Public Utilities Commission of the City and County of San Francisco

Power Enterprise

Annual Disclosure Report

For Fiscal Year Ending June 30, 2016

Services of the San Francisco Public Utilities Commission
March 23, 2017

VIA: MSRB EMMA

Ladies and Gentlemen:

Attached hereto is the Fiscal Year 2016 Annual Disclosure Report for the Public Utilities Commission of the City and County of San Francisco (“SFPUC”), Power Enterprise. This filing relates to the following associated base CUSIP number(s):

SFPUC Power Enterprise: 79771K

This Annual Disclosure Report is being provided by the SFPUC in connection with our undertaking entered into in accordance with Rule 15c2-12, promulgated by the U.S. Securities and Exchange Commission. The information provided in this Annual Disclosure Report speaks only as of its date, March 23, 2017. The delivery of this Annual Disclosure Report may not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement. Other than as set forth in the Continuing Disclosure Agreement, SFPUC has not agreed to notify the secondary market of subsequent changes to the information in this Annual Disclosure Report (“Report”).

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

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

If you have any questions regarding this Annual Disclosure Report, please contact Eric Sandler, Assistant General Manager, Business Services & CFO at (415) 554-3155 or by e-mail at ESandler@sfwater.org.

Sincerely,

Harlan L. Kelly, Jr.
General Manager
Enclosure

CC: José Cisneros, Treasurer
    Ben Rosenfield, Controller
    Dennis J. Herrera, City Attorney
    Nadia Sesay, Director, Office of Public Finance
    Angela Calvillo, Clerk of the Board of Supervisors
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SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Anson Moran, Commission President
Ike Kwon, Vice President
Ann Moller Caen, Commissioner
Francesca Vietor, Commissioner
Vince Courtney, Commissioner

PUBLIC UTILITIES COMMISSION OFFICIALS

Harlan L. Kelly, Jr., General Manager
Michael Carlin, Deputy General Manager & Chief Operating Officer
Barbara Hale, Assistant General Manager, Power Enterprise
Juliet Ellis, Assistant General Manager, External Affairs
Kathy How, Assistant General Manager, Infrastructure Division
Tommy Moala, Assistant General Manager, Wastewater Enterprise
Steven Ritchie, Assistant General Manager, Water Enterprise
Eric Sandler, Assistant General Manager, Business Services and Chief Financial Officer

CITY AND COUNTY OF SAN FRANCISCO

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Edwin M. Lee

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London Breed, President

Malia Cohen
Mark Farrell
Sandra Lee Fewer
Jane Kim
Aaron Peskin

Hillary Ronen
Ahsha Safaí
Jeff Sheehy
Katy Tang
Norman Yee

CITY ATTORNEY
Dennis J. Herrera

CITY TREASURER
José Cisneros

OTHER CITY AND COUNTY OFFICIALS
Ben Rosenfield, Controller
Naomi M. Kelly, City Administrator

Current as of March 23, 2017
The San Francisco Public Utilities Commission (“SFPUC”) hereby provides this Annual Disclosure Report for the fiscal year ending June 30, 2016 in connection with obligations undertaken pursuant to Continuing Disclosure Certificates for revenue bonds issued by SFPUC’s Power Enterprise, as provided in the table below. Audited Financial Statements for the years ending June 30, 2016 and June 30, 2015 are submitted separately and may be viewed on EMMA or downloaded from the SFPUC website at: http://sfwater.org/index.aspx?page=347.

SFPUC POWER ENTERPRISE
OUTSTANDING PARITY REVENUE BONDS (1) *
($000’s)

<table>
<thead>
<tr>
<th>Series of Bonds</th>
<th>Purpose</th>
<th>Dated Date</th>
<th>Final CUSIP (79771K)</th>
<th>Original Par</th>
<th>Par Outstanding (June 30, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Revenue Bonds, 2015 Sub-Series B</td>
<td>Finance rehabilitation of transmission &amp; distribution lines</td>
<td>May 20, 2015</td>
<td>AY2</td>
<td>7,530</td>
<td>7,530</td>
</tr>
<tr>
<td><strong>TOTAL</strong> (2)</td>
<td></td>
<td></td>
<td></td>
<td><strong>$ 39,555</strong></td>
<td><strong>$ 39,555</strong></td>
</tr>
</tbody>
</table>

* All outstanding bonds held in trust by U.S. Bank National Association (the “Trustee”).
(1) The SFPUC has not issued or incurred any obligations (other than obligations constituting Operation and Maintenance Expenses) or issued or created additional indebtedness payable from Revenues senior to payment of the 2015 Series AB Bonds, which represent the first Series of Bonds issued under the Master Indenture.

