Power & Water Resources Pooling Authority
Resolution 23-06-03

ANNUAL AUDIT FOR CONTRACT YEAR 2022

WHEREAS, the Power and Water Resources Pooling Authority ("PWRPA") was created by a Joint Powers Agreement ("JPA") to, among other things, acquire, construct, maintain, operate, and finance water and energy related projects; and

WHEREAS, Section 4.2.2 of the JPA provides that all funds shall be strictly, and separately, accounted for; and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the fiscal year; and

WHEREAS, Sections 3.11.3 and 4.2.2 of the JPA provide that unless otherwise exempted from such requirement, the Board of Directors shall contract with a certified public accountant or public accountant to make an annual audit of PWRPA's accounts and records, which shall be conducted in accordance with the requirements of Government Code Section 6505.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby:

1. Accepts the Annual Audit for Contract Year 2022, appended hereto as Attachment A.

PASSED AND ADOPTED by the Pooling Authority Board of Directors this 7th day of June 2023, by the following vote on roll call:

AYES	Arvin-Edison WSD, Banta Carbona ID, Byron Bethany ID, Cawelo Water District, Glenn-Colusa ID, James ID, Lower Tule River ID, Princeton/Provident ID, RD 108, Santa Clara Valley WD, Sonoma County Water Agency, West Stanislaus ID, Westlands Water District, Zone 7 Water Agency (100.0*% Voting Shares*)
NOES	None
ABSENT	None

David Weisenberger
Chairman

Attest by: Bruce McLaughlin
Secretary

ATTACHMENT A
to
RESOLUTION 23-06-03

Power and Water Resources Pooling Authority

Financial Statements

December 31, 2022 and 2021

C O N T E N T S

BARBICH HOOPER KING
DILL HOFFMAN
ACCOUNTANCY CORPORATION

Independent Auditors' Report

Board of Directors
Power and Water Resources Pooling Authority
Tracy, California

Opinions

We have audited the accompanying financial statements of the Power and Water Resources Pooling Authority as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Power and Water Resources Pooling Authority as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Power and Water Resources Pooling Authority, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Power and Water Resources Pooling Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Power and Water Resources Pooling Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Power and Water Resources Pooling Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 15, be presented to supplement the basic financial statements. Such information is the responsibility of management, and 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedules of revenue and operating expenses and insurance coverage on pages 31 through 33, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and operating expenses and insurance coverage are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation

BARBICH HOOPER KING

Bakersfield, California
June 7, 2023

Power and Water Resources Pooling Authority

Management's Discussion and Analysis

As management of the Power and Water Resources Pooling Authority ("Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended December 31, 2022 and 2021. Please read it in conjunction with the Authority's financial statements, which follow this section.

Introduction

The Authority operates as a publicly-owned electric utility and provides retail electric service to its public agency customers.[1] The Authority began providing retail electric service to its Project Participants on January 1, 2005, pursuant to contracts and agreements put into place in 2004.[2] The Authority's public agency customers utilize electric power to pump, convey, store, treat, and distribute water for agricultural and municipal purposes. The Authority recognizes that water-related activities and electric power consumption are directly related and that the exchange of water and electric power resources is a variable means of managing both electric power consumption and water supplies.

The Authority is comprised of certain "Parties", with additional participation by "Stakeholders", as such terms are defined under the Joint Powers Agreement. Parties include Banta-Carbona Irrigation District, Byron Bethany Irrigation District, Glenn-Colusa Irrigation District, James Irrigation District, Lower Tule River Irrigation District, Princeton-Codora-Glenn Irrigation District, Provident Irrigation District, and West Stanislaus Irrigation District. Public agencies that have executed the Cost Sharing Agreement to become Stakeholders are Arvin-Edison Water Storage District, Cawelo Water District, Reclamation District 108, Santa Clara Valley Water District, Sonoma County Water Agency, Westlands Water District, and Zone 7 Water Agency. Parties and Stakeholders, collectively referred to as Project Participants, are retail electricity customers of the Authority by virtue of executing the Aggregated Services Agreement ("ASA").

