,721 in wholesale electricity from recognition of California Independent System Operator (CAISO) Congestion Revenue Right (CRR) credits, $7,462 in sales to City departments mainly from the Office of the City Administrator, Zuckerberg San Francisco General Hospital, and San Francisco International Airport, $5,371 in sales to non-City customers mainly from tenants of the Port of San Francisco and Transbay Joint Powers Authority, and $589 in sale of capacity to CleanPowerSF. The increases were offset by a decrease of $406 in Treasure Island utilities revenue. Rents and concessions decreased by $11 or 6.7% due to lower Moccasin cottage rentals. Interest and investment income increased by $4,346 or 171.3% due to $2,657 in unrealized gains attributed to increase in market value in cash and investments with City Treasury and $1,689 in interest earned resulting from higher interest rates.

Other non-operating revenue increased by $834 or 8.28% mainly due to $787 from Hunters Point Project, $641 in overhead charges, $446 in Cap and Trade revenues, $367 in Federal grant for the Early Intake Switchyard Project, $331 from Rim Fire insurance recovery, $192 in settlement, $88 in annual license fee received from San Francisco Port Transbay Cable Project, and $39 in State grants for the 2018 Moccasin Storm Project and Other Small Power Projects. These increases were offset by decreases of $1,671 received in prior year for Energy Efficiency Projects, Power System Impact Mitigation Project and Sunnydale Parcel Q Housing Project, $178 lower fees collected from DAS, $92 reimbursement for Central Subway Project, $56 in sale of fixed assets, scrap, and waste, $39 in Federal interest subsidy due to sequestration, and $21 in miscellaneous revenues.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $3,293 or 2.8% to $122,688. The increase was attributed to $13,002 in purchased electricity and transmission, distribution and other power costs mainly due to CAISO CRR credits were recognized as revenue instead of offsetting to expenses, $2,633 in personnel services primarily due to higher salaries and fringe benefits, $985 in legal services provided by the City Attorney, $560 in contractual services, and $435 in depreciation and amortization due to increased capitalized assets of building, structure and equipment. These increases were offset by decreases of $12,875 in other operating expenses mainly due to increased capitalization of project expenses, $869 in materials and supplies mainly explained by the recognition of material and supplies to inventory for the in-city warehouse, and $578 in general and administrative expenses mainly due to lower judgments and claims based on actuarial estimates. Interest expenses were $2,936, a decrease of $167 or 5.4% mainly due to higher capitalized interest. Amortization of premium and discount slightly decreased by $11 or 4.4% to $237.

Other non-operating expenses were $1,365, a decrease of $362 or 21% due to $716 in lower payments for GoSolarSF Incentive Program and community-based organization programs, offset by $354 in loss from sale of fixed assets. Net transfer of $4,490 included transfers in of $4,522 from the City's Education Revenue Augmentation fund for utility acquisition assessments and transfer out of $32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2019 increased by $39,089 or 9.6% compared to prior year.

CleanPowerSF

CleanPowerSF's total revenues were $168,555, a $128,812 or 324.1% increase over prior year (see Table 2D). Charges for services increased by $128,252 or 324.1% which included $127,146 increased electricity sales to retail and commercial customers due to 1,421,175 MWh or 256% consumption increase and $1,106 from capacity sales to Hetchy Power and other entities. CleanPowerSF completed citywide full enrollment in April 2019, and the number of customer accounts have grown from 81,679 to 376,787 as of June 2019. Interest and investment income increased by $561 or 322.4% due to $328 in interest earned resulting from higher average cash balance and $233 in unrealized gains attributed to increase in market value in cash and investments with City Treasury. Other non-operating revenue decreased by $1 due to lower opt out termination fees from customers.

Total operating expenses, excluding interest expenses were $137,284, an increase of $98,856 or 257.2% from prior year. The increase was due to $92,541 or 305.4% in purchased electricity and transmission, distribution and other power costs as a result of higher enrollment and electricity sales, $2,620 in professional and contractual services for administrative support and program development, $2,462 in personnel services mainly due to program growth, $1,663 in services provided by other departments mainly explained by increased support provided by Hetchy Power for administrative, data scheduling and procurement, $754 in general and administrative expenses mainly from increased taxes, license, permits, and membership fee; and $51 in material and supplies. Other operating expenses decreased by $1,235 mainly due to decreased department overhead charges compared to prior year. Interest expenses were $130, an increase of $29 or 28.7% due to higher interest rates on working capital loan from Hetchy Power.

As a result of the above activities, net position for the year ended June 30, 2019 increased by $31,141 or 351.5% compared to prior year.

(Dollars in thousands, unless otherwise stated)

Capital Assets

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

Table 3A - Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Hetch Hetchy					
Facilities, improvements, machinery, and equipment	$ 386,560	359,986	339,409	26,574	20,577
Intangible assets	25,393	25,854	26,315	(461)	(461)
Land and rights-of-way	5,181	5,181	5,181	—	—
Construction work in progress	189,077	159,610	108,517	29,467	51,093
Total	606,211	550,631	479,422	55,580	71,209
Hetchy Water					
Facilities, improvements, machinery, and equipment	122,433	97,250	97,038	25,183	212
Intangible assets	10,789	10,996	11,203	(207)	(207)
Land and rights-of-way	3,232	3,232	3,232	—	—
Construction work in progress	24,328	37,625	28,326	(13,297)	9,299
Total	160,782	149,103	139,799	11,679	9,304
Hetchy Power					
Facilities, improvements, machinery, and equipment	264,127	262,736	242,371	1,391	20,365
Intangible assets	14,604	14,858	15,112	(254)	(254)
Land and rights-of-way	1,949	1,949	1,949	—	—
Construction work in progress	164,749	121,985	80,191	42,764	41,794
Total	$ 445,429	401,528	339,623	43,901	61,905

Capital Assets, Fiscal Year 2020

Hetch Hetchy

Hetch Hetchy has capital assets of $606,211, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2020 (see Table 3A). This amount represents an increase of $55,580 or 10.1%, resulting from increases of $29,467 in construction work in progress and $26,574 in facilities, improvements, machinery, and equipment; offset by a decrease of $461 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2020 include the following:

Table 3B - Hetch Hetchy
Major Additions to Construction Work in Progress and
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service
Year ended June 30, 2020

	Hetchy Water	Hetchy Power	2020 Total
Bay Corridor Project	$ —	16,789	16,789
2018 Moccasin Storm	8,966	—	8,966
Power Asset Acquisition Analysis	—	8,580	8,580
Van Ness - Bus Rapid Transit	—	8,557	8,557
Other Powerhouse Projects	—	7,687	7,687
Mountain Tunnel Improvement Project	2,477	3,027	5,504
Warnerville Substation Rehabilitation	—	5,067	5,067
Other project additions individually below $5,000	6,226	20,418	26,644
Additions to Construction Work in Progress	$ 17,669	70,125	87,794
San Joaquin Pipeline Replacement	$ 7,315	—	7,315
Moccasin Creek Downstream Channel Improvements	5,055	—	5,055
Lower Cherry Aqueduct Rehabilitation	4,442	—	4,442
Kirkwood Penstock	—	3,668	3,668
Moccasin Spillway Facilities	3,141	—	3,141
Guardrail & Pavement	1,376	1,681	3,057
Intervening Facilities	—	2,335	2,335
Early Intake Switchyard Slope Hazard Mitigation	—	2,219	2,219
Other project additions individually below $2,000	8,920	6,957	15,877
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	$ 30,249	16,860	47,109

Hetchy Water

Hetchy Water has capital assets of $160,782, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2020 (see Table 3A). This amount represents an increase of $11,679 or 7.8%, primarily due to an increase of $25,183 in facilities, improvements, machinery, and equipment, offset by decreases of $13,297 in construction work in progress, and $207 in amortization of intangible assets.

For the year ended June 30, 2020, Hetchy Water's major additions to construction work in progress totaled $17,669. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $30,249 (see Table 3B).

Hetchy Power

Hetchy Power has capital assets of $445,429, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2020 (see Table 3A). This amount represents an increase of $43,901 or 10.9%, primarily due to increases of $42,764 in construction work in progress and $1,391 in facilities, improvements, machinery, and equipment; offset by a decrease of $254 in amortization of intangible assets.

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2020, Hetchy Power's major additions to construction work in progress totaled $70,125. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $16,860 (see Table 3B).

CleanPowerSF

CleanPowerSF had no capital assets as of June 30, 2020 and 2019.

See Note 4 for additional information about capital assets.

Capital Assets, Fiscal Year 2019

Hetch Hetchy

Hetch Hetchy has capital assets of $550,631, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2019 (see Table 3A). This amount represents an increase of $71,209 or 14.9%, resulting from increases of $51,093 in construction work in progress, and $20,577 in facilities, improvements, machinery, and equipment; offset by a decrease of $461 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment.

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2019 include the following:

Table 3C - Hetch Hetchy
Major Additions to Construction Work in Progress and
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service
Year ended June 30, 2019

	Hetchy Water	Hetchy Power	2019 Total
Streetlight Replacement	$ —	15,803	15,803
Bay Corridor Project	—	14,100	14,100
Warnerville Substation Rehabilitation	—	12,099	12,099
Mountain Tunnel Improvement	4,443	5,430	9,873
2018 Moccasin Storm	8,569	—	8,569
Other Powerhouse Projects	—	8,034	8,034
Warnerville Power System Impact Mitigation	—	5,418	5,418
San Joaquin Pipeline Rehabilitation	3,268	—	3,268
Lower Cherry Aqueduct	3,047	—	3,047
Other project additions individually below $3,000	1,914	15,701	17,615
Additions to Construction Work in Progress	$ 21,241	76,585	97,826
Streetlight Replacement	$ —	15,803	15,803
Transbay Transit Center	—	8,101	8,101
Modesto Transmission Line Clearance Mitigation	—	2,804	2,804
Other project additions individually below $1,000	6,119	8,224	14,343
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	$ 6,119	34,932	41,051

Hetchy Water

Hetchy Water has capital assets of $149,103, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2019 (see Table 3A). This amount represents an increase of $9,304 or 6.7%, primarily due to increases of $9,299 in construction work in progress and $212 in facilities, improvements, machinery, and equipment, offset by a decrease of $207 in amortization of intangible assets.

For the year ended June 30, 2019, Hetchy Water's major additions to construction work in progress totaled $21,241. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $6,119 (see Table 3C).

Hetchy Power

Hetchy Power has capital assets of $401,528, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2019 (see Table 3A). This amount represents an increase of $61,905 or 18.2%, primarily due to increases of $41,794 in construction work in progress, and $20,365 in facilities, improvements, machinery, and equipment; offset by a decrease of $254 in amortization of intangible assets.

For the year ended June 30, 2019, Hetchy Power's major additions to construction work in progress totaled $76,585. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $34,932 (see Table 3C).

CleanPowerSF

CleanPowerSF had no capital assets as of June 30, 2019 and 2018.

See Note 4 for additional information about capital assets.

Debt Administration

Hetch Hetchy

As of June 30, 2020, Hetch Hetchy has outstanding Certificates of Participation, Clean Renewable Energy Bonds (CREBs), Qualified Energy Conservation Bonds (QECBs), New Clean Renewable Energy Bonds (NCREBs), 2015 Series AB revenue bonds, and commercial paper. The aforementioned debts are obligations of the Power Enterprise. See Hetchy Power section below for more details.

Hetchy Water

Hetchy Water did not have debt outstanding as of June 30, 2020 and 2019. Debt, including bond issuances, associated with the funding of water-related, upcountry infrastructure capital improvements is issued through the Water Enterprise, and is reflected in the Water Enterprise's financial statements.

Hetchy Power

As of June 30, 2020, and 2019, Hetchy Power had outstanding debt of $127,171 and $117,482, respectively, as shown in Table 4. More detailed information about the Hetchy Power's debt activity is presented in Notes 6, 7 and 8 to the financial statements.

CleanPowerSF

CleanPowerSF did not have any debt outstanding as of June 30, 2020 and 2019.

(Dollars in thousands, unless otherwise stated)

Table 4 - Hetchy Power
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2020, 2019, and 2018

	2020	2019	2018	2020-2019 Change	2019-2018 Change
Clean Renewable Energy Bonds 2008	$ 1,231	1,639	2,047	(408)	(408)
Certificates of Participation 2009 Series C	1,235	1,619	1,988	(384)	(369)
Certificates of Participation 2009 Series D (BABs)	12,593	12,593	12,593	–	–
Qualified Energy Conservation Bonds 2011	4,229	4,765	5,294	(536)	(529)
New Clean Renewable Energy Bonds 2012	130	713	1,283	(583)	(570)
New Clean Renewable Energy Bonds 2015	3,190	3,422	3,651	(232)	(229)
2015 Series A Revenue Bonds	35,444	35,585	35,720	(141)	(135)
2015 Series B Revenue Bonds	5,584	6,422	7,246	(838)	(824)
Commercial Paper	63,535	50,724	20,280	12,811	30,444
Total	$ 127,171	117,482	90,102	9,689	27,380

The increase of $9,689 was mainly due to $12,811 in commercial paper issuance, offset by decreases of $2,894 in principal repayments and $228 in amortization of premium and discount.

Credit Ratings and Bond Insurance – The Enterprise's 2015 Series AB Power Revenue Bonds have been rated "AA-" by Fitch Inc and "AA" by Standard and Poor's (S&P) as of June 30, 2020 and 2019, respectively.