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

SFPUC POWER ENTERPRISE
OUTSTANDING SUBORDINATE OBLIGATIONS
($000’s)

<table>
<thead>
<tr>
<th>Series of Bonds</th>
<th>Purpose</th>
<th>Dated Date</th>
<th>Final CUSIP (79771K)</th>
<th>Original Par</th>
<th>Par Outstanding (June 30, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Clean Renewable Energy Bonds (“CREBs”) (1)</td>
<td>Finance installation of solar energy equipment on various City-owned facilities</td>
<td>October 1, 2008</td>
<td>n/a</td>
<td>$ 6,325</td>
<td>$ 2,952</td>
</tr>
<tr>
<td>2011 Qualified Energy Conservation Bonds (“QECBs”)</td>
<td>Fund certain clean, renewable energy facilities</td>
<td>December 1, 2011</td>
<td>n/a</td>
<td>8,291</td>
<td>6,334</td>
</tr>
<tr>
<td>2012 New Clean Renewable Energy Bonds (“NCREBs”) (2)</td>
<td>Fund certain clean, renewable energy facilities</td>
<td>April 1, 2012</td>
<td>n/a</td>
<td>6,600</td>
<td>2,661</td>
</tr>
<tr>
<td>2015 New Clean Renewable Energy Bonds (“NCREBs”)</td>
<td>Finance installation of solar energy equipment on various City-owned facilities</td>
<td>October 1, 2015</td>
<td>n/a</td>
<td>4,100</td>
<td>4,100</td>
</tr>
<tr>
<td><strong>TOTAL</strong> (3)</td>
<td></td>
<td></td>
<td></td>
<td><strong>$ 25,316</strong></td>
<td><strong>$ 16,046</strong></td>
</tr>
</tbody>
</table>

(1) Investors receive a tax credit in lieu of interest payment.
(2) In July 2015, the Power Enterprise prepaid $2.5 million of taxable NCREB proceeds. See “Subsequent Events” section for further discussion of 2012 NCREB redemption.
(3) Total excludes 525 Golden Gate lease payments and Commercial Paper.
The Power Enterprise maintains a $90 million commercial paper program, which is subordinate to the outstanding 2015 Series AB Bonds. As of June 30, 2016, the SFPUC had no Power Commercial Paper Notes outstanding. The Commercial Paper Notes are secured by a $90 million letter of credit from Bank of America, N.A, which expires on December 17, 2018. See “Subsequent Events” section for more information regarding the commercial paper program.
The following tables are provided pursuant to the Continuing Disclosure Certificates executed in connection with the SFPUC’s Power Revenue Bonds.

### SFPUC POWER ENTERPRISE

**ELECTRIC SERVICE ACCOUNTS BY CUSTOMER CATEGORY**

**FOR FISCAL YEARS ENDED JUNE 30**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City Agencies</td>
<td>1,437</td>
<td>1,449</td>
<td>1,470</td>
<td>1,480</td>
<td>1,494</td>
</tr>
<tr>
<td>Non-City Agencies (e.g. SFUSD, SF Community College District) (1)</td>
<td>780</td>
<td>766</td>
<td>758</td>
<td>783</td>
<td>1,090(2)</td>
</tr>
<tr>
<td>Moccasin/City of Riverbank</td>
<td>41</td>
<td>40</td>
<td>41</td>
<td>40</td>
<td>41</td>
</tr>
<tr>
<td>Modesto/Turlock Irrigation Districts</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Accounts</strong></td>
<td>2,260</td>
<td>2,257</td>
<td>2,271</td>
<td>2,305</td>
<td>2,627</td>
</tr>
</tbody>
</table>

(1) Non-City Agencies include electric retail and municipal customers such as Moscone tenants, Exploratorium, and Yerba Buena Gardens.
(2) Includes 307 new accounts in the Hunter’s Point Shipyard Redevelopment Project and the Distributed Antenna System.