The Project Participants possess the right to receive capacity and energy from the Western Area Power Administration ("WAPA"), a federal agency engaged in the marketing of power generated by federally owned facilities, including the Central Valley Project ("CVP"). The Project Participants have assigned their CVP resource rights to the Authority. The Project Participants recognize the benefits of aggregating their individual allocations of CVP resources, as well as other resources, under a service arrangement whereby the Project Participants can optimize available energy and capacity resources. The Authority has established the capability to calculate the Project Participants' hourly loads, schedule resources into the electricity market operated by the California Independent System Operator ("CAISO"), provide cost accounting, and bill for electric services provided by the Authority. The provision of retail electric services by the Authority optimizes the efficient use of facilities and resources by allowing the Project Participants to more efficiently aggregate, schedule, dispatch, and deliver energy resources owned, controlled, or purchased by the Authority.

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1 The Authority was established in 2004 as a public agency pursuant to the Joint Exercise of Powers Act, Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California commencing with Section 6500, and all laws which amend or supplement it.

2 The Authority has the right to purchase electric power from any agency or entity, public or private, and the authority to provide for the acquisition, operation, leasing, and control of facilities for the generation, transmission, distribution, and sale of electric power.

Authority Governance and Management

The Board of Directors ("Board"), consisting of a representative from each of the Project Participants, is responsible for overseeing the Authority's operations and making decisions on behalf of the Participants that formed the Authority. This includes acting as the local regulatory authority for setting policies, approving budgets, hiring staff, entering into contracts, and managing the Authority's finances. The Directors have a fiduciary duty to act with good faith and in the best interest of the Authority and the Participants.

The Authority has a General Manager and an Operations Manager who are appointed by the Board to conduct the Authority's business in accordance with Board policies. Pursuant to Resolutions adopted by the Board in 2007 and 2008, including the adoption of a comprehensive Risk Management Policy and associated exhibits and amendments thereto, the Managers are authorized to, among other things, purchase supplemental power and natural gas on behalf of the Authority in forward markets. The Authority has a General Counsel and a Treasurer, both of whom provide advice to the General Manager, but remain separate and independent as they each report directly to the Board.

Since the Authority's inception, Robertson-Bryan, Inc. ("RBI") has provided a broad scope of services necessary for operations including, among other things, preparing the annual budget and Pro Forma rates, making recommendations to the Board on revenue and expenditure levels, managing all metering issues, managing Scheduling Coordinator functions including load and resource portfolio strategy protocols and coordinating with the Treasurer on all aspects of vendor invoicing, audits, and Participant allocation, monthly and annual reconciliation processes. In October 2021, the Authority executed a 1-year contract extension with RBI through January 2023 that included an increased scope of services to test and implement a new software-as-a-service platform provided by MCG Energy Solutions, LLC ("MCG"). In December 2022, the Authority executed another 1-year contract extension through January 2024 having an annual increase that included a pass-through expense of the MCG monthly invoice paid by RBI.

Beginning in 2006, the Authority engaged Aces Power Marketing, LLC ("ACES") to provide 24-hour coverage of the Authority's energy management and trading functions, market settlements, credit and risk compliance, and certain other planning functions, including compliance with all future market requirements. In October 2020, the Authority executed a 3-year contract extension with ACES through December 2023 that included a cost and services reduction of more than 20%.

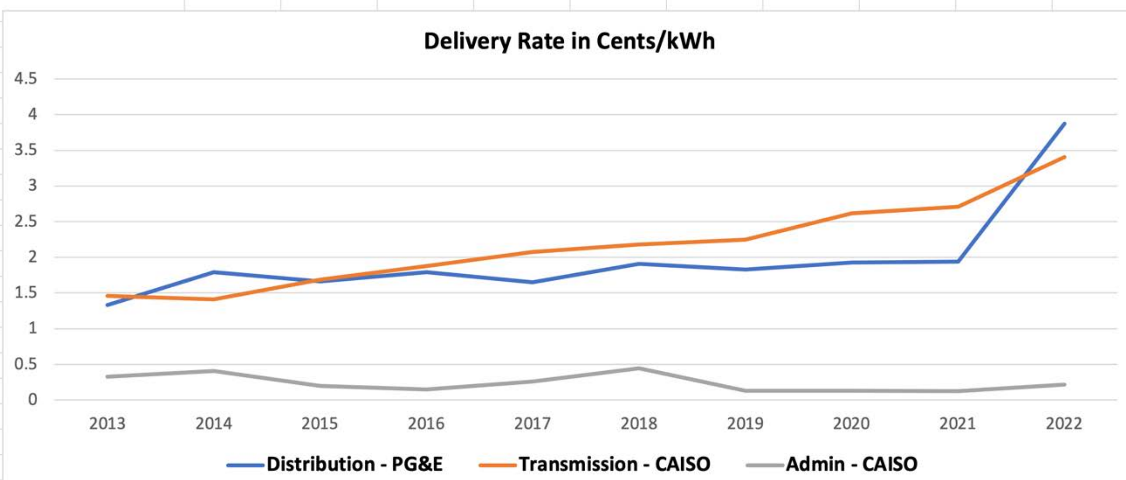
The Authority management continuously evaluates costs of service and cost allocation issues, and then provides recommendations to the Board. Significant and enduring changes were made in 2016 by the Board through: (a) adopting Resolution 15-06-08 *Procedures and Policies to Ensure Business Continuity Including Modifications to the Operating Rules and Regulations*; (b) approving new service agreements with key vendors that set fixed rates with substantial savings for services that fulfilled the Authority's managerial, operational, and legal needs; (c) adopting a zero carbon resource portfolio enabling any Participant to voluntarily procure a customized allocation of power resources within the Authority to achieve its low carbon goals while simultaneously reducing power portfolio costs for all other Participants; and (d) adopting Resolution 16-12-07 which implemented new cost categories and cost allocation algorithms of ASA in Exhibit E.