Debt Service Coverage – Pursuant to the Indenture, the Enterprise is required to collect sufficient net revenues each fiscal year, together with any Available Funds (except Bond Reserve Funds) which include unappropriated fund balances and reserves, and cash and book value of investments held by the Treasurer for the Hetchy Power, that the SFPUC reasonably expects would be available, to pay principal and interest becoming due and payable on all outstanding bonds as provided in the Indenture, less any refundable credits, at least equal to 1.25 times annual debt service for said fiscal year. The Series 2015 AB power revenue bonds represent the first series of senior lien revenue bonds of Hetchy Power. Pursuant to Power's Master Trust Indenture, senior lien debt service coverage excludes debt service on subordinate obligations, such as Hetchy Power's existing CREBS, NCREBs, and QECBs. Because interest on the Series 2015 AB power revenue bonds was capitalized, Hetchy Power was not obligated to make debt service payments on the Series 2015 AB power revenue bonds until fiscal year 2018. Therefore, Hetchy Power did not calculate and report the Indenture-based debt service coverage ratio prior to fiscal year 2018. During fiscal year 2020, the Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Enterprise's Indenture (see Note 8).

Debt Authorization – Pursuant to Charter Section 9.107(6), the Power Enterprise can incur indebtedness upon three-fourths vote of the Board of Supervisors, for the purpose of the reconstruction or replacement of existing water facilities and electric power facilities, or combinations thereof, under the jurisdiction of the Public Utilities Commission. Pursuant to Charter Section 9.107(8), the Power Enterprise can issue revenue bonds, without voter approval, upon an affirmative vote of the Board of Supervisors, for the purpose of the acquisition, construction, installation, equipping, improvement, or rehabilitation of equipment or facilities for renewable energy and energy conservation. Pursuant to Proposition A, approved by the San Francisco voters on June 5, 2018, City Charter Section 8B.124 is amended to authorize the Power Enterprise to enter into indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors to reconstruct, replace, expand, repair, improve or construct new power facilities under the jurisdiction of SFPUC or for any other purpose of the Power Enterprise, and in compliance with City Charter Section 8B.124. Proposition A expressly prohibits the SFPUC from issuing bonds to finance the construction of power plants that generate electricity using fossil fuels or nuclear energy. As of June 30, 2020 and 2019, $39,555 of Hetchy Power revenue bonds were issued against existing authorization of $392,728 and $347,758, respectively.

Cost of Debt Capital **–** The Enterprise's outstanding long-term senior lien debt consists of the 2015 Series AB Power Revenue Bonds issued in May 2015, which are the first series of bonds issued under the Master Indenture and are senior in lien to all the other Enterprise's outstanding debt obligations. Coupon interest rates range from 3.0% to 5.0%. The Enterprise has previously issued and incurred debt service on Tax Credit Bonds and certificates of participation, which constitute subordinate obligations. Interest rates on the Tax Credit Bonds, which include QECBs and NCREBs, range from 1.2% to 1.5% (net of the federal tax subsidy). Certificates of participation carried interest rates range from 2.0% to 6.5%. The Enterprise's short-term debt issued under its commercial paper program has interest rates ranging from 0.2% to 4.0%, and 1.3% to 1.7% during fiscal years 2020 and 2019, respectively.

Rates and Charges

Hetchy Water

Hetchy Water charges for services relates to the storage and delivery of water. Assessment fees from the Water Enterprise, which cover the water-related upcountry costs, were $34,585 and $33,578 for the years ended June 30, 2020 and 2019, respectively. In fiscal year 2021, the assessment fees will be $44,149, an increase of $9,564 or 27.7% as reflected in the fiscal year 2021 adopted budget. Hetch Hetchy charges for services related to the storage and delivery of water.

Hetchy Power

Municipal Rates

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

On May 10, 2020, the Commission adopted two years of General Use rates effective July 1, 2020 through June 30, 2022. The adopted General Use rate for fiscal years 2021 and 2022 are $0.08877/kWh, and $0.09877/kWh, respectively. The Power Enterprise continues to develop rates under the cost of service analysis model and has started work on the next power rate study which is projected to be completed in 2021.

Retail Rates

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

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

Pursuant to City and County of San Francisco Charter Section 8B.125, an independent rate study is performed at least once every five years. The rate study is undertaken to examine future revenue requirements and cost-of-service of the Power Enterprise. In fall 2015, SFPUC engaged a consultant to perform a cost-of-service study. The informed rate setting from this study resulted in recommendation and approval by the Commission in the spring 2016 for rates to be effective July 1, 2016. Work is underway on the next power rate study which is projected to be completed in 2021 and provide power rates effective for fiscal year 2022. The SFPUC Rates Schedules and Fees is available at https://sfwater.org/modules/showdocument.aspx?documentid=7743.

CleanPowerSF

CleanPowerSF began offering services in May 2016, giving residential and commercial electricity consumers in San Francisco a choice of having their electricity supplied from clean renewable sources, such as solar and wind, at competitive rates. CleanPowerSF offers two products: a "Green" product comprised of at least 48% renewable energy and a "SuperGreen" product comprised of 100% renewable energy. Most customers take service under the "Green" product rates and remaining customers have opted to upgrade to "SuperGreen" product rates. On February 25, 2020, Commission approved a CleanPowerSF rate adjustment formula. Through Resolution 20-0048 CleanPowerSF rates will be formulaically adjusted, when PG&E rates change so long as the rate change falls within specific, Commission approved parameters including, rates will recover program costs, be competitive at +/- 1% of PG&E generation rates and should not increase a customers' bill more than 10%. The rate adjustment formula will remain in place and serve to adjust rates not otherwise adjusted by Commission action. The CleanPowerSF Rates Schedules are available at http://cleanpowersf.org/residential for residential customers and http://cleanpowersf.org/commercial for commercial customers.

CleanPowerSF revenues are adequate to support its own operations; the SFPUC intends that these rates be sufficient to pay for impending projects, and be financially independent from Hetch Hetchy in the future. CleanPowerSF is subject to Section 8B.125 of the City Charter, which requires an independent rate study be performed at least once every five years, and the Commission sets rates and charges for the program. CleanPowerSF rates will be included in the next power rate study which is projected to be completed in 2021.

Request for Information

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

This report is available at http://www.sfwater.org/index.aspx?page=347.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Net Position

June 30, 2020 and 2019

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	Elimination*	2020 Total	Hetchy Water	Hetchy Power	CleanPowerSF	Elimination*	2019 Total
Assets										
Current assets:										
Cash and investments with City Treasury	$ 79,172	191,687	84,192	–	355,051	77,433	188,787	25,514	–	291,734
Cash and investments outside City Treasury	1	1	–	–	2	1	–	–	–	1
Receivables:										
Charges for services (net of allowance for doubtful accounts from Hetchy Power of $591 and CleanPowerSF of $1,810 as of Jun 30,2020; and Hetchy Power of $19 and CleanPowerSF of $585 as of June 30,2019)	29	2,967	34,712	–	37,708	79	5,804	34,789	–	40,672
Due from other City departments, current portion	104	2,874	–	(1,800)	1,178	–	817	–	–	817
Due from other governments	2,575	1,644	–	–	4,219	2,911	601	–	–	3,512
Interest	183	580	215	–	978	449	1,352	197	–	1,998
Restricted interest and other receivables	24	168	–	–	192	66	196	–	–	262
Total current receivables	2,915	8,233	34,927	(1,800)	44,275	3,505	8,770	34,986	–	47,261
Prepaid charges, advances, and other receivables, current portion	512	2,247	2,760	–	5,519	462	3,613	2,544	–	6,619
Inventory	187	1,609	–	–	1,796	198	1,417	–	–	1,615
Restricted cash and investments outside City Treasury, current portion	–	151	–	–	151	–	3,896	–	–	3,896
Total current assets	82,787	203,928	121,879	(1,800)	406,794	81,599	206,483	63,044	–	351,126
Non-current assets:										
Restricted cash and investments with City Treasury	9,768	8,060	–	–	17,828	12,673	19,195	–	–	31,868
Restricted cash and investments outside City Treasury, less current portion	–	3,795	–	–	3,795	–	–	–	–	–
Capital assets, not being depreciated and amortized	27,566	168,129	–	–	195,695	40,863	125,365	–	–	166,228
Capital assets, net of accumulated depreciation and amortization	133,216	277,300	–	–	410,516	108,240	276,163	–	–	384,403
Prepaid charges, advances, and other receivables, less current portion	156	767	–	–	923	160	780	–	–	940
Due from other City departments, less current portion	–	12,295	–	–	12,295	–	12,764	–	(3,731)	9,033
Total non-current assets	170,706	470,346	–	–	641,052	161,936	434,267	–	(3,731)	592,472
Total assets	253,493	674,274	121,879	(1,800)	1,047,846	243,535	640,750	63,044	(3,731)	943,598
Deferred outflows of resources:										
Pensions	7,950	9,716	572	–	18,238	6,447	7,879	339	–	14,665
Other post-employment benefits	2,332	2,850	270	–	5,452	1,343	1,641	108	–	3,092
Total deferred outflows of resources	10,282	12,566	842	–	23,690	7,790	9,520	447	–	17,757
Liabilities										
Current liabilities:										
Accounts payable	958	14,185	21,906	–	37,049	600	14,120	16,210	–	30,930
Accrued payroll	888	2,298	200	–	3,386	645	1,804	159	–	2,608
Accrued vacation and sick leave, current portion	911	1,596	175	–	2,682	859	1,533	142	–	2,534
Accrued workers' compensation, current portion	201	384	–	–	585	201	383	–	–	584
Damage claims liability, current portion	274	705	53	–	1,032	70	684	3	–	757
Due to other City departments, current portion	240	231	1,809	(1,800)	480	–	–	–	–	–
Unearned revenues, refunds, and other, current portion	18	4,852	848	–	5,718	14	3,995	542	–	4,551
Bond and loan interest payable	–	508	–	–	508	–	542	–	–	542
Bonds, current portion	–	2,115	–	–	2,115	–	2,528	–	–	2,528
Certificates of participation, current portion	–	384	–	–	384	–	366	–	–	366
Commercial paper	–	63,535	–	–	63,535	–	50,724	–	–	50,724
Current liabilities payable from restricted assets	3,279	8,459	–	–	11,738	4,337	5,285	–	–	9,622
Total current liabilities	6,769	99,252	24,991	(1,800)	129,212	6,726	81,964	17,056	–	105,746
Long-term liabilities:										
Other post-employment benefits obligations	16,350	19,983	2,197	–	38,530	15,404	18,826	1,242	–	35,472
Net pension liability	21,477	26,249	1,805	–	49,531	20,390	24,920	1,070	–	46,380
Accrued vacation and sick leave, less current portion	735	1,361	116	–	2,212	529	1,110	69	–	1,708
Accrued workers' compensation, less current portion	986	1,816	–	–	2,802	1,037	1,878	–	–	2,915
Damage claims liability, less current portion	284	1,517	53	–	1,854	154	1,369	4	–	1,527
Due to other City departments, less current portion	–	369	–	–	369	–	350	3,731	(3,731)	350
Bonds, less current portion	–	47,693	–	–	47,693	–	50,018	–	–	50,018
Unearned revenues, refunds, and other, less current portion	609	2,790	–	–	3,399	609	3,794	–	–	4,403
Certificates of participation, less current portion	–	13,444	–	–	13,444	–	13,846	–	–	13,846
Total long-term liabilities	40,441	115,222	4,171	–	159,834	38,123	116,111	6,116	(3,731)	156,619
Total liabilities	47,210	214,474	29,162	(1,800)	289,046	44,849	198,075	23,172	(3,731)	262,365
Deferred inflows of resources:										
Related to pensions	4,335	5,298	1,210	–	10,843	3,874	4,734	203	–	8,811
Other post-employment benefits	1,195	1,461	1,211	–	3,867	1,429	1,746	115	–	3,290
Total deferred inflows of resources	5,530	6,759	2,421	–	14,710	5,303	6,480	318	–	12,101
Net position:										
Net investment in capital assets	160,782	322,204	–	–	482,986	149,103	301,534	–	–	450,637
Restricted for debt service	–	142	–	–	142	–	1,145	–	–	1,145
Restricted for capital projects	6,513	–	–	–	6,513	8,401	–	–	–	8,401
Unrestricted	43,740	143,261	91,138	–	278,139	43,669	143,036	40,001	–	226,706
Total net position	$ 211,035	465,607	91,138	–	767,780	201,173	445,715	40,001	–	686,889

*Included interfund loan receivable and loan payable of $1,800 and $3,731 for fiscal years ended 2020 and 2019, between Hetchy Power and CleanPowerSF.