<table>
<thead>
<tr>
<th>Municipal Power Service Rates</th>
<th>FY 2015-16 Historical Rates</th>
<th>FY 2016-17 Adopted Rates (1)</th>
<th>FY 2017-18 Adopted Rates (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GUSE</td>
<td>6.75 ¢/kWh</td>
<td>7.25 ¢/kWh</td>
<td>7.75 ¢/kWh</td>
</tr>
<tr>
<td>GUSE 2</td>
<td>10.13 ¢/kWh</td>
<td>10.63 ¢/kWh</td>
<td>11.13 ¢/kWh</td>
</tr>
<tr>
<td>GUSE 3</td>
<td>8.70 ¢/kWh</td>
<td>9.20 ¢/kWh</td>
<td>9.70 ¢/kWh</td>
</tr>
<tr>
<td>GUSE 4</td>
<td>3.70 ¢/kWh</td>
<td>4.20 ¢/kWh</td>
<td>4.70 ¢/kWh</td>
</tr>
<tr>
<td>GUSE 5</td>
<td>4.49 ¢/kWh</td>
<td>4.99 ¢/kWh</td>
<td>5.49 ¢/kWh</td>
</tr>
<tr>
<td>GUSE 6</td>
<td>3.00 ¢/kWh</td>
<td>3.50 ¢/kWh</td>
<td>4.00 ¢/kWh</td>
</tr>
<tr>
<td>Enterprise Departments (2)</td>
<td>15.50 ¢/kWh</td>
<td>15.06 ¢/kWh</td>
<td>16.77 ¢/kWh</td>
</tr>
</tbody>
</table>

(1) Adopted by the SFPUC Commission May 2016.
(2) Tied to PG&E rates.

Source: SFPUC, Financial Services
The Power Enterprise issued its 2015 Series A and B Power Revenue Bonds (the “Series 2015 Bonds”) in FY 2014-15. The Series 2015 Bonds represent the first series of senior lien revenue bonds of the Power Enterprise, issued pursuant to the Master Trust Indenture dated May 1, 2015. Prior to issuing the Series 2015 Bonds, the Power Enterprise had issued, from time to time, certain Clean Renewable Energy Bonds (“CREBs” and “NCREBs”) and Qualified Energy Conservation Bonds (“QECBs”) that are payable from the Net Revenues of the Power Enterprise and are subordinate in lien (the “Subordinate Obligations”) to the Series 2015 Bonds. The Subordinate Obligations were privately placed and have no CUSIPs. Interest on the Series 2015 Bonds is capitalized through May 1, 2017. The Power Enterprise will not be obligated to make debt service payments on the Series 2015 Bonds until FY 2017-18. Consequently, the Power Enterprise does not have a basis to calculate and report the Indenture-based debt service coverage ratio in FY 2015-16.

Pursuant to the Continuing Disclosure Certificate executed in connection with the Series 2015 Bonds, the table on the following page provides Historical Revenues and Operation and Maintenance Expenses of the Power Enterprise for Fiscal Years Ending June 30, 2012 through June 30, 2016.*

*The Power Enterprise’s audited financial statements for fiscal year ending June 30, 2016 include approximately two months of operating activities related to CleanPowerSF, a Community Choice Aggregation (CCA) program launched in May 2016. In accordance with the Indenture, revenues of CleanPowerSF are not revenues of the Power Enterprise and are not pledged for the repayment of the Series 2015 Bonds.
## Historical Revenues and Operation and Maintenance Expenses

For Fiscal Years Ended June 30

*(IN THOUSANDS)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$94,680</td>
<td>$96,398</td>
<td>$98,693</td>
<td>$108,841</td>
<td>$122,504</td>
</tr>
<tr>
<td>Rent &amp; concessions</td>
<td>134</td>
<td>135</td>
<td>123</td>
<td>127</td>
<td>144</td>
</tr>
<tr>
<td><strong>Subtotal Operating Revenues</strong></td>
<td>$94,814</td>
<td>$96,533</td>
<td>$98,816</td>
<td>$108,968</td>
<td>$122,648</td>
</tr>
<tr>
<td>Interest &amp; investment income</td>
<td>2,589</td>
<td>139</td>
<td>1,289</td>
<td>1,253</td>
<td>1,294</td>
</tr>
<tr>
<td>Other non-operating revenues</td>
<td>5,800</td>
<td>4,892</td>
<td>5,798</td>
<td>9,302</td>
<td>12,256</td>
</tr>
<tr>
<td><strong>Subtotal Non-Operating Revenues</strong></td>
<td>$8,389</td>
<td>$5,031</td>
<td>$7,087</td>
<td>$10,555</td>
<td>$13,550</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$103,203</td>
<td>$101,564</td>
<td>$105,903</td>
<td>$119,523</td>
<td>$136,198</td>
</tr>
</tbody>
</table>