The Difficult Year of 2022 in Review

The 2022 year was a difficult time in California for the critical infrastructures of energy, water, and agriculture. Climatic and hydrological issues such as droughts, wildfires, and extreme weather events can have a significant impact on the price of electricity in California. These events can disrupt the state's energy infrastructure, causing power outages and reducing the availability of renewable energy sources. As a result, electricity prices may increase due to higher demand and reduced supply. Geopolitical issues such as changes in energy policies, trade disputes, and political instability in energy-producing regions can also affect the price of electricity in California. For example, if the state relies heavily on imported energy from a region that experiences political instability or trade disruptions, the price of electricity may increase due to supply chain disruptions and increased transportation costs. Overall, these factors can contribute to volatility in the price of electricity in California, which can have significant cascading economic impacts on the Authority (i.e., the energy sector), its Participants (i.e., the water sector), and their customers (i.e., the agricultural sector and municipal water users).

For all Project Participants, 2022 brought compounding extremes in weather, hydrology, tariff adjustments, governmental decisions, geopolitics, and long tail effects of the COVID pandemic.

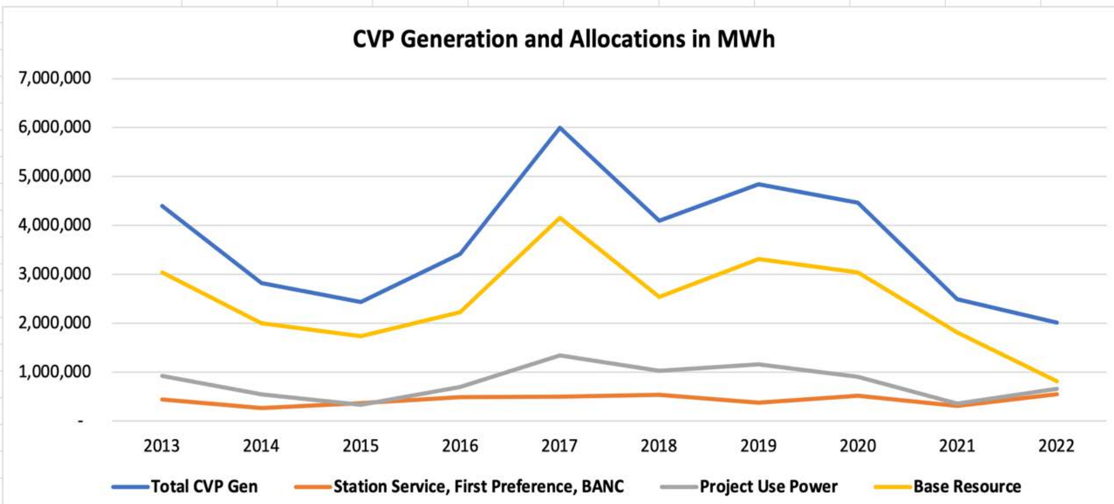
- Transmission and distribution rates both increased dramatically in 2022. The CAISO increases reflected the costs of additional transmission assets being included in the rate base. PG&E's substantial rate increases in the annual adjustment were mostly caused by two factors: (1) an annual increase in its distribution revenue requirement by more than $1 billion primarily due to wildfire costs; and (2) a disparate impact of billing for service based on actual demand rather than contract demand whereby the load-based denominator in the rate calculation decreased. Of note, this latter change will have positive effects in successive years because the Authority's load ratio share will rise and fall according to its actual usage in dry/wet years, respectively.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Distribution - PG&E	1.33	1.79	1.66	1.79	1.65	1.91	1.83	1.93	1.94	3.88
Transmission - CAISO	1.46	1.41	1.69	1.88	2.08	2.18	2.25	2.62	2.71	3.41
Admin - CAISO	0.33	0.41	0.20	0.15	0.26	0.44	0.13	0.13	0.12	0.22