See accompanying notes to financial statements.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020 and 2019
(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2020 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2019 Total
Operating revenues:								
Charges for services	$ 34,797	140,680	245,460	420,937	33,880	143,409	167,820	345,109
Rents and concessions	156	191	–	347	125	152	–	277
Total operating revenues	34,953	140,871	245,460	421,284	34,005	143,561	167,820	345,386
Operating expenses:								
Personnel services	16,304	40,712	7,920	64,936	13,707	37,583	4,612	55,902
Contractual services	1,642	7,742	7,557	16,941	1,205	6,086	4,786	12,077
Transmission/distribution and other power costs	–	41,405	220	41,625	–	37,242	296	37,538
Purchased electricity	–	7,426	174,550	181,976	–	10,195	122,542	132,737
Materials and supplies	1,337	2,260	57	3,654	1,133	672	51	1,856
Depreciation and amortization	5,276	15,723	–	20,999	5,380	14,484	–	19,864
Services provided by other departments	1,853	6,426	2,728	11,007	1,622	6,833	3,208	11,663
General and administrative and other	18,461	26,433	2,994	47,888	27,258	9,593	1,789	38,640
Total operating expenses	44,873	148,127	196,026	389,026	50,305	122,688	137,284	310,277
Operating income (loss)	(9,920)	(7,256)	49,434	32,258	(16,300)	20,873	30,536	35,109
Non-operating revenues (expenses):								
Federal and state grants	2,859	1,885	–	4,744	2,984	406	–	3,390
Interest and investment income	1,932	5,746	1,771	9,449	2,670	6,883	735	10,288
Interest expenses	–	(2,740)	(69)	(2,809)	–	(2,936)	(130)	(3,066)
Amortization of premium and discount	–	228	–	228	–	237	–	237
Net gain (loss) from sale of assets	4	5	–	9	–	(354)	–	(354)
Other non-operating revenues	998	23,116	1	24,115	29	10,501	–	10,530
Other non-operating expenses	(11)	(1,060)	–	(1,071)	–	(1,011)	–	(1,011)
Net non-operating revenues	5,782	27,180	1,703	34,665	5,683	13,726	605	20,014
Change in net position before transfers	(4,138)	19,924	51,137	66,923	(10,617)	34,599	31,141	55,123
Transfers from the City and County of San Francisco	14,000	–	–	14,000	20,000	4,522	–	24,522
Transfers to the City and County of San Francisco	–	(32)	–	(32)	–	(32)	–	(32)
Net transfers	14,000	(32)	–	13,968	20,000	4,490	–	24,490
Change in net position	9,862	19,892	51,137	80,891	9,383	39,089	31,141	79,613
Net position at beginning of year	201,173	445,715	40,001	686,889	191,790	406,626	8,860	607,276
Net position at end of year	$ 211,035	465,607	91,138	767,780	201,173	445,715	40,001	686,889

See accompanying notes to financial statements.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2020 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2019 Total
Cash flows from operating activities:								
Cash received from customers, including cash deposits	$ 34,843	142,063	245,843	422,749	33,836	145,652	138,871	318,359
Cash received from tenants for rent	127	157	–	284	124	151	–	275
Cash paid to employees for services	(15,959)	(39,924)	(4,401)	(60,284)	(14,445)	(38,129)	(3,708)	(56,282)
Cash paid to suppliers for goods and services	(21,185)	(77,267)	(184,310)	(282,762)	(25,172)	(72,853)	(122,604)	(220,629)
Cash paid for judgments and claims	(343)	(1,572)	(208)	(2,123)	(534)	(1,730)	(37)	(2,301)
Net cash provided by (used in) operating activities	(2,517)	23,457	56,924	77,864	(6,191)	33,091	12,522	39,422
Cash flows from non-capital and related financing activities:								
Cash received from grants	3,195	842	–	4,037	126	12	–	138
Cash received for license fees	–	5,712	–	5,712	–	4,386	–	4,386
Cash received from miscellaneous revenues	998	16,252	1	17,251	30	5,066	–	5,096
Cash received from settlements	–	–	–	–	–	195	–	195
Cash paid for rebates, program incentives, and other	(11)	(1,060)	–	(1,071)	–	(1,011)	–	(1,011)
Transfers from the City and County of San Francisco	14,000	–	–	14,000	20,000	4,522	–	24,522
Transfers to the City and County of San Francisco	–	(32)	–	(32)	–	(32)	–	(32)
Net cash provided by non-capital financing activities	18,182	21,714	1	39,897	20,156	13,138	–	33,294
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets	(19,075)	(66,390)	–	(85,465)	(22,698)	(76,205)	–	(98,903)
Proceeds from sale of capital assets	4	5	–	9	–	–	–	–
Principal payments on long-term debt	–	(2,894)	–	(2,894)	–	(2,828)	–	(2,828)
Proceeds from commercial paper borrowings	–	12,811	–	12,811	–	30,444	–	30,444
Interest paid on long-term debt	–	(3,096)	–	(3,096)	–	(3,204)	–	(3,204)
Interest paid on commercial paper borrowings	–	(805)	–	(805)	–	(438)	–	(438)
Federal interest income subsidy	–	467	–	467	–	581	–	581
Net cash used in capital and related financing activities	(19,071)	(59,902)	–	(78,973)	(22,698)	(51,650)	–	(74,348)
Cash flows from investing activities:								
Interest Income	1,816	5,847	1,187	8,850	1,274	4,277	428	5,979
Proceeds from sale of investments outside City Treasury	–	5,028	–	5,028	–	4,840	–	4,840
Purchases of investments outside City Treasury	–	(5,028)	–	(5,028)	–	(3,802)	–	(3,802)
Net cash provided by investing activities	1,816	5,847	1,187	8,850	1,274	5,315	428	7,017
Increase (decrease) in cash and cash equivalents	(1,590)	(8,884)	58,112	47,638	(7,459)	(106)	12,950	5,385
Cash and cash equivalents:								
Beginning of year	89,658	211,169	25,415	326,242	97,117	211,275	12,465	320,857
End of year	$ 88,068	202,285	83,527	373,880	89,658	211,169	25,415	326,242
Reconciliation of cash and cash equivalents to the statements of net position:								
Cash and investments with City Treasury:								
Unrestricted	$ 79,172	191,687	84,192	355,051	77,433	188,787	25,514	291,734
Restricted	9,768	8,060	–	17,828	12,673	19,195	–	31,868
Less: Unrealized gain on investments	(873)	(1,409)	(665)	(2,947)	(449)	(709)	(99)	(1,257)
Cash and investments outside City Treasury:								
Unrestricted	1	1	–	2	1	–	–	1
Restricted	–	3,946	–	3,946	–	3,896	–	3,896
Cash and cash equivalents at end of year on statements of cash flows	$ 88,068	202,285	83,527	373,880	89,658	211,169	25,415	326,242

(Continued)

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2020 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2019 Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ (9,920)	(7,256)	49,434	32,258	(16,300)	20,873	30,536	35,109
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization	5,276	15,723	–	20,999	5,380	14,484	–	19,864
Provision for uncollectible accounts	–	572	1,225	1,797	–	(33)	279	246
Write-off of capital assets	1,062	11,175	–	12,237	5,948	153	–	6,101
Changes in operating assets and liabilities:								
Receivables:								
Charges for services	50	2,265	(1,148)	1,167	(51)	1,502	(29,697)	(28,246)
Prepaid charges, advances, and other	(46)	1,994	(216)	1,732	3	(2,234)	(106)	(2,337)
Due from other City departments	(104)	(1,627)	–	(1,731)	–	2,792	–	2,792
Inventory	11	(192)	–	(181)	(12)	(1,202)	–	(1,214)
Accounts payable	358	65	5,696	6,119	(210)	(375)	12,130	11,545
Accrued payroll	243	494	41	778	7	150	106	263
Other post-employment benefits obligations	(277)	(337)	1,889	1,275	462	564	560	1,586
Pension obligations	45	56	1,509	1,610	(1,729)	(2,114)	91	(3,752)
Accrued vacation and sick leave	258	314	80	652	65	79	147	291
Accrued workers' compensation	(51)	(61)	–	(112)	249	301	–	550
Damage claims liability	334	169	99	602	(9)	(180)	7	(182)
Due to other City departments	240	250	(1,991)	(1,501)	–	350	(2,000)	(1,650)
Unearned revenues, refunds, and other liabilities	4	(147)	306	163	6	(2,019)	469	(1,544)
Total adjustments	7,403	30,713	7,490	45,606	10,109	12,218	(18,014)	4,313
Net cash provided by (used in) operating activities	$ (2,517)	23,457	56,924	77,864	(6,191)	33,091	12,522	39,422
Noncash transactions:								
Accrued capital asset costs	$ 3,279	8,459	–	11,738	4,337	5,285	–	9,622
Payables to Hetchy Power	–	–	1,800	1,800	–	–	3,731	3,731
Receivables from CleanPowerSF	–	1,800	–	1,800	–	3,731	–	3,731
Receivables from Wastewater	–	847	–	847	–	955	–	955
Unrealized gain on investments	(873)	(1,409)	(665)	(2,947)	(449)	(709)	(99)	(1,257)

See accompanying notes to financial statements.

(1) Description of Reporting Entity

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

Approximately 86% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 14% balance of electricity is sold to CleanPowerSF and other publicly owned utilities. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the CAISO. Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

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

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

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

The SFPUC is a department of the City, and as such, the financial operations of Hetch Hetchy, Wastewater, and the Water Enterprises are included in the Comprehensive Annual Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of Hetch Hetchy. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and 2019, and the changes in its financial position, or, where applicable, the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles (GAAP).

(2) Significant Accounting Policies

(a) *Basis of Accounting and Measurement Focus*

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

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

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

(b) *Cash and Cash Equivalents*

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

(c) *Investments*

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

(d) *Inventory*

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

(e) *Capital Assets*

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

(f) *Intangible Assets*

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

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

(g) *Construction Work in Progress*

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

(h) *Capitalization of Interest*

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets (see Note 4).

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

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

(j) *Accrued Vacation and Sick Leave*

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

(Dollars in thousands, unless otherwise stated)

(k) ***Workers' Compensation***

The Enterprise is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 12(b)).

(l) ***General Liability***

The Enterprise is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development and estimated incurred but not reported claims (see Note 12(a)).

(m) ***Arbitrage Rebate Payable***

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements of the Clean Renewable Energy Bonds (CREBs), the Qualified Energy Conservation Bonds (QECBs), and the New Clean Renewable Energy Bonds (NCREBs) stipulate that the first payment of excess investment earnings, if any, is required to be rebated to the federal government, no later than 60 days after the end of the fifth bond year of the agreement. Hetch Hetchy did not have any arbitrage liability as of June 30, 2020 and 2019.

(n) ***Income Taxes***

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

(o) ***Revenue Recognition***

Water and power revenues are based on water and power consumption and billing rates. Generally, customers are billed monthly. Revenues earned but unbilled are accrued as charges for services receivables on the Statements of Net Position. The unbilled amounts for the fiscal years ending June 30, 2020 and 2019 are as follows:

		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2020	$	–	350	15,730	16,080
2019		–	500	17,308	17,808

(p) ***Use of Estimates***

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

(q) ***Eliminations***

Eliminations for internal activities between the Hetchy Power and CleanPowerSF are made in the Statements of Net Position. There were activities requiring eliminations during the fiscal years ended June 30, 2020 and 2019.

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

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

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

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the Design Phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include, but are not limited to, asbestos or lead paint removal; leaking of sewage in underground pipes or neighboring areas; chemical spills; removal and disposal of known toxic waste; harmful biological and chemical pollution of water; or contamination of surrounding soils by underground storage tanks (see Note 13(d)).

(s) ***Other Post-employment Benefits (OPEB)***

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

(t) ***New Accounting Standard Adopted in Fiscal Year 2020***

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. The Enterprise adopted the provisions of this Statement in fiscal year 2020.

(u) ***GASB Statements Implemented in Fiscal Year 2019***

1) In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 establishes accounting and financial reporting standards for certain asset retirement obligations (AROs). The standard is effective for periods beginning after June 15, 2018. The Enterprise adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

2) In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The standard is effective for periods beginning after June 15, 2018. The Enterprise adopted the provisions of this Statement. Refer to Notes 6 and 7 for details.

(v) ***Future Implementation of New Accounting Standards***

1) In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for state and local governments to identify fiduciary activities and how those activities should be reported. The new standard is effective for periods beginning after December 15, 2019. The Enterprise will implement the provisions of Statement No. 84 in fiscal year 2021.

2) In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease liabilities that currently are not reported. The new standard is effective for periods beginning after June 15, 2021. The Enterprise will implement the provisions of Statement No. 87 in fiscal year 2022.

3) In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The new standard is effective for periods beginning after December 15, 2020. The Enterprise will implement the provisions of Statement No. 89 in fiscal year 2022.

4) In August 2018, the GASB issued Statement No. 90, *Accounting and Financial Reporting for Majority Equity Interests*. GASB Statement No. 90 provides clarification when a government should report a majority equity interest in a legally separate organization as either a component unit or an investment. The new standard is effective for periods beginning after December 15, 2019. The Enterprise will implement the provisions of Statement No. 90 in fiscal year 2021.

(Continued)

5) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the compatibility and consistency of conduit debt obligation reporting and reporting of related transactions by State and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The Enterprise will implement the provisions of Statement No. 91 in fiscal year 2023.

6) In January 2020, the GASB issued Statement No. 92*, Omnibus 2020*. GASB Statement No. 92 addresses practice issues that have been identified during implementation and application of certain GASB Statements. The new standard is effective for periods beginning after June 15, 2021. The Enterprise will implement the provisions of Statement No. 92 in fiscal year 2022.

7) In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The new standard is effective for periods beginning after June 15, 2021. The Enterprise will implement the provisions of Statement No. 93 in fiscal year 2022.

8) In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The new standard is effective for periods beginning after June 15, 2022. The Enterprise will implement the provisions of Statement No. 94 in fiscal year 2023.

9) In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government. The new standard is effective for periods beginning after June 15, 2022. The Enterprise will implement the provisions of Statement No. 96 in fiscal year 2023.

