

## Working Together, Achieving More

Through the benefits of joint action, the Northern California Power Agency has produced significant value and savings for its member utilities and districts over the past year. Whether through the promotion of economic expansion through our investment in a new state-of-the-art generation facility, successful legislative and regulatory advocacy, or administrative and billing efficiencies, NCPA is helping to provide value in challenging times, and positioning the agency and its members for continued growth and success in anticipation of the coming economic recovery.

We are very proud that throughout this expansion NCPA has maintained its safety record of three years without a lost-time accident. NCPA has fostered the development of hundreds of new jobs and economic benefits due to our ongoing construction of the 290 MW Lodi Energy Center. This project has provided substantial economic value to the community of Lodi, and is employing over 300 people on site during the multi-year construction of the facility – creating new jobs at a time when they are most needed in California. This project will not only have the effect of reducing emissions by displacing reliance on older fossil-fired facilities, but its unique fast start design will facilitate substantially increased reliance on renewable energy sources in California—helping the state to achieve both its climate and renewable energy goals.

In the area of public policy and external affairs, NCPA has continued its aggressive protection of member assets and local governing board authority, both at the state and federal levels. In Sacramento, in a dramatic last-minute vote on the final night of the legislative session, NCPA defeated a well-organized effort to give the California Energy Commission new and unprecedented authority to penalize public power utilities for policy non-compliance. In the area of public benefits, NCPA successfully beat back attempts to force overly prescriptive contributions to statewide programs that would provide little to no local benefit. As well, NCPA significantly amended potentially costly pole attachment legislation, allowing member utilities to ensure that cable and telecom providers pay the full cost of using valuable utility infrastructure space, instead of transferring those costs to customers of NCPA utilities. In the regulatory arena, NCPA helped secure key provisions in the recently adopted cap-and-trade regulations that established an allowance allocation method, limiting potential market risk and mitigating the cost impact of the cap-and-trade program on NCPA members by permitting the transfer of allowances to Joint Powers Agencies.

In Washington, D.C., where lawmakers are looking for any potential new revenue sources to address the growing budget imbalance, NCPA made significant progress shoring up key congressional support for retaining cost-based pricing for the federal hydropower resource marketed by the Western Area Power Administration. Moving to market-based rates, as some lawmakers have advocated, would dramatically increase electricity costs, reducing the value of the Western hydropower resource that many NCPA members rely on to keep rates affordable and carbon emissions low. Progress has also been made toward achieving more equitable treatment with regard to the cost of the Central Valley Project Improvement Act (CVPIA). NCPA also secured report language in legislation that calls for



the Bureau of Reclamation to provide greater transparency for the CVPIA cost structure.

Back in Roseville, NCPA has undertaken several additional initiatives to protect assets, simplify billing, and save members valuable time and resources. Because cities, cooperatives and districts are facing substantial budget cuts, NCPA has worked to capture efficiencies throughout our organization.

As part of our continued preparation for North American Electric Reliability Corporation (NERC) regulatory compliance, NCPA put the finishing touches on our Disaster Recovery Center, which replicates the 24/7 Dispatch Center functions in case of unavailability of the current Dispatch Center. These preparations are an example of our ongoing work to proactively and effectively manage NERC compliance efforts to ensure optimal reliability and protect our members from exposure to potentially costly fines.

NCPA is further lowering costs and preserving resources with our transition to an electronic approval purchasing system, and the establishment of a paperless monthly All Resources Bill for our member utilities. The All Resources Bill settlement is also on an accelerated timeline, resulting in a 50% improvement in cash flow to the members. The California Independent System Operator invoicing processes have been accelerated as well.

It is also significant—in this time of tighter access to credit and rating agency downgrades—that NCPA received confirmation this year of its credit rating from all three major credit rating agencies, with Fitch upgrading their outlook from stable to positive for NCPA's Geothermal and Hydroelectric project debt. Finally, by utilizing innovative and highly effective cross-training programs combined with the institution of a hiring "chill," we have reduced staffing levels by almost 20 percent over the past three years.

In 2011, the benefits of joint action were realized in the form of lowered costs, increased operational efficiencies, and beneficial policy outcomes. As we move into 2012, we look forward to the Lodi Energy Center coming online, influencing responsible public policy, and continuing our industry-leading track record of providing clean, responsible, and affordable electricity for our member utilities and districts.

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Commission Chair

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