- California's 2022 water year (October 1, 2021 to September 30, 2022) suffered from extreme drought with historically dry months and a record-shattering heatwave. According to the California Department of Water Resources, the 2020 to 2022 drought was the driest three-year period on record, breaking the old record set by the previous drought from 2013 to 2015. Overall, the 2022 water year ended with statewide precipitation at 76% percent of the average and statewide reservoir storage at 69% of the average. At the start of 2022, the drought covered 99.3% of California. The drought area expanded to cover the entire state during the spring and, despite heavy precipitation in December, ended the year at 97.9% coverage.

- The CVP was built primarily to integrate California's water ways to protect against crippling water shortages and hazardous floods; it also produces hydroelectric power and provides navigation, recreation, and water quality benefits. The CVP is the largest single source of irrigation water in California. 2022 marked the second successive year of 0% water allocations to the Authority's Participants. CVP hydroelectric generation in 2022 was only 54% of the current 10-year average. However, because power allocation priorities go to station service, First Preference Customers, balancing authority needs, and Project Use, the remaining Base Resource hydroelectric generation available for the Authority's allocation was only 33% of the current 10-year average.



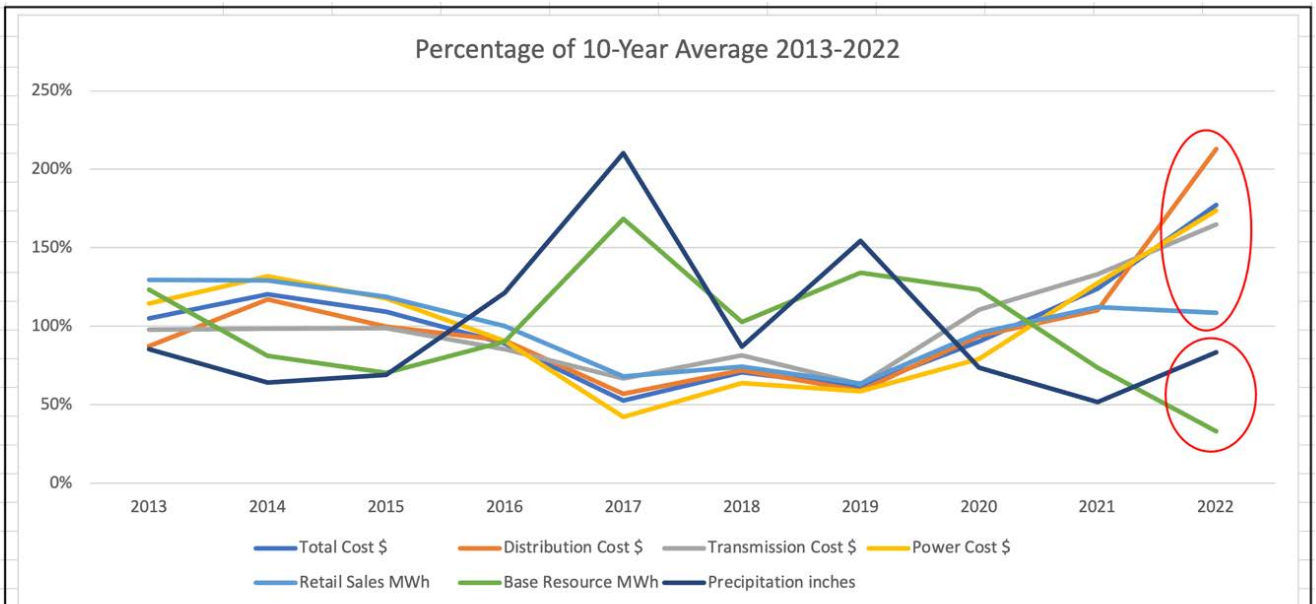
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total CVP Gen	4,401,941	2,817,218	2,429,840	3,414,377	6,000,197	4,097,718	4,846,179	4,461,239	2,486,600	2,015,868
Station Service, First Preference, BANC	441,306	269,399	366,430	488,415	498,976	534,861	374,689	520,482	313,172	545,067
Project Use Power	919,380	544,103	331,597	700,055	1,344,106	1,026,822	1,158,813	900,940	358,832	654,540
Base Resource	3,041,255	2,003,716	1,731,813	2,225,907	4,157,115	2,536,035	3,312,677	3,039,817	1,814,596	816,261