10) In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. GASB Statement No. 97 clarifies rules related to reporting of fiduciary activities under Statements No. 14 and No. 84 and enhances the accounting and financial reporting of IRS Code section 457 plans that meet the definition of a pension plan. The new standard is effective for periods beginning after June 15, 2021. The Enterprise will implement the provisions of Statement No. 97 in fiscal year 2022.

(3) Cash, Cash Equivalents, and Investments

Hetch Hetchy's cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio, which may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to Hetch Hetchy's average daily cash balances. The primary objectives of Hetch Hetchy's investment policy are consistent with the City's policy.

(Dollars in thousands, unless otherwise stated)

Restricted assets are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The balances as of June 30, 2020 and 2019 were $3,946 and $3,896, respectively. The Enterprise held all investments in guaranteed investment contracts, treasury and government obligations, commercial paper, corporate bonds, and notes, as well as money market mutual funds consisting of treasury and government obligations. The balance as of June 30, 2020 included 2015 Series A bonds proceeds of $2,193, certificates of participation proceeds of $1,220, 2015 Series B bonds proceeds of $516, commercial paper of $17, and $2 held at a commercial bank in a non-interest-bearing checking account that is covered by depository insurance. The balance as of June 30, 2019 included 2015 Series A bonds proceeds of $2,167, certificates of participation proceeds of $1,209, 2015 Series B bonds proceeds of $510, commercial paper of $10, and $1 held at a commercial bank in a non-interest bearing checking account that is covered by depository insurance.

Hetch Hetchy did not have any unrealized gain and loss in the restricted cash and investments outside City Treasury as of June 30, 2020 and 2019.

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

The following is a summary of the Hetch Hetchy restricted and unrestricted cash and investments outside City Treasury and the fair value hierarchy as of June 30, 2020 and 2019.

Hetch Hetchy Cash and Investments outside City Treasury

		June 30, 2020			Fair Value Measurements Using		
Investments	Credit Ratings (S&P/Moody's)	Maturities	Fair Value	Investments exempt from fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
Hetchy Water							
Cash and Cash Equivalents	N/A		$ 1	1	–	–	–
Total Cash and Cash Equivalents outside City Treasury			$ 1	1	–	–	–
Hetchy Power							
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 3,929	3,929	–	–	–
Cash and Cash Equivalents	N/A		17	17	–	–	–
Total Restricted Cash and Investments outside City Treasury			$ 3,946	3,946	–	–	–
Cash and Cash Equivalents	N/A		$ 1	1	–	–	–
Total Cash and Cash Equivalents outside City Treasury			$ 1	1	–	–	–

(Dollars in thousands, unless otherwise stated)

Hetch Hetchy Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2019 Maturities		Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
Hetchy Water								
Cash and Cash Equivalents	N/A		$	1	1	–	–	–
Total Cash and Investments outside City Treasury			$	1	1	–	–	–
Hetchy Power								
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$	3,886	3,886	–	–	–
Cash and Cash Equivalents	N/A			10	10	–	–	–
Total Restricted Cash and Investments outside City Treasury			$	3,896	3,896	–	–	–

For fiscal year 2020 and 2019, proceeds from 2015 Series A and B bonds held as restricted cash and investments outside City Treasury in the amount of $2,709 and $2,677 were invested in U.S. Treasury Money Market with maturity date less than 90 days, respectively. The credit ratings of the U.S. Treasury Money Market as of June 30, 2020 and 2019 were "AAAm" by S&P and "Aaa-mf" by Moody's.

Hetch Hetchy's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as of June 30, 2020 and 2019:

		Hetchy Water	Hetchy Power	CleanPowerSF	Total 2020
Current assets:					
Cash and investments with City Treasury	$	79,172	191,687	84,192	355,051
Cash and investments outside City Treasury		1	1	–	2
Restricted cash and investments outside City Treasury		–	151	–	151
Non-current assets:					
Restricted cash and investments with City Treasury		9,768	8,060	–	17,828
Restricted cash and investments outside City Treasury		–	3,795	–	3,795
Total cash, cash equivalents, and investments	$	88,941	203,694	84,192	376,827

		Hetchy Water	Hetchy Power	CleanPowerSF	Total 2019
Current assets:					
Cash and investments with City Treasury	$	77,433	188,787	25,514	291,734
Cash and investments outside City Treasury		1	–	–	1
Restricted cash and investments outside City Treasury		–	3,896	–	3,896
Non-current assets:					
Restricted cash and investments with City Treasury		12,673	19,195	–	31,868
Total cash, cash equivalents, and investments	$	90,107	211,878	25,514	327,499

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

Fiscal years ended June 30	Investment maturities (in months): Under 1	1 to less than 6	6 to less than 12	12 to 60
2020	30.1%	32.4%	15.6%	21.9%
2019	17.4%	22.2%	16.3%	44.1%

(Dollars in thousands, unless otherwise stated)

(4) Capital Assets

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

a) Hetch Hetchy capital assets as of June 30, 2020 and 2019 consist of the following:

	2019	Increases	Decreases	2020
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 5,181	—	—	5,181
Intangible assets	1,437	—	—	1,437
Construction work in progress	159,610	87,794	(58,327) *	189,077
Total capital assets not being depreciated and amortized	166,228	87,794	(58,327)	195,695
Capital assets being depreciated and amortized:				
Facilities and improvements	679,362	43,820	—	723,182
Intangible assets	45,715	—	—	45,715
Machinery and equipment	133,377	3,289	(93)	136,573
Total capital assets being depreciated and amortized	858,454	47,109 *	(93)	905,470
Less accumulated depreciation and amortization for:				
Facilities and improvements	(374,449)	(14,848)	3	(389,294)
Intangible assets	(21,298)	(461)	—	(21,759)
Machinery and equipment	(78,304)	(5,690)	93	(83,901)
Total accumulated depreciation and amortization	(474,051)	(20,999)	96	(494,954)
Total capital assets being depreciated and amortized, net	384,403	26,110	3	410,516
Total capital assets, net	$ 550,631	113,904	(58,324)	606,211

* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by $12,237 in capital project write-offs, mainly related to Transmission and Distribution System Improvement Project, Transbay Cable Project, Treasure Island Submarine Project and Alternative Transmission Project. The remaining difference of $1,019 was offset by direct additions to machinery and equipment.

	2018	Increases	Decreases	2019
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 5,181	—	—	5,181
Intangible assets	1,437	—	—	1,437
Construction work in progress	108,517	97,826	(46,733) *	159,610
Total capital assets not being depreciated and amortized	115,135	97,826	(46,733)	166,228
Capital assets being depreciated and amortized:				
Facilities and improvements	642,606	38,071	(1,315)	679,362
Intangible assets	45,715	—	—	45,715
Machinery and equipment	130,397	2,980	—	133,377
Total capital assets being depreciated and amortized	818,718	41,051 *	(1,315)	858,454
Less accumulated depreciation and amortization for:				
Facilities and improvements	(361,109)	(13,584)	244	(374,449)
Intangible assets	(20,837)	(461)	—	(21,298)
Machinery and equipment	(72,485)	(5,819)	—	(78,304)
Total accumulated depreciation and amortization	(454,431)	(19,864)	244	(474,051)
Total capital assets being depreciated and amortized, net	364,287	21,187	(1,071)	384,403
Total capital assets, net	$ 479,422	119,013	(47,804)	550,631

* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by $6,101 in capital project write-offs, mainly related to Mountain Tunnel Lining Project, 2018 Moccasin Storm Project, and San Joaquin Pipeline Rehabilitation Project.

(Dollars in thousands, unless otherwise stated)

b) Hetchy Water capital assets as of June 30, 2020 and 2019 consist of the following:

	2019	Increases	Decreases	2020
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 3,232	–	–	3,232
Intangible assets	6	–	–	6
Construction work in progress	37,625	17,669	(30,966) *	24,328
Total capital assets not being depreciated and amortized	40,863	17,669	(30,966)	27,566
Capital assets being depreciated and amortized:				
Facilities and improvements	254,630	29,850	–	284,480
Intangible assets	20,522	–	–	20,522
Machinery and equipment	26,932	399	(28)	27,303
Total capital assets being depreciated and amortized	302,084	30,249 *	(28)	332,305
Less accumulated depreciation and amortization for:				
Facilities and improvements	(166,017)	(3,860)	3	(169,874)
Intangible assets	(9,532)	(207)	–	(9,739)
Machinery and equipment	(18,295)	(1,209)	28	(19,476)
Total accumulated depreciation and amortization	(193,844)	(5,276)	31	(199,089)
Total capital assets being depreciated and amortized, net	108,240	24,973	3	133,216
Total capital assets, net	$ 149,103	42,642	(30,963)	160,782

* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by $1,062 in capital project write-offs, mainly related to Hetchy Water's share of 2018 Moccasin Storm Project and Lower Cherry Aqueduct Project. The remaining difference of $345 was offset by direct additions to machinery and equipment.

	2018	Increases	Decreases	2019
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 3,232	–	–	3,232
Intangible assets	6	–	–	6
Construction work in progress	28,326	21,241	(11,942) *	37,625
Total capital assets not being depreciated and amortized	31,564	21,241	(11,942)	40,863
Capital assets being depreciated and amortized:				
Facilities and improvements	249,678	5,686	(734)	254,630
Intangible assets	20,522	–	–	20,522
Machinery and equipment	26,499	433	–	26,932
Total capital assets being depreciated and amortized	296,699	6,119 *	(734)	302,084
Less accumulated depreciation and amortization for:				
Facilities and improvements	(162,067)	(3,950)	–	(166,017)
Intangible assets	(9,325)	(207)	–	(9,532)
Machinery and equipment	(17,072)	(1,223)	–	(18,295)
Total accumulated depreciation and amortization	(188,464)	(5,380)	–	(193,844)
Total capital assets being depreciated and amortized, net	108,235	739	(734)	108,240
Total capital assets, net	$ 139,799	21,980	(12,676)	149,103

* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by $5,948 in capital project write-offs, mainly related to Hetchy Water's share of Mountain Tunnel Lining Project, 2018 Moccasin Storm Project, and San Joaquin Pipeline Rehabilitation Project.

(Dollars in thousands, unless otherwise stated)

c) Hetchy Power capital assets as of June 30, 2020 and 2019 consist of the following:

	2019	Increases	Decreases	2020
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 1,949	–	–	1,949
Intangible assets	1,431	–	–	1,431
Construction work in progress	121,985	70,125	(27,361) *	164,749
Total capital assets not being depreciated and amortized	125,365	70,125	(27,361)	168,129
Capital assets being depreciated and amortized:				
Facilities and improvements	424,732	13,970	–	438,702
Intangible assets	25,193	–	–	25,193
Machinery and equipment	106,445	2,890	(65)	109,270
Total capital assets being depreciated and amortized	556,370	16,860 *	(65)	573,165
Less accumulated depreciation and amortization for:				
Facilities and improvements	(208,432)	(10,988)	–	(219,420)
Intangible assets	(11,766)	(254)	–	(12,020)
Machinery and equipment	(60,009)	(4,481)	65	(64,425)
Total accumulated depreciation and amortization	(280,207)	(15,723)	65	(295,865)
Total capital assets being depreciated and amortized, net	276,163	1,137	–	277,300
Total capital assets, net	$ 401,528	71,262	(27,361)	445,429

* Decrease in construction work in progress is greater than increase in capital assets being depreciated explained by $11,175 in capital project write-offs, mainly related to Transmission and Distribution System Improvement Project, Transbay Cable Project, Treasure Island Submarine Project and Alternative Transmission Project. The remaining difference of $674 was offset by direct additions to machinery and equipment.

	2018	Increases	Decreases	2019
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 1,949	–	–	1,949
Intangible assets	1,431	–	–	1,431
Construction work in progress	80,191	76,585	(34,791) *	121,985
Total capital assets not being depreciated and amortized	83,571	76,585	(34,791)	125,365
Capital assets being depreciated and amortized:				
Facilities and improvements	392,928	32,385	(581)	424,732
Intangible assets	25,193	–	–	25,193
Machinery and equipment	103,898	2,547	–	106,445
Total capital assets being depreciated and amortized	522,019	34,932	(581)	556,370
Less accumulated depreciation and amortization for:				
Facilities and improvements	(199,042)	(9,634)	244	(208,432)
Intangible assets	(11,512)	(254)	–	(11,766)
Machinery and equipment	(55,413)	(4,596)	–	(60,009)
Total accumulated depreciation and amortization	(265,967)	(14,484)	244	(280,207)
Total capital assets being depreciated and amortized, net	256,052	20,448	(337)	276,163
Total capital assets, net	$ 339,623	97,033	(35,128)	401,528

* Decrease in construction work in progress included $153 in capital project write-offs, mainly related to Hetchy Power's share of 2018 Moccasin Storm Project, Other Powerhouse Projects, and Road Improvement Project.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*, requires that interest expense incurred during construction of assets be capitalized.