|                      |            |            |            |            |           |
| **Expenses**         |            |            |            |            |           |
| Personnel services   | $31,719    | $33,564    | $33,762    | $33,240    | $33,632   |
| Contractual services | 4,726      | 4,956      | 4,063      | 7,852      | 5,493     |
| Purchased power & related costs | 21,539     | 20,891     | 26,215     | 20,296     | 24,846    |
| Materials and supplies | 1,694     | 1,671      | 2,075      | 1,039      | 1,849     |
| Depreciation<sup>(3)</sup> | 9,796      | 11,079     | 11,128     | 13,785     | 12,639    |
| Services provided by other departments and general & administrative | 7,947      | 8,665      | 9,711      | 5,979      | 7,397     |
| Other operating expenses<sup>(4)</sup> | 16,186   | 12,433     | 14,086     | 23,031     | 24,157    |
| **Subtotal Operating Expenses** | $93,607 | $93,259    | $101,040   | $105,222   | $110,013  |
| Interest expense     | 85         | 1,641      | 1,574      | 1,815      | 3,355     |
| Amortization of Premium discount, and issuance costs | 38         | 7          | (28)       | 893        | (122)     |
| Other non-operating expenses | 3,217     | 3,025      | 2,485      | 2,494      | 1,676     |
| **Total Expenses**   | $96,947    | $97,932    | $105,071   | $110,424   | $114,922  |

### Change in net position before transfers
- 2012: $6,256
- 2013: $3,632
- 2014: $1,034
- 2015: $9,099
- 2016: $21,276

### Net transfers in (out)
- 2012: (2)
- 2013: (196)
- 2014: (38)
- 2015: 2,043
- 2016: 680

### Extraordinary item: Rim Fire Loss
- 2012: ---
- 2013: ---
- 2014: (4,134)
- 2015: ---
- 2016: ---

### Change in net position
- 2012: 6,254
- 2013: 3,436
- 2014: (3,138)
- 2015: 11,142
- 2016: 21,956

### Net position at beginning of year
- 2012: $369,594*
- 2013: $375,848*
- 2014: $379,284
- 2015: $355,381**
- 2016: $366,523

### Net position at end of year
- 2012: $375,848
- 2013: $379,284
- 2014: $376,146
- 2015: $366,523
- 2016: $388,479

* Restated per Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets & Liabilities.*

The historical results of operations reflected in the following table are based on the tables contained in the Financial Statements entitled "Statements of Revenues, Expenses, and Changes in Net Assets" and "Statements of Cash Flows" for the Fiscal Years listed.

Excludes operating results related to CleanPowerSF.

Depreciation is excluded from Operation and Maintenance Expenses under the Indenture.

Includes operating programmatic expenses associated with facility maintenance, a portion of which is excluded from Operation and Maintenance Expenses under the Indenture.

Source: SFPUC, Hetch Hetchy Water & Power Audited Financial Statements and Supplemental Schedules
SUBSEQUENT EVENTS

1. **Net Pension Liability – Department Wide**
   Subsequent to the fiscal year-end June 30, 2016, a GASB Statement No. 67 and No. 68 report for the San Francisco Employees’ Retirement System (SFERS) dated November 2016 was issued by Cheiron, SFERS’ actuary, resulting in a significant increase in the SFPUC’s net pension liability. Based on this new report, the estimated net pension liability is $454 million, which will be reported in in the year ending June 30, 2017 financial statements in accordance with Statement No. 68. The estimated net pension liability share for the Hetch Hetchy Water & Power Enterprise is $69 million. For more information, please visit the Retirement System’s website [http://mysfers.org](http://mysfers.org).

2. **2012 New Clean Renewable Energy Bonds ("NCREBs") Redemption**
   On January 23, 2017, the Power Enterprise prepaid $288,190 of unspent proceeds resulting from project cancellation and savings associated with a completed solar project. Funds were returned to Banc of America Leasing & Capital LLC (the “Investor”) pursuant to the terms of the Equipment Lease/Purchase Agreement executed on April 1, 2012.

3. **Power Commercial Paper Program**
   On February 2, 2017, the Power Enterprise issued $20 million of commercial paper notes to provide interim funding for capital spending. Commercial paper notes issued pursuant to the Enterprise's $90 million commercial paper program ("CP Program") are secured by the net revenues of the Power Enterprise on a basis subordinate to that of the 2015 Series AB Power Revenue Bonds. As of June 30, 2016, there were no commercial paper notes issued and outstanding under the CP Program.