- During 2022, energy prices in the West Coast experienced unusually high peaks which extended above normal pricing. In June 2022, natural gas reserves in the United States and especially in the West Coast, were low. Between 2019 and 2022, five crude oil refineries were closed in the United States. These closures were caused by limited supplies and shipping constraints from COVID shutdowns that were further exacerbated by the fact that the federal Jones Act prevented shipping fuels between certain ports.

- In September, California experienced a two-week heat wave with multiple records being set. All-time high temperatures ranging into the mid-110s Fahrenheit were recorded in many areas served by Project Participants. Power prices in September 2022 more than doubled those recorded in September 2021. The extremes were aggravated even more when cold weather and winter storms in the Western Pacific regions led to record-high electricity prices in December. Western natural gas prices spiked due to extensive December storms, low natural gas inventory, reduced hydro-electric supplies from the multi-year drought, and the inability to receive coal deliveries. Power prices in December 2022 more than quadrupled those recorded in December 2021.

Impacts and Accomplishments in 2022

During calendar year 2022, the Authority delivered to the Project Participants 474,778,459 kWh, compared to 2021 deliveries of 490,504,585 kWh. The differences in deliveries to individual Project Participants varied greatly between the two successive years. The Authority's two largest customers provide a glaring example whereby the Westland Water District increased deliveries by 16,623,457 kWh (8%) and the Arvin-Edison Water Storage District reduced deliveries by 22,465,615 kWh (16%). The Authority's northern most Participants were hit the hardest by the drought and water allocation curtailments. Accordingly, power deliveries were significantly reduced in 2022 for Reclamation District 108 ("RD 108" by 42%), Glenn-Colusa Irrigation District ("GCID" by 73%) and the combined Princeton-Codora-Glenn Irrigation District and Provident Irrigation District ("PPID" by 96%). The combination of the environmental and economic externalities described above together with the wide latitude of 2022 deliveries had a compounding effect of high and disparate energy rates between the Authority's Participants.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Cost $	105%	120%	109%	89%	53%	71%	61%	90%	124%	177%
Distribution Cost $	87%	117%	100%	91%	57%	72%	59%	94%	110%	213%
Transmission Cost $	98%	99%	99%	85%	67%	81%	63%	110%	133%	165%
Power Cost $	114%	132%	118%	91%	42%	64%	59%	79%	128%	174%
Retail Sales MWh	130%	129%	119%	100%	68%	74%	64%	96%	112%	108%
Base Resource MWh	123%	81%	70%	90%	168%	103%	134%	123%	74%	33%
Precipitation inches	85%	64%	69%	121%	210%	87%	154%	73%	52%	84%

Each Project Participant's cost of power is unique and may vary materially based on: (1) load shape throughout the year; (2) unique transmission and distribution situations; (3) the amount of CVP allocation and renewable energy generation procured to serve its load throughout the year; (4) its participation in special projects involving long-term contracts for renewable energy and/or Renewable Energy Certificates ("RECs"); and (5) a voluntary selection to serve its load solely with carbon-free power resources. The average composite cost of power delivered to all Project Participants in 2022 was calculated to be approximately 16.35 cents/kWh. The range in the costs of delivered power was approximately 11.51 cents/kWh to 19.00 cents/kWh, not including the three northernmost Participants. The significantly reduced power deliveries combined with fixed charges for those three Participants resulted in exacerbated rate increases for GCID (21.02 cents/kWh), RD 108 (24.56 cents/kWh), and PPID (1.68 *dollars*/kWh).