(Dollars in thousands, unless otherwise stated)

Interest included in the construction work in progress and total interest expense incurred during the years ended June 30, 2020 and 2019 are as follows:

Hetchy Power		2020	2019
Interest expensed	$	2,740	2,936
Interest included in construction work in progress		1,127	724
Total interest incurred	$	3,867	3,660

(5) Restricted Assets

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

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

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

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

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

(Dollars in thousands, unless otherwise stated)

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

(a) Hetchy Water has the following restricted assets held in trust as of June 30, 2020 and 2019:

	2020	2019
Cash and investments with City Treasury:		
Hetch Hetchy bond construction fund	$ 9,768	12,673
Interest receivable:		
Hetch Hetchy bond construction fund	24	66
Total restricted assets	$ 9,792	12,739

(b) Hetchy Power has the following restricted assets held in trust as of June 30, 2020 and 2019:

	2020	2019
Cash and investments with City Treasury:		
Hetch Hetchy bond construction fund	$ 8,060	19,195
Cash and investments outside City Treasury:		
2009 Series C Certificates of participation - 525 Golden Gate	247	245
2009 Series D Certificates of participation - 525 Golden Gate	973	964
2015 Series A Revenue Bonds	2,193	2,167
2015 Series B Revenue Bonds	516	510
Commercial Paper	17	10
Total restricted cash and investments outside City Treasury	3,946	3,896
Interest receivable:		
Hetch Hetchy bond construction fund	168	196
Total restricted assets	$ 12,174	23,287

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

(6) Short-Term Debt

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the Commission and Board of Supervisors authorized the issuance of up to $250,000 in commercial paper notes for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the commercial paper ranged from 0.2% to 4.0% in fiscal year 2020. The Enterprise had $63,535 and $50,724 commercial paper outstanding as of June 30, 2020 and 2019, respectively. The Enterprise had $186,465 and $199,276 in unused authorization as of June 30, 2020 and 2019, respectively.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Significant Events of default as specified in the Reimbursement Agreements include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements and 3) bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2020, there were no such events described herein.

(Dollars in thousands, unless otherwise stated)

(7) Changes in Long-Term Liabilities

a) Hetch Hetchy's long-term liability activities for the years ended June 30, 2020 and 2019 are as follows:

	Interest rate	Maturity (Calendar Year)	2019	Additions	Reductions	2020	Due within one year
Bonds:							
Clean Renewable Energy Bonds	0.00 %	2022	$ 1,687	–	(422)	1,265	422
Qualified Energy Conservation Bonds	4.74	2027	4,765	–	(536)	4,229	542
New Clean Renewable Energy Bonds 2012	4.74	2020	713	–	(583)	130	130
New Clean Renewable Energy Bonds 2015	4.62	2032	3,422	–	(232)	3,190	236
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	–	–	32,025	–
2015 Series B Revenue Bonds	3.00 - 4.00	2026	6,090	–	(755)	5,335	785
Less issuance discount			(48)	–	14	(34)	–
Add issuance premiums			3,892	–	(224)	3,668	–
Total bonds payable			52,546	–	(2,738)	49,808	2,115
2009 Series C Certificates of participation (COPs)	2.00 - 5.00	2022	1,580	–	(366)	1,214	384
2009 Series C COPs issuance premiums			39	–	(18)	21	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	–	–	12,593	–
Other post-employment benefits obligations			35,472	7,109	(4,051)	38,530	–
Net pension liability			46,380	14,521	(11,370)	49,531	–
Accrued vacation and sick leave			4,242	2,241	(1,589)	4,894	2,682
Accrued workers' compensation			3,499	336	(448)	3,387	585
Damage claims liability			2,284	10,039	(9,437)	2,886	1,032
Total			$ 158,635	34,246	(30,017)	162,864	6,798

	Interest rate	Maturity (Calendar Year)	2018	Additions	Reductions	2019	Due within one year
Bonds:							
Clean Renewable Energy Bonds	0.00 %	2022	$ 2,109	–	(422)	1,687	422
Qualified Energy Conservation Bonds	4.74	2027	5,294	–	(529)	4,765	536
New Clean Renewable Energy Bonds 2012	4.74	2020	1,283	–	(570)	713	583
New Clean Renewable Energy Bonds 2015	4.62	2032	3,651	–	(229)	3,422	232
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	–	–	32,025	–
2015 Series B Revenue Bonds	3.00 - 4.00	2026	6,820	–	(730)	6,090	755
Less issuance discount			(62)	–	14	(48)	–
Add issuance premiums			4,121	–	(229)	3,892	–
Total bonds payable			55,241	–	(2,695)	52,546	2,528
2009 Series C Certificates of participation (COPs)	2.00 - 5.00	2022	1,928	–	(348)	1,580	366
2009 Series C COPs issuance premiums			60	–	(21)	39	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	–	–	12,593	–
Other post-employment benefits obligations			36,000	5,281	(5,809)	35,472	–
Net pension liability			57,122	5,231	(15,973)	46,380	–
Accrued vacation and sick leave			3,951	2,537	(2,246)	4,242	2,534
Accrued workers' compensation			2,949	1,251	(701)	3,499	584
Damage claims liability			2,466	2,947	(3,129)	2,284	757
Total			$ 172,310	17,247	(30,922)	158,635	6,769

(Dollars in thousands, unless otherwise stated)

b) Hetchy Water's long-term liability activities for the years ended June 30, 2020 and 2019 are as follow:

	2019	Additions	Reductions	2020	Due within one year
Other post-employment benefits obligations	$ 15,404	2,206	(1,260)	16,350	–
Net pension liability	20,390	5,611	(4,524)	21,477	–
Accrued vacation and sick leave	1,388	653	(395)	1,646	911
Accrued workers' compensation	1,238	75	(126)	1,187	201
Damage claims liability	224	550	(216)	558	274
Total	$ 38,644	9,095	(6,521)	41,218	1,386

	2018	Additions	Reductions	2019	Due within one year
Other post-employment benefits obligations	$ 15,872	2,054	(2,522)	15,404	–
Net pension liability	25,216	2,212	(7,038)	20,390	–
Accrued vacation and sick leave	1,323	662	(597)	1,388	859
Accrued workers' compensation	989	462	(213)	1,238	201
Damage claims liability	233	323	(332)	224	70
Total	$ 43,633	5,713	(10,702)	38,644	1,130

c) Hetchy Power's long-term liability activities for the years ended June 30, 2020 and 2019 are as follow:

	Interest rate	Maturity (Calendar Year)	2019	Additions	Reductions	2020	Due within one year
Bonds:							
Clean Renewable Energy Bonds	0.00 %	2022	$ 1,687	–	(422)	1,265	422
Qualified Energy Conservation Bonds	4.74	2027	4,765	–	(536)	4,229	542
New Clean Renewable Energy Bonds 2012	4.74	2020	713	–	(583)	130	130
New Clean Renewable Energy Bonds 2015	4.62	2032	3,422	–	(232)	3,190	236
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	–	–	32,025	–
2015 Series B Revenue Bonds	3.00 - 4.00	2026	6,090	–	(755)	5,335	785
Less issuance discount			(48)	–	14	(34)	–
Add issuance premiums			3,892	–	(224)	3,668	–
Total bonds payable			52,546	–	(2,738)	49,808	2,115
2009 Series C Certificates of participation (COPs)	2.00 - 5.00	2022	1,580	–	(366)	1,214	384
2009 Series C COPs issuance premiums			39	–	(18)	21	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	–	–	12,593	–
Other post-employment benefits obligations			18,826	2,697	(1,540)	19,983	–
Net pension liability			24,920	6,858	(5,529)	26,249	–
Accrued vacation and sick leave			2,643	1,474	(1,160)	2,957	1,596
Accrued workers' compensation			2,261	261	(322)	2,200	384
Damage claims liability			2,053	9,182	(9,013)	2,222	705
Total			$ 117,461	20,472	(20,686)	117,247	5,184

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)	2018	Additions	Reductions	2019	Due within one year
Bonds:							
Clean Renewable Energy Bonds	0.00 %	2022	$ 2,109	–	(422)	1,687	422
Qualified Energy Conservation Bonds	4.74	2027	5,294	–	(529)	4,765	536
New Clean Renewable Energy Bonds 2012	4.74	2020	1,283	–	(570)	713	583
New Clean Renewable Energy Bonds 2015	4.62	2032	3,651	–	(229)	3,422	232
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	–	–	32,025	–
2015 Series B Revenue Bonds	3.00 - 4.00	2026	6,820	–	(730)	6,090	755
Less issuance discount			(62)	–	14	(48)	–
Add issuance premiums			4,121	–	(229)	3,892	–
Total bonds payable			55,241	–	(2,695)	52,546	2,528
2009 Series C Certificates of participation (COPs)	2.00 - 5.00	2022	1,928	–	(348)	1,580	366
2009 Series C COPs issuance premiums			60	–	(21)	39	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	–	–	12,593	–
Other post-employment benefits obligations			19,400	2,510	(3,084)	18,826	–
Net pension liability			30,819	2,703	(8,602)	24,920	–
Accrued vacation and sick leave			2,564	1,679	(1,600)	2,643	1,533
Accrued workers' compensation			1,960	789	(488)	2,261	383
Damage claims liability			2,233	2,580	(2,760)	2,053	684
Total			$ 126,798	10,261	(19,598)	117,461	5,494

d) CleanPowerSF's long-term liability activities for the years ended June 30, 2020 and 2019 are as follows:

	2019	Additions	Reductions	2020	Due within one year
Other post-employment benefits obligations	$ 1,242	2,206	(1,251)	2,197	–
Net pension liability	1,070	2,052	(1,317)	1,805	–
Accrued vacation and sick leave	211	114	(34)	291	175
Damage claims liability	7	307	(208)	106	53
Total	$ 2,530	4,679	(2,810)	4,399	228

	2018	Additions	Reductions	2019	Due within one year
Other post-employment benefits obligations	$ 728	717	(203)	1,242	–
Net pension liability	1,087	316	(333)	1,070	–
Accrued vacation and sick leave	64	196	(49)	211	142
Damage claims liability	–	44	(37)	7	3
Total	$ 1,879	1,273	(622)	2,530	145

GASB Statement No. 88 Implemented in Fiscal Year 2019

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This Statement applies to all Hetchy Power bonds and is discussed in each bond hereafter.

(a) *Clean Renewable Energy Bonds*

In November 2008, Hetchy Power issued $6,325 of taxable CREBs to finance the installation of solar energy equipment on City-owned facilities, including Chinatown Branch Library, Maxine Hall Medical Center, City Distribution Division Warehouse, North Point Wastewater Plant, Chinatown Public Health Center, Municipal Transportation Agency Woods, and Municipal Transportation Agency Ways and Structures. The CREBs were non-rated and privately-placed with Banc of America Leasing. The net effective interest rate on the CREBs, after the federal tax subsidy, is 0% through 2022. Hetchy Power began making principal payments in the amount of $422 on December 15, 2008 and will continue annual payments for 15 years until December 15, 2022. Funding for these payments will be guaranteed by net power revenues. Interest payments are not required, since the effective equivalent of interest on the bonds is paid in the form of federal tax credits in lieu of interest paid by the issuer.

(Dollars in thousands, unless otherwise stated)

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults, 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2020, there were no such events described herein. The future annual debt service relating to the CREBs outstanding as of June 30, 2020 is as follows:

Fiscal years ending June 30:		Principal
2021	$	422
2022		422
2023		421
		1,265
Less: Current portion		(422)
Less: Unamortized bond discount		(34)
Long-term portion as of June 30, 2020	$	809

(b) ***Qualified Energy Conservation Bonds***

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

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2020, there were no such events described herein. The future annual debt service relating to the QECBs outstanding as of June 30, 2020 is as follows:

Fiscal years ending June 30:		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2021	$	542	194	(137)	57
2022		549	168	(119)	49
2023		555	142	(100)	42
2024		562	116	(82)	34
2025		569	89	(63)	26
2026-2028		1,452	104	(72)	32
		4,229	813	(573)	240
Less: Current portion		(542)			
Long-term portion as of June 30, 2020	$	3,687			

* The SFPUC received IRS notice dated August 27, 2020 that the federal interest subsidy is reduced by 5.7% or a total reduction of $35 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same.

(Dollars in thousands, unless otherwise stated)

(c) *New Clean Renewable Energy Bonds 2012*

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

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2020, there were no such events described herein. The future annual debt service relating to the 2012 NCREBs outstanding as of June 30, 2020 is as follows:

Fiscal years ending June 30:		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2021	$	130	3	(2)	1
Less: Current portion		(130)			
Long-term portion as of June 30, 2020	$	–			

* The SFPUC received IRS notice dated August 27, 2020 that the federal interest subsidy is reduced by 5.7% due to sequestration or a total reduction of $1 due to sequestration over the remaining life of the bonds.

(d) *New Clean Renewable Energy Bonds 2015*

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

Significant events of default as specified in the Equipment Lease/Purchase Agreement, include 1) payment defaults 2) material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded from proceeds of this debt obligation are pledged as collateral. As of June 30, 2020, there were no such events described herein.

(Continued)

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the 2015 NCREBs outstanding as of June 30, 2020 is as follows:

Fiscal years ending June 30:		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2021	$	236	145	(95)	50
2022		239	134	(88)	46
2023		242	123	(81)	42
2024		245	111	(74)	37
2025		249	100	(66)	34
2026-2030		1,297	324	(214)	110
2031-2033		682	47	(32)	15
		3,190	984	(650)	334
Less: Current portion		(236)			
Long-term portion as of June 30, 2020	$	2,954			

* The SFPUC received IRS notice dated August 27, 2020 that the federal interest subsidy is reduced by 5.7% or a total reduction of $39 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same.

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

In May 2015, Hetchy Power issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of $32,025 with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of $7,530 with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the SFPUC's Hetch Hetchy project, to fund capitalized interest on the 2015 Series AB Bonds, to fund a debt service reserve account for the 2015 Series AB Bonds, and to pay costs of issuance of the 2015 Series AB bonds. The bonds were rated "A+" and "AA-" by S&P and Fitch, respectively. Final maturity for 2015 Series AB are November 1, 2045 and November 1, 2026, respectively. The true interest cost is 3.95%. As of June 30, 2020, the outstanding principal amount was $37,360.

Significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds) include 1) non-payment, 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2020, there were no such events described herein.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the 2015 Series AB Bonds outstanding as of June 30, 2020 are as follows:

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

Fiscal years ending June 30:		Principal	Interest	Total
2021	$	–	1,593	1,593
2022		–	1,593	1,593
2023		–	1,593	1,593
2024		–	1,593	1,593
2025		–	1,593	1,593
2026-2030		4,050	7,612	11,662
2031-2035		6,535	6,208	12,743
2036-2040		8,340	4,358	12,698
2041-2045		10,640	1,997	12,637
2046		2,460	62	2,522
		32,025	28,202	60,227
Add: Unamortized bond premium		3,419		
Long-term portion as of June 30, 2020	$	35,444		

Hetchy Power - Power Revenue Bonds 2015 Series B

Fiscal years ending June 30:		Principal	Interest	Total
2021	$	785	189	974
2022		815	157	972
2023		850	124	974
2024		880	93	973
2025		910	62	972
2026-2027		1,095	28	1,123
		5,335	653	5,988
Less: Current portion		(785)		
Add: Unamortized bond premium		249		
Long-term portion as of June 30, 2020	$	4,799		

(f) *Certificates of Participation Issued for the 525 Golden Gate Headquarters Building*

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

Under the terms of a Memorandum of Understanding between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City’s use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. It is anticipated these lease costs will be offset with reductions in costs associated with current office rental expense.

(Dollars in thousands, unless otherwise stated)

Hetchy Power's share is reflected on the Hetchy Power fund statements. There are no events of default stated in this memorandum of understanding.

The Power, Water, and Wastewater Enterprises have ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Power (12%). Similarly, each Enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of base rental payments for the Enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Power (9.7%). The future annual debt service relating to the certificates of participation 2009 Series C and D outstanding as of June 30, 2020 are as follow:

Hetchy Power - Certificates of Participation 2009 Series C (Tax Exempt)

Fiscal years ending June 30:		Principal	Interest	Total
2021	$	384	51	435
2022		405	31	436
2023		425	10	435
		1,214	92	1,306
Less: Current portion		(384)		
Add: Unamortized bond premium		21		
Long-term portion as of June 30, 2020	$	851		

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

Fiscal years ending June 30:		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2021	$	—	812	(268)	544
2022		—	812	(268)	544
2023		—	812	(268)	544
2024		445	798	(263)	535
2025		463	769	(254)	515
2026-2030		2,625	3,370	(1,112)	2,258
2031-2035		3,232	2,432	(803)	1,629
2036-2040		3,985	1,266	(418)	848
2041-2042		1,843	122	(40)	82
			11,193	(3,694)	7,499
Long-term portion as of June 30, 2020	$	12,593			

* The SFPUC received IRS notice dated August 27, 2020 that the federal interest subsidy is reduced by 5.7% or a total reduction of $223 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same.

(8) Revenue Pledge

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

(Dollars in thousands, unless otherwise stated)

The original amount of bonds issued, total principal and interest remaining, principal and interest paid during fiscal years 2020 and 2019, applicable net revenues, and funds available for debt service are as follows:

Hetchy Power		2020	2019
Bonds issued with revenue pledge	$	64,871	64,871
Principal and interest remaining due at the end of the year		76,829	81,570
Principal and interest paid during the year*		4,743	4,784
Net revenues for the year ended June 30		34,522	39,798
Funds available for debt service		80,561	71,013

*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was $2,568.

(9) Other Non-Operating Revenues – Trans Bay Cable Construction and Licensing Fees

In 2007, the Board of Supervisors adopted the resolution to enter into two non-exclusive licenses with the Trans Bay Cable LLC (the Licensee) for the Trans Bay Cable Project. The Licensee proposed to install, operate, and maintain approximately 53 miles of high-voltage direct current transmission cable running from the City of Pittsburg to the City. The first license is a Construction License to install a 400 MW high-voltage transmission line, with a four-year term. The Licensee has paid Hetchy Power $3,500 in Renewable Energy, Transmission and Grid Reliability to use the payments for study and development of two City-owned transmission projects, a Newark-San Francisco project, and a Potrero-Embarcadero project. Of the $3,500, only $1,905 has been spent to date. In 2020, the Board of Supervisors adopted an ordinance to use $1,593 of the funds from this license to analyze the proposed purchase of power assets from Pacific Gas & Electric Company.

The second license is an operational license for operation of the transmission line with 25-year term and an option to renew for 10 years. The Licensee agrees to pay Hetchy Power in excess of $20,000 in 10 separate installments of $2,000 annually with adjustments for inflation, as the "San Francisco Electric Reliability Payment" to implement, advance, promote, or enhance policies and projects consistent with City Energy Policies. The project came on line November 29, 2010, and Hetchy Power received the first installment of $2,000. As of June 30, 2020, cumulative revenues to date of $22,708 were recorded, with final payment of $2,574 received in fiscal year 2020 and $2,522 received in fiscal year 2019, respectively. Per agreement, the SFPUC shall consult with Departments of Environment and Public Health, as well as community members, including the Power Plant Task Force, in developing its proposals to the Board of Supervisors on how to spend the San Francisco Electricity Reliability Payment, and shall consider specifically renewable energy, conservation, and environmental health programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. The San Francisco Electricity Reliability Payment shall also be partly used for green jobs training and placement programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. As of June 30, 2020, cumulative expenses of $8,323 have been incurred, with $843 and $1,702 in fiscal years 2020 and 2019, respectively.

(10) Employee Benefits

(a) *Pension Plan*

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

(Dollars in thousands, unless otherwise stated)

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

San Francisco Employees' Retirement System (SFERS) – Cost Sharing

	Fiscal Year 2020	Fiscal Year 2019
Valuation Date (VD)	June 30, 2018 updated to June 30, 2019	June 30, 2017 updated to June 30, 2018
Measurement Date (MD)	June 30, 2019	June 30, 2018
Measurement Period (MP)	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

The City is an employer of the plan with a proportionate share of 94.13% as of June 30, 2019 (measurement date), and 94.10% as of June 30, 2018 (measurement date). Hetch Hetchy's allocation percentage was determined based on its employer contributions divided by the City's total employer contributions for fiscal years 2019 and 2018. Hetch Hetchy's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on its allocated percentage. Hetch Hetchy's allocation of the City's proportionate share was 1.17%, of which 0.51% for Hetchy Water, 0.62% for Hetchy Power, and 0.04% for CleanPowerSF as of June 30, 2019 (measurement date). Hetch Hetchy's allocation of the City's proportionate share was 1.15%, of which 0.50% for Hetchy Water, 0.62% for Hetchy Power, and 0.03% for CleanPowerSF as of June 30, 2018 (measurement date).

Plan Description – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The Plan also provides pension continuation benefits to qualified survivors. The City Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

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

The four main categories of Plan members are:

a) Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
b) Sheriff's Department and Miscellaneous Safety members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.

c) Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
d) Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

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

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

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

Funding and Contribution Policy – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 13.0% as a percentage of gross covered salary in fiscal years 2020 and 2019. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2018 actuarial report, the required employer contribution rate for fiscal year 2020 was 20.69% to 25.19%. Based on the July 1, 2017 actuarial report, the required employer contribution rate for fiscal year 2019 was 18.81% to 23.31%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2019 and 2018 (measurement years) were $607,408 and $582,568, respectively. Hetchy Water's allocation of employer contributions were $3,073 and $3,128 or 45%, and Hetchy Power's allocation of employer contributions were

(Dollars in thousands, unless otherwise stated)

$3,756 and $3,822 or 55%, respectively, for fiscal years 2019 and 2018 (measurement periods). CleanPowerSF's allocation of employer contributions were $161 and $135, respectively, for fiscal years 2019 and 2018 (measurement periods).

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

Fiscal Year 2020

As of June 30, 2020, the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of $4,213,808. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension liability for the Plan as of June 30, 2020 was $49,531, of which $21,477 for Hetchy Water, $26,249 for Hetchy Power, and $1,805 for CleanPowerSF.

For the year ended June 30, 2020, the City's recognized pension expense was $883,395 including amortization of deferred outflow/inflow related pension items. Hetch Hetchy's allocation of pension expense including amortization of deferred outflow/inflow related pension items were $9,852, of which $3,619 for Hetchy Water, $4,424 for Hetchy Power, and $1,809 for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

At June 30, 2020, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

Schedules of Deferred Outflows and Inflows of Resources

		Deferred Outflows of Resources				Deferred Inflows of Resources			
Fiscal Year 2020		Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Pension contribution subsequent to the measurement date	$	3,574	4,369	300	8,243	–	–	–	–
Differences between expected and actual experience		159	194	13	366	236	289	20	545
Changes in assumptions		3,055	3,733	257	7,045	–	–	–	–
Net difference between projected and actual earnings on pension plan investments		–	–	–	–	3,958	4,837	333	9,128
Change in employer's proportion		1,162	1,420	2	2,584	141	172	857	1,170
Total	$	7,950	9,716	572	18,238	4,335	5,298	1,210	10,843

(Dollars in thousands, unless otherwise stated)

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

Fiscal years		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2021	$	1,197	1,464	(235)	2,426
2022		(1,047)	(1,280)	(425)	(2,752)
2023		(293)	(359)	(181)	(833)
2024		184	224	(97)	311
	$	41	49	(938)	(848)

Fiscal Year 2019

As of June 30, 2019, the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of $4,030,207. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension liability for the Plan as of June 30, 2019 was $46,380, of which $20,390 for Hetchy Water, $24,920 for Hetchy Power, and $1,070 for CleanPowerSF.

For the year ended June 30, 2019, the City's recognized pension expense was $488,255 including amortization of deferred outflow/inflow related pension items. Hetch Hetchy's allocation of pension expense including amortization of deferred outflow/inflow related pension items were $3,239, of which $1,344 for Hetchy Water, $1,643 for Hetchy Power, and $252 for CleanPowerSF. Pension expense decreased from the prior year, largely due to the impact of actual investment earnings.

At June 30, 2019, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

	Schedules of Deferred Outflows and Inflows of Resources								
	Deferred Outflows of Resources					Deferred Inflows of Resources			
Fiscal Year 2019		Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Pension contribution subsequent to the measurement date	$	3,073	3,756	161	6,990	–	–	–	–
Differences between expected and actual experience		166	202	9	377	577	705	30	1,312
Changes in assumptions		3,179	3,886	167	7,232	–	–	–	–
Net difference between projected and actual earnings on pension plan investments		–	–	–	–	3,278	4,005	172	7,455
Change in employer's proportion		29	35	2	66	19	24	1	44
Total	$	6,447	7,879	339	14,665	3,874	4,734	203	8,811

(Dollars in thousands, unless otherwise stated)

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

Fiscal years		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2020	$	1,301	1,591	68	2,960
2021		572	700	30	1,302
2022		(1,677)	(2,049)	(88)	(3,814)
2023		(696)	(853)	(35)	(1,584)
	$	(500)	(611)	(25)	(1,136)

Actuarial Assumptions

Fiscal Year 2020

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2019 (measurement period) is provided below, including any assumptions that differ from those used in the July 1, 2018 actuarial valuation. Refer to the July 1, 2018 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

Key Actuarial Assumptions	
Valuation Date	June 30, 2018 updated to June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.40% net of pension plan investment, including inflation
Municipal Bond Yield	3.87% as of June 30, 2018
	3.50% as of June 30, 2019
	Bond Buyer 20-Bond GO Index, June 28, 2018 and June 27, 2019
Inflation	2.75%
Salary Increases	3.50% plus merit component based on employee classification and years of service
Discount Rate	7.50% as of June 30, 2018
	7.40% as of June 30, 2019
Administrative Expenses	0.60% of payroll as of June 30, 2018
	0.60% of payroll as of June 30, 2019

Basic COLA	Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire, Charters A8.595 and A8.596	Old Police & Fire, Charters A8.559 and A8.585
June 30, 2018	2.00%	2.50%	3.10%	4.20%
June 30, 2019	2.00%	2.50%	3.10%	4.20%

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

Fiscal Year 2019

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2018 (measurement period) is provided below, including any assumptions that differ from those used in the July 1, 2017 actuarial valuation. Refer to the July 1, 2017 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions

Valuation Date	June 30, 2017 updated to June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.50%
Municipal Bond Yield	3.58% as of June 30, 2017
	3.87% as of June 30, 2018
	Bond Buyer 20-Bond GO Index, June 29, 2017 and June 28, 2018
Inflation	3.00%
Salary Increases	3.50% plus merit component based on employee classification and years of service
Discount Rate	7.50% as of June 30, 2017
	7.50% as of June 30, 2018
Administrative Expenses	0.60% of payroll as of June 30, 2017
	0.60% of payroll as of June 30, 2018

Basic COLA		Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire, Charters A8.595 and A8.596	Old Police & Fire, Charters A8.559 and A8.585
	June 30, 2017	2.00%	2.70%	3.30%	4.40%
	June 30, 2018	2.00%	2.50%	3.10%	4.20%

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

Discount Rate

Fiscal Year 2020

The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.40% as of June 30, 2019 (measurement date) and 7.50% as of June 30, 2018 (measurement date), respectively.