In the face of the 2022 extremes, the Board, together with the General Manager, Operations Manager, and key consultants, successfully accomplished the following:

- Evaluated available technologies including energy storage, distributed solar generation, microgrid systems, and in-canal hydroelectric generators.
- Adopted Resolutions 22-01-01 and 22-02-02 extending the authorization to hold publicly accessible Board meetings by teleconference and, thereby, continued normal operations during the restrictions put in place by federal, state and local governments in response to the COVID pandemic.
- Adopted Resolution 22-02-03 approving certain additional modifications to Exhibit D of the Risk Management Policy (Transaction Authority Policy) to authorize inter-scheduling coordinator ("SC") trades which is defined as an energy quantity traded from one SC to another SC for a specific hour and location.
- Scheduled loads and resources pursuant to its Scheduling Coordinating Agreement with the CAISO utilizing ACES as its scheduling agent and settled such schedules with the CAISO and all wholesale power suppliers.
- Maintained credit and appropriate financial agreements with WAPA, the CAISO, and other wholesale power suppliers.
- Continued to participate in the Lodi Energy Center Project pursuant to the Authority's 2.667% interest in the efficient natural gas-fired combined cycle power plant project.
- Continued to participate in the long-term procurement of renewable resources through its: (a) 13.333% participation in the 75 MW Astoria Solar photovoltaic generation project located in Kern County; (b) 55% participation in the 20 MW Whitney Point Solar photovoltaic generation project located near Fresno, California; (c) 100% participation in the solar facilities at the Penitencia Water Treatment Plant ("WTP"), Santa Teresa WTP, and Santa Clara Valley Water District administrative facility; and (d) 100% ownership interest in the Sonoma WTP solar facility.
- Began its participation in the 300 MW Slate Solar and Storage photovoltaic generation project located in Kings County, with a 26 MW share of the solar output and 10 MW of installed battery energy storage.
- Continued its participation with Johnston Farms, FLP, and Moore Farms, LLC, for the long-term purchase of Portfolio Content Category 3 RECs.
- Continued participation in the California Air Resources Board ("CARB") Cap-and-Trade Program including the auction for greenhouse gas allowances ("Allowances"). Annually, the Authority is allocated Allowances from CARB which must then be consigned to one or more of the auctions in the same vintage year for which the Allowances were received. The auction revenue received by the Authority is used exclusively to benefit the Project Participants in a manner consistent with California law. Furthermore, the Authority's

participation in the LEC requires that the Authority procure sufficient Allowances for meeting its representative share of the LEC's Cap-and-Trade Program compliance obligation and transfer those Allowances to the LEC's operator.

- Adopted Resolutions 22-04-06 and 22-07-11 to implement rate relief during the 2022 drought year by reinstituting the PWRPA Summer Reserve Policy from 2021 and approving new drought impact funding mechanisms using the P3 Policy and Cap-and-Trade Allowance Revenue Utilization Policy.
- Adopted Resolution 20-07-10 approving the *2021 Annual Reconciliation Statement and Related Documentation Authorizing the Collection of the Total Refund Balances and Disbursements.*
- Adopted Resolutions 22-07-12 and 22-10-18 approving the *2021 Power Source Disclosure* and *Power Content Labels* which included a Standard Water Portfolio having a GHG Emissions Intensity of 646 pounds CO_{2e} per MWh and a Zero Carbon Water Portfolio having a GHG Emissions Intensity of 0 pounds CO_{2e} per MWh.
- Continued to implement pro-forma electricity rates having rate components contributing to a Renewable Power fund in amounts sufficient to cover current compliance period RPS obligations.
- Adopted Resolution 22-07-13 approving a rate increase due to impacts resulting from the extreme drought which included increased retail loads to customers, large increases in wholesale power costs, and the reduction of energy from PWRPA's Base Resource energy portfolio that decreased by 50% from the original forecast.
- Adopted Resolution 22-07-15 updating the *Wildfire Mitigation Plan* for the Authority's distribution facilities in accordance with Public Utilities Code Section 8387.
- In August, California declared a state of emergency and the California Energy Commission ("CEC") implemented the Demand Side Grid Support ("DSGS") Program which provided financial incentives to reduce electricity loads during extreme events. The program was open from August to October 31 of 2022, but only had curtailment events from August 31 to September 9, 2022. Four of the Authority's Participants voluntarily curtailed 296 MWhs and received a payment of $665,767 ($2,250 per MWh) from the CEC. In addition to the CEC incentive payment, the Participants received the associated cost or savings based on the day-ahead ("DA") and real-time ("RT") prices in the CAISO. This is because PWRPA schedules forecasted load on the DA market and the imbalance (difference in the DA forecast and the actual meter) is priced in RT.
- Met all its financial and operational obligations throughout its eighteenth year of operation.
- Adopted Resolution 22-12-19 Approving the *Annual Budget and Associated Pro Forma Rate Schedule for 2023*.

Financial Highlights

This marked the nineteenth year of existence for the Authority and the eighteenth year in which it operated as a publicly owned electric utility. Power demand in 2022 was approximately 3% lower as compared to that of 2021 primarily due to significant pumping curtailments by several Project Participants resulting from a third year of significantly drier hydrology and 0% water allocations. The Authority's average power cost to the Project Participants for 2022 was approximately 16.35 cents/kWh as compared to 11.08 cents/kWh in 2021.

Overview of the Financial Statements

This annual financial report includes this management's discussion and analysis, the independent auditors' report, the basic financial statements of the Authority and selected additional information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, and to determine its profitability and its credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Authority

In summation of the actions taken by the Authority during 2022, one must consider if the Authority, as a whole, is better off or worse off? The Statement of Net Position, and the Statement of Revenues, Expenses, and Change in Net Position reports information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and the changes in it. One can think of the Authority's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Overtime, increases and decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, hydrological conditions, and new or changed governmental regulation also need to be considered.

Table A
Condensed Statements of Net Position
December 31, 2022 and 2021

	2022	*2021*	*Dollar Change*	*% Change*	*2020*	*Dollar Change*	*% Change*
Assets							
Current assets	$ 18,220,095	$ 19,660,865	$ (1,440,770)	(7.3%)	$ 19,206,232	$ 454,633	2.4%
Other assets	996	996	-	0.0%	996	-	0.0%
Restricted assets	9,167,132	6,053,094	3,114,038	51.4%	4,214,509	1,838,585	43.6%
Capital assets	283,945	295,776	(11,831)	(4.0%)	307,607	(11,831)	(3.8%)
	$ 27,672,168	$ 26,010,731	$ 1,661,437	6.4%	$ 23,729,344	2,281,387	9.6%
Liabilities							
Current liabilities	$ 17,307,766	$ 11,844,468	$ 5,463,298	46.1%	$ 10,674,655	1,169,813	11.0%
Net Position							
Invested in capital assets	283,945	295,776	(11,831)	(4.0%)	307,607	(11,831)	(3.8%)
Unrestricted	10,080,457	13,870,487	(3,790,030)	(27.3%)	12,747,082	1,123,405	8.8%
	$ 27,672,168	$ 26,010,731	$ 1,661,437	6.4%	$ 23,729,344	2,281,387	9.6%

2021 to 2022

As can be seen from Table A, the Authority's Total Assets increased $1.7 million or 6.4% in 2022 compared to 2021. This change is due to an increase in Restricted Assets of $3.1 million due to a rise in funds available to participants in the Cap-and-Trade Program and Public Purpose Program of $2.5 million and $0.6 million respectively, an increase in Deposits of $1.7 million, and an increase in Accounts Receivable of $0.1, offset by a decrease in Cash and Cash Equivalents of $3.2 million.

Also, as can be seen in Table A, the Authority's Current Liabilities increased by approximately $5.5 million or 46.1% in 2022 compared to 2021. This change is due to an increase in Accounts payable of $2.3 million, an increase in funds available to participants in the Cap-and-Trade Program Funds of $2.5 million, and an increase in funds available in the Public Purpose Program payable of $0.6 million.

2020 to 2021

As can be seen from Table A, the Authority's total assets increased $2.3 million or 9.6% in 2021 compared to 2020. This change is primarily due to an increase in current assets of $0.5 million as a result of increases in accounts receivable, of $0.9 million, Customer Deposits of $0.4 million, offset by a decrease in Cash and Cash Equivalents of $0.8 million and an increase in Restricted Assets of $1.8 million due to increases in the Funds available in the Cap-and-Trade Program and Public Purpose Program of $0.9 million and $0.9 million respectively.

Also, as can be seen in Table A, the Authority's current liabilities increased $1.2 million in 2021 compared to 2020. This change is due to an increase in the Public Purpose Program payable of $0.9 million, Cap-and-Trade Program Fund payable of $0.9 million offset by a decrease in accounts payable of $0.7 million.