The discount rate used to measure the Total Pension Liability as of the June 30, 2019 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2018 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll, so payments increase 3.50% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

(Dollars in thousands, unless otherwise stated)

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

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, the following assumptions were developed for the probability and amount of Supplemental COLA for each future year. The City has assumed that a full Supplemental COLA will be paid to all Post 1997 Retirees effective July 1, 2019. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2021	0.75 %	0.27 %
2023	0.75	0.34
2025	0.75	0.36
2027	0.75	0.37
2030+	0.75	0.38

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.50% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2019 is 7.40%.

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

(Dollars in thousands, unless otherwise stated)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	31.0 %	5.3 %
Private Equity	18.0	8.3
Real Assets	17.0	5.4
Hedge Funds/Absolute Returns	15.0	3.9
Private Credit	10.0	5.2
Treasuries	6.0	0.9
Liquid Credit	3.0	3.6
Total	100.0	

Fiscal Year 2019

The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.50% as of June 30, 2018 (measurement date) and June 30, 2017 (measurement date), respectively.

The discount rate used to measure the Total Pension Liability as of the June 30, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2017 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll, so payments increase 3.50% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

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

(Dollars in thousands, unless otherwise stated)

Because the probability of a Supplemental COLA depends on the current funded level of the System for certain members, Cheiron developed an assumption as of the June 30, 2018 for the probability and amount of Supplemental COLA for each future year. We have assumed that a full Supplemental COLA will be paid to all Post 1997 Retirees effective July 1, 2018. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2019	0.75 %	0.00 %
2022	0.75	0.29
2025	0.75	0.35
2028	0.75	0.36
2031+	0.75	0.38

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

Based on these assumptions, the System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2097 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.87% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2018 is 7.50%.

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	31.0 %	5.4 %
Private Equity	18.0	6.6
Real Assets	17.0	4.5
Hedge Funds/Absolute Returns	15.0	3.7
Private Credit	10.0	4.6
Treasuries	6.0	0.5
Liquid Credit	3.0	3.3
Total	100.0	

(Dollars in thousands, unless otherwise stated)

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

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

Fiscal Year 2020		Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease Share of NPL @ 6.40%	$	40,539	49,547	3,407	93,493
Share of NPL @ 7.40%		21,477	26,249	1,805	49,531
1% Increase Share of NPL @ 8.40%		5,727	6,999	481	13,207

Fiscal Year 2019		Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease Share of NPL @ 6.50%	$	38,187	46,673	2,004	86,864
Share of NPL @ 7.50%		20,390	24,920	1,070	46,380
1% Increase Share of NPL @ 8.50%		5,672	6,933	298	12,903

(b) ***Other Post-Employment Benefits***

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

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

San Francisco Health Service System Retiree Plan - Single-Employer		
	Fiscal Year 2020	Fiscal Year 2019
Valuation Date (VD)	June 30, 2018 updated to June 30, 2019	June 30, 2018
Measurement Date (MD)	June 30, 2019	June 30, 2018
Measurement Period (MP)	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

Hetch Hetchy's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the year ended June 30, 2019. Hetch Hetchy's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on its allocated percentage. Hetch Hetchy's proportionate share of the City's OPEB elements was 0.99%, of which 0.42% for Hetchy Water, 0.51% for Hetchy Power, and 0.06% for CleanPowerSF as of June 30, 2019 (measurement date). Hetch Hetchy's proportionate share of the City's OPEB elements was 0.98%, of which 0.43% for Hetchy Water, 0.52% for Hetchy Power, and 0.03% for CleanPowerSF as of June 30, 2018 (measurement date).

(Dollars in thousands, unless otherwise stated)

Benefits

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

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1] Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]		Any age with 10 years of credited service
Terminated Vested[3]		5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hire on or after January 7, 2012.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.
[3] Effective with Proposition B passed June 3, 2008, participants hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits.

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

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

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

Contributions

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

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

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2020

For the fiscal year ended June 30, 2020, the City's funding was based on "pay-as-you-go" plus a contribution of $39,518 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $196,445 for a total contribution of $235,963 for the fiscal year ended June 30, 2020. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2020 were $2,321: $985 for Hetchy Water, $1,204 for Hetchy Power, and $132 for CleanPowerSF.

Fiscal Year 2019

For the fiscal year ended June 30, 2019, the City's funding was based on "pay-as-you-go" plus a contribution of $32,786 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $185,839 for a total contribution of $218,625 for the fiscal year ended June 30, 2019. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2019 were $2,153: $935 for Hetchy Water, $1,143 for Hetchy Power, and $75 for CleanPowerSF.

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

Fiscal Year 2020

As of June 30, 2020, the City reported net OPEB liabilities related to the Plan of $3,915,814. Hetch Hetchy's proportionate share of the City net OPEB liability as of June 30, 2020 was $38,530: $16,350 for Hetchy Water, $19,983 for Hetchy Power, and $2,197 for CleanPowerSF.

For the year ended June 30, 2020, the City's recognized OPEB expense was $330,673. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's OPEB expense was $3,595: $708 for Hetchy Water, $866 for Hetchy Power, and $2,021 for CleanPowerSF. As of June 30, 2020, Hetch Hetchy's reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

	Schedules of Deferred Outflows and Inflows of Resources							
	Deferred Outflows of Resources				Deferred Inflows of Resources			
	Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Contributions subsequent to measurement date	$ 985	1,204	132	2,321	–	–	–	–
Differences between expected and actual experience	694	849	93	1,636	1,150	1,406	155	2,711
Changes in assumptions	331	405	45	781	–	–	–	–
Net difference between projected and actual earnings on plan investments	–	–	–	–	26	31	3	60
Change in proportion	322	392	–	714	19	24	1,053	1,096
Total	**$ 2,332**	**2,850**	**270**	**5,452**	**1,195**	**1,461**	**1,211**	**3,867**

(Dollars in thousands, unless otherwise stated)

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

Deferred Outflows/(Inflows) of Resources

Fiscal years		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2021	$	(8)	(9)	(195)	(212)
2022		(8)	(9)	(195)	(212)
2023		(1)	(2)	(195)	(198)
2024		(3)	(3)	(195)	(201)
2025		2	2	(195)	(191)
Thereafter		170	206	(98)	278
Total	**$**	**152**	**185**	**(1,073)**	**(736)**

Fiscal Year 2019

As of June 30, 2019, the City reported net OPEB liabilities related to the Plan of $3,600,967. Hetch Hetchy's proportionate share of the City net OPEB liability as of June 30, 2019 was $35,472: $15,404 for Hetchy Water, $18,826 for Hetchy Power, and $1,242 for CleanPowerSF.

For the year ended June 30, 2019, the City's recognized OPEB expense was $320,332. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's OPEB expense was $3,740: $1,397 for Hetchy Water, $1,708 for Hetchy Power, and $635 for CleanPowerSF. As of June 30, 2019, Hetch Hetchy's reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

Schedules of Deferred Outflows and Inflows of Resources

		Deferred Outflows of Resources				Deferred Inflows of Resources			
		Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Contributions subsequent to measurement date	$	935	1,143	75	2,153	–	–	–	–
Differences between expected and actual experience		–	–	–	–	1,415	1,729	114	3,258
Changes in assumptions		408	498	33	939	–	–	–	–
Net difference between projected and actual earnings on plan investments		–	–	–	–	14	17	1	32
Total	$	**1,343**	**1,641**	**108**	**3,092**	**1,429**	**1,746**	**115**	**3,290**

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

Deferred Outflows/(Inflows) of Resources

Fiscal years		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2020	$	(173)	(211)	(14)	(398)
2021		(173)	(211)	(14)	(398)
2022		(173)	(211)	(14)	(398)
2023		(167)	(205)	(14)	(386)
2024		(168)	(205)	(13)	(386)
Thereafter		(167)	(205)	(13)	(385)
Total	**$**	**(1,021)**	**(1,248)**	**(82)**	**(2,351)**

(Dollars in thousands, unless otherwise stated)

Actuarial Assumptions

Fiscal Year 2020

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2019 (measurement year) is provided below:

Key Actuarial Assumptions	
Valuation Date	June 30, 2018 updated to June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.35% in 2021 and trends down to ultimate rate of 3.93% in 2076
	Medicare trend starts at 7.00% in 2021 and trends down to ultimate rate of 3.93% in 2076
	10-County average trend starts at 5.82% in 2021 and trends down to ultimate rate of 3.93% in 2076
	Vision and expenses trend remains a flat 3.50% for all years
Expected Rate of Return on Plan Assets	7.40%
Discount Rate	7.40%
Salary Increase Rate	Wage Inflation Component: 3.50%
	Additional Merit Component (dependent on years of service):
	Police: 1.50% - 8.00%
	Fire: 1.50% - 15.00%
	Muni Drivers: 0.00% - 15.00%
	Craft: 0.00% - 3.50%
	Misc: 0.00% - 5.25%
Inflation Rate	Wage Inflation: 3.50% compounded annually
	Consumer Price Inflation: 2.75% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2014.

Non-Annuitant - CalPERS employee mortality tables without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.918	2009
Male	0.948	2009

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	1.014	2009
Male	0.909	2009

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

Gender	Adjustment Factor	Base Year
Female	1.066	2006
Male	0.942	2006

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.983	2009
Male	0.909	2009

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2019

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2018 (measurement year) is provided below:

Key Actuarial Assumptions	
Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.50% and trends down to ultimate rate of 3.93% in 2076
	Medicare trend starts at 7.5% and trends down to ultimate rate of 3.93% in 2076
	10-County average trend starts at 5.90% and trends down to ultimate rate of 3.93% in 2076
	Vision and expenses trend remains a flat 3.5% for all years
Expected Rate of Return on Plan Assets	7.40%
Discount Rate	7.40%
Salary Increase Rate	Wage Inflation Component: 3.50%
	Additional Merit Component (dependent on years of service):
	Police: 1.50% - 8.00%
	Fire: 1.50% - 15.00%
	Muni Drivers: 0.00% - 15.00%
	Craft: 0.00% - 3.50%
	Misc: 0.00% - 5.25%
Inflation Rate	Wage Inflation: 3.50% compounded annually
	Consumer Price Inflation: 2.75% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2014.

Non-Annuitant - CalPERS employee mortality tables without scale BB projection

Gender	Adjustment	Base Year
Female	0.918	2009
Male	0.948	2009

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

Gender	Adjustment	Base Year
Female	1.014	2009
Male	0.909	2009

Miscellaneous Disable Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

Gender	Adjustment	Base Year
Female	1.066	2006
Male	0.942	2006

Safety Disables Annuitants - CalPERS industrial disability mortality table without scale BB projection

Gender	Adjustment	Base Year
Female	0.983	2009
Male	0.909	2009

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

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

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what its allocation of the City's net

(Dollars in thousands, unless otherwise stated)

OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2020 and June 30, 2019:

		Hetchy Water	Hetchy Power	CleanPowerSF	Total 2020
1% Decrease	$	14,150	17,295	1,901	33,346
Healthcare Trend		16,350	19,983	2,197	38,530
1% Increase		19,080	23,320	2,563	44,963

		Hetchy Water	Hetchy Power	CleanPowerSF	Total 2019
1% Decrease	$	13,388	16,364	1,079	30,831
Healthcare Trend		15,404	18,826	1,242	35,472
1% Increase		17,903	21,882	1,443	41,228

Discount Rate

Fiscal Year 2020

The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.40%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.40% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Equities	41.0 %	8.10 %
Developed Market Equity (non-U.S.)	20.0	8.50
Emerging Market Equity	16.0	10.40
Credit		
High Yield Bonds	3.0	6.50
Bank Loans	3.0	6.10
Emerging Market Bonds	3.0	5.20
Rate Securities		
Investment Grade Bonds	9.0	3.90
Treasury Inflation Protected Securities	5.0	3.60
Total	100.0 %	

The asset allocation targets summarized above have a 20-year return estimate of 8.30%, which was weighted against a 10-year model estimating a 7.50% return, resulting in the ultimate long-term expected rate of return of 7.40%.

(Dollars in thousands, unless otherwise stated)

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

		Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease 6.40%	$	18,879	23,074	2,536	44,489
Discount Rate 7.40%		16,350	19,983	2,197	38,530
1% Increase 8.40%		14,283	17,457	1,919	33,659

Fiscal Year 2019

The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.40%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.40% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Equities	41.0 %	7.3 %
Developed Market Equity (non-U.S.)	20.0	7.1
Emerging Market Equity	16.0	9.4
Credit		
High Yield Bonds	3.0	5.4
Bank Loans	3.0	5.0
Emerging Market Bonds	3.0	4.9
Rate Securities		
Investment Grade Bonds	9.0	3.6
Treasury Inflation Protected Securities	5.0	3.3
	100.0	

The asset allocation targets summarized above have a 20-year return estimate of 7.50%, which was weighted against a 10-year model estimating a 6.30% return, resulting in the ultimate long-term expected rate of return of 7.40%.

(Dollars in thousands, unless otherwise stated)

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

	Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease 6.40%	$ 17,709	21,645	1,427	40,781
Discount Rate 7.40%	15,404	18,826	1,242	35,472
1% Increase 8.40%	13,517	16,521	1,089	31,127

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

(11) Related Parties

(a) *Hetch Hetchy*

Various common costs incurred by the SFPUC are allocated among Hetch Hetchy, Water, and Wastewater Enterprises. The allocations are based on the SFPUC management's best estimate and may change from year to year depending on the activities incurred by each Enterprise and the information available. For the year ended June 30, 2020 and 2019, the SFPUC allocated $18,948 or 20.5% and $17,359 or 20.4%, respectively, in administrative costs including COVID-19 Project expenses, which is presented in the financial statements under various expense categories. These costs are then allocated to Hetchy Water, Hetchy Power, and CleanPowerSF in the Hetch Hetchy financial statements, using the periodically reviewed department overhead allocation model.

The City performs certain administrative services such as maintenance of accounting records and investment of cash for all fund groups within the City. The various funds are charged for these services based on the City's indirect cost allocation plan. Some City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges totaling approximately $11,007 and $11,663 for the years ended June 30, 2020 and 2019, respectively, have been included in services provided by other departments in the accompanying financial statements.

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. Total payment under this agreement is $6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. As of June 30, 2020, Hetch Hetchy's allocable shares of expenses and prepayment were $18 and $939, respectively, and as of June 30, 2019 were $16 and $957, respectively.

(b) ***Hetchy Water***

For the years ended June 30, 2020 and 2019, the SFPUC allocated $4,326 or 4.7%, and $3,735 or 4.4%, respectively, in administrative costs including COVID-19 Project expense to Hetchy Water.

The Water Enterprise purchases water from Hetchy Water. Included in the operating revenues are the water assessment fees of $34,585 and $33,578 for the years ended June 30, 2020 and 2019, respectively. The water assessment fees represent a recovery to fund upcountry, water-related costs that are not otherwise funded through Hetchy water-related revenue or Water revenue bonds.

Hetchy Water received $14,000 and $20,000 for the years ended June 30, 2020 and 2019, respectively, from the Water Enterprise to fund upcountry projects.

As of June 30, 2020, Hetchy Water had $240 in payable and $104 in receivable with the City Attorney's Office for legal services. Hetchy Water had no receivable or payable with other City departments as of June 30, 2019.

(c) ***Hetchy Power***

For the years ended June 30, 2020 and 2019, the SFPUC allocated $12,581 or 13.6%, and $11,696 or 13.7%, respectively, in administrative costs including COVID-19 Project expense to Hetchy Power.

As of June 30, 2020, and 2019, operating revenues in sales of power to departments within the City were $99,797 and $97,715, respectively.

The Water Enterprise also purchases electricity and gas from Hetchy Power. This amount totaled $9,909 and $9,480 for the years ended June 30, 2020 and 2019, respectively.

The Wastewater Enterprise purchases electricity and gas from Hetchy Power. This amount totaled $10,760 and $10,907 for the years ended June 30, 2020 and 2019, respectively.

The Low Carbon Fuel Standard (LCFS) program is a regulatory program overseen by the California Air Resources Board (CARB). The LCFS program seeks to reduce the carbon intensity of California's transportation fuel by 20% by 2030. Transportation fuel suppliers can achieve this goal by either reducing the carbon intensity of their fuels or purchasing LCFS credits from other fuel; suppliers that have a lower carbon intensity. In 2017, the San Francisco Municipal Transportation Agency (SFMTA) joined the LCFS program, signing up its transit fleet of electric buses, cable cars, and light rail vehicles and generating LCFS credits. Through a Memorandum of Understanding (MOU) with SFMTA, approved by the SFPUC Commission in Resolution 17-0199, net proceeds from the sale of LCFS credits would be shared 50/50 between SFMTA and Hetchy Power. Under the MOU, Hetchy Power would take responsibility for selling the LCFS credits. In Ordinance 0199-19, the Board of Supervisors authorized Hetchy Power to establish the Low Carbon Fuel Standard Fund to account for the revenue and expenditure from the sale of LCFS credits. The Ordinance also allowed Hetchy Power to sell LCFS credits on behalf of other City agencies. As of June 30, 2020, Hetchy Power received total payments of $13,840 for the LCSF credits, of which $6,920 or 50% was reallocated to SFMTA and the remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

(Dollars in thousands, unless otherwise stated)

Hetchy Power facilitates all electric and gas service connections between PG&E and City departments. In this capacity, Hetchy Power facilitates and coordinates the terms and payment for the service connections that are performed by PG&E. As of June 30, 2020, and 2019, there was no outstanding amount due from City departments related to this work. In the event Hetchy Power received money from PG&E after project completion, monies are to be refunded to the City departments for their respective credits.

Due from other City departments was $13,369 and $9,850 with elimination of a $1,800 and $3,731 working capital loan to CleanPowerSF for the years ended June 30, 2020 and 2019, respectively. Hetchy Power serves as the City's department for energy efficiency projects and maintains the Sustainable Energy Account (SEA) (formerly known as the Mayor's Energy Conservation Account) fund to sponsor and financially support such projects at various City departments. In this role, Hetchy Power may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2020 and 2019, projects completed or under way throughout the City amounted to $5,062 and $5,569, respectively, and are recorded as due from other government agencies.

Hetch Hetchy funded a project for the Treasure Island Development Authority, and recorded a receivable of $6,581 in connection with an upgraded submarine power cable for the Treasure Island as due from other government agencies.

As of June 30, 2020, and 2019, Hetchy Power recorded receivables of $847 and $955, respectively, due from Wastewater Enterprise for its share of costs relating to SFPUC Headquarters Living Machine System. Details of due from other City departments are as follows:

	2020	2019
Treasure Island Development Authority	$ 6,581	2,599
SEA-related project: Moscone Center	5,062	5,569
Wastewater - 525 Golden Gate Headquarters Project	847	955
San Francisco Recreation and Park	524	629
City Attorney's Office	331	—
Department of Public Works	24	98
Total due from other City departments	13,369	9,850
Less: current portion	(1,074)	(817)
Long-term portion as of June 30, net	$ 12,295	9,033

As of June 30, 2020, Hetchy Power had payables in the amount of $600, of which $369 to the Port of San Francisco for Pier 70 Shoreside Power Project and $231 to the City Attorney's Office for legal services. As of June 30, 2019, Hetchy Power recorded $350 in payable to the Port of San Francisco for Pier 70 Shoreside Power Project.

(d) ***CleanPowerSF***

For the years ended June 30, 2020 and 2019, the SFPUC allocated $2,041 or 2.2%, and $1,928 or 2.3%, respectively, in administrative costs to CleanPowerSF.

As of June 30, 2020, and 2019, operating revenue in sales of power to Hetchy Power were $694 and $572, respectively. Operating expenses in purchase of power from Hetchy Power were $339 and $3,026, respectively. Wholesale sales of energy, capacity and/or other electric power related products may be made between the CleanPowerSF and Hetchy Power, when available. CleanPowerSF and Hetchy Power transact for such products at prevailing market prices.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $1,685 and $1,840 for the years ended June 30, 2020 and 2019, respectively.

CleanPowerSF had $9 and $0 in payable due to the other City departments for legal services as of June 30, 2020 and 2019, respectively.

(12) Risk Management

The Enterprise's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Enterprise Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the Enterprise's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism are generally more economical as the SFPUC in coordination with the City Attorney's Office administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the Enterprise obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The Enterprise does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance Program.

	Risk	Coverage Approach
(a)	General Liability	Self-Insured
(b)	Workers' Compensation	Self-Insured through Citywide Pool
(c)	Property	Purchased Insurance and Self-Insured
(d)	Public Officials Liability	Purchased Insurance
(e)	Employment Practices Liability	Purchased Insurance
(f)	Crime	Purchased Insurance
(g)	Electronic Data Processing	Purchased Insurance and Self-Insured
(h)	Surety Bonds	Purchased and Contractually Transferred
(i)	Errors and Omissions	Combination of Self-Insured and Contractual Risk Transfer
(j)	Professional Liability	Combination of Self-Insured and Contractual Risk Transfer
(k)	Builders' Risk	Contractually Transferred

(a) *General Liability*

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

(Dollars in thousands, unless otherwise stated)

The changes for the general liability (damage claims) for the years ended June 30, 2020 and 2019 are as follows:

Fiscal years		Beginning of year	Claims and changes in estimates	Claims paid	End of year
Hetch Hetchy					
2020	$	2,284	10,039	(9,437)	2,886
2019		2,466	2,758	(2,940)	2,284
Hetchy Water					
2020	$	224	550	(216)	558
2019		233	314	(323)	224
Hetchy Power					
2020	$	2,053	9,182	(9,013)	2,222
2019		2,233	2,400	(2,580)	2,053
CleanPowerSF					
2020	$	7	307	(208)	106
2019		—	44	(37)	7

(b) *Workers' Compensation*

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

The changes for the workers' compensation liabilities for the years ended June 30, 2020 and 2019 are as follows:

Fiscal years		Beginning of year	Claims and changes in estimates	Claims paid	End of year
Hetch Hetchy*					
2020	$	3,499	336	(448)	3,387
2019		2,949	1,251	(701)	3,499
Hetchy Water					
2020	$	1,238	75	(126)	1,187
2019		989	462	(213)	1,238
Hetchy Power					
2020	$	2,261	261	(322)	2,200
2019		1,960	789	(488)	2,261

*CleanPowerSF had no workers' compensation liabilities as of June 30, 2020 and 2019.

(c) *Property*

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

(d) ***Public Officials Liability***

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

(e) ***Employment Practices Liability***

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

(f) ***Crime***

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

(g) ***Electronic Data Processing***

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

(h) ***Surety Bonds***

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

(i) ***Errors and Omissions***

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

(j) ***Professional Liability***

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

(k) ***Builders' Risk***

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

(l) *Energy Risk Management*

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

(m) *Enterprise Risk Management*

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

(13) Commitments and Litigation

(a) *Commitments*

As of June 30, 2020, and 2019, Hetch Hetchy, has outstanding commitments with third parties of $103,508 and $96,467, respectively, for various capital projects and other purchase agreements for materials and services.

Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the MID and TID in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. The payment amounts were $4,979 and $5,687 for fiscal years 2020 and 2019, respectively. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1,400 is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52%, while the Districts are responsible for 48% of the costs.

Hetchy Power

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

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City begins taking service in 2015 under the Wholesale Distribution Tariff for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City is continuing to negotiate with PG&E and, where necessary, filing complaints and protests at FERC. Additionally, staff prepares regular reporting for the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal years 2020 and 2019, Hetchy Power purchased distribution services for $9,270 and $10,404, respectively, from PG&E under the terms of the Service Agreements and Interconnection Agreements that implement the Wholesale Distribution Tariff.

Western System Power Pool and other Market Purchases and Sales

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal years 2020 and 2019, Hetchy Power purchased $2,041 and $8,269 of power and other related products, respectively. Sales of excess power, after meeting Hetch Hetchy's obligations, were $3,105 or 134,574 MWh for 2020, and $0, for 2019, respectively.

Power Purchase Agreement (PPA)

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

The PPA sets the starting purchase price of generated energy at $235/MWh, increasing by 3% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2020, the facility generated 6,877 MWh and the rate was at $315/MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2020 and 2019, purchases of energy under the Agreement were $2,135, or 6,877 MWh, and $1,957, or 6,427 MWh, respectively.

CleanPowerSF

CleanPowerSF began serving customers in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. Calpine required a reserve balance of $2,663 as of June 30, 2019, which was equivalent to two months' worth of estimated payment. CleanPowerSF' s obligation to maintain the reserve balance under the Calpine contract expired upon the payment of the final invoice on June 6, 2019 and did not have any reserve balance requirement in fiscal year 2020.

Since its launch, CleanPowerSF has added multiple additional short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the Western System Power Pool Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy and capacity with renewable energy developers sPower, Terra-Gen, NextEra and EDF Renewables. These contracts have been entered to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide enrollment into the CleanPowerSF program. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. The total power purchase cost, net of wholesale sales, equaled $174,432 and $119,812 in fiscal years 2020 and 2019, respectively.

CleanPowerSF entered into a contract with Noble Americas Energy Solutions in November 2015 for a three-year term, not to exceed $5,600 to provide data management, billing administration and customer care services. On December 1, 2016, Noble Americas Energy Solutions was acquired by Calpine Corporation and was renamed Calpine Energy Solutions. Subsequently, CleanPowerSF's contract was assigned to Calpine Energy Solutions under its new name and ownership. In August 2018, CleanPowerSF exercised its option under the contract to extend the term for three years, through October 31, 2021, and increased the contract's not-to-exceed value to $18,769. During fiscal years 2020 and 2019, amounts paid were $6,240 and $2,602, respectively.

CleanPowerSF Guarantee

In March 2018, CleanPowerSF entered into a five-year, $75,000 Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs, if necessary. The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of or lien on net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of $17,985 and $21,410 as of June 30, 2020 and 2019, respectively. There was no draw against the Credit Agreement during fiscal years 2020 and 2019. The unused credit under the credit agreement was $57,015 and $53,590 during fiscal years 2020 and 2019, respectively. In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Significant Events of default as specified in the Credit Agreement include 1) non-payment 2) material breach of warranty representation, or other non-remedied breach of covenants as specified in the respective agreement and 3) bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement.

(b) *Litigation*

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

(c) *Grants*

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

(d) *Environmental Issue*

As of June 30, 2020, and 2019, there was no pollution remediation liability recorded.

(14) Subsequent Event

CleanPowerSF

On December 9, 2020, Moody's Investors Service, ("Moody's") assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook.

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

Our Mission

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

Warnerville Substation Rehabilitation Project:

Essential workers installing slacklines at the Warnerville Substation.

Photo by: Robin Scheswohl

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