Table B
Condensed Statements of Revenues, Expenses and Changes in Net Position
For Years Ended December 31, 2022 and 2021

	2022	*2021*	*Dollar Change*	*% Change*	*2020*	*Dollar Change*	*% Change*
Operating revenues	$ 77,930,011	$ 58,387,615	$ 19,542,396	33.5%	$ 41,846,781	$16,540,834	39.5%
Operating expenses	81,965,794	57,342,266	24,623,528	42.9%	42,654,629	14,687,637	34.4%
Operating income (loss)	(4,035,783)	1,045,349	(5,081,132)	(486.1%)	(807,848)	1,853,197	-229.4%
Nonoperating income	233,922	66,225	167,697	253.2%	175,667	(109,442)	-62.3%
Change in net position	(3,801,861)	1,111,574	(4,913,435)	(442.0%)	(632,181)	1,743,755	275.8%
Net position, beginning of year	14,166,263	13,054,689	1,111,574	8.5%	13,686,870	(632,181)	-4.6%
Net position, end of year	$ 10,364,402	$ 14,166,263	$ (3,801,861)	(26.8%)	$ 13,054,689	$ 1,111,574	8.5%

2021 to 2022

As can be seen from Table B, the Authority's change in net position decreased by $4.9 million or 442.0% in 2022 compared to 2021. This change is due to the net effect of an increase in Operating Revenue of $19.5 million for the year derived from power billings from Project Participants and the increase in Operating Expenses of $24.6 million, offset by an increase of $.02 million in Non-Operating income mainly due to increase in interest income as a result of higher interest rates in 2022.

Operating Revenues increased $19.5 million in 2022 as compared to 2021 due to an increase in the average composite rate of delivered power of 5.29 cents/kWh offset by a decrease in power usage of approximately 15,726,000 kWh or 3.3%.

The Authority's Operating Expenses increased $24.6 million in 2022 as compared to 2021, this increase is due to significant increases in the cost of power and for the distribution and transmission of power to the Authority's Participants. Total power costs increased $11.7 million in 2022 compared to 2021, this is a result of increases in Supplemental Power of $10.6 million, an increase in the cost of the Lodi Energy Center of $.8 million, and an increase in Renewable Energy of $1.2 million, offset by a decrease in Base Resource Power of $0.9 million. The total cost to deliver power to the Authority's Participants increased $11.9 million in 2022 as compared to 2021. This is due to increases in the amounts paid to PG&E and CAISO for the transmission and distribution of power in the amount of $10.1 million and $1.8 million, respectively, in 2022 as compared to 2021. In addition, Prior Year Power Cost Adjustments increased $1.2 million as compared to 2021 and General and Administrative cost decreased $0.2 million.

2020 to 2021

As can be seen from Table B, the Authority's change in net position increased $1.7 million or 275.8% in 2021 compared to 2020. This change is due to the net effect of an increase in operating revenue of $16.5 million for the year derived from power billings from the Project Participants offset by the increase in operating expenses of $14.7 million.

Operating revenue increased by $16.5 million in 2021 as compared to 2020 due to an increase in power usage of approximately 70,761,415 kWh or 17% and an increase in the average composite cost of delivered power of $1.63 cents/kWh or 17%.

The Authority's increase in operating expenses of $14.7 million is primarily due to higher demands for power in 2021 compared to 2020 as a result of dry hydrological conditions and increased costs that took effect in June 2021 from the newly adopted PG&E Wholesale Distribution Tariff (see Note 9). The drier conditions resulted in increases in supplemental power of $11 million and transmission and distribution of $2.9 million. In addition, prior year power cost adjustments decreased $0.6 million primarily as a result of an increase in prior year refunds for the 2020 annual reconciliation being much higher than those made in 2020 for the 2019 annual reconciliation. There was also a $0.2 million increase in various operating costs.

Table C
Condensed Budget to Actual Comparison
December 31, 2022

	2022				2021			
	Actual	Budget	Dollar Change	% Change	Actual	Budget	Dollar Change	% Change
Operating revenue	$ 77,930,011	$ 64,640,687	$ 13,289,324	20.6%	$ 58,387,615	$ 60,975,033	$ (2,587,418)	(4.2%)
Operating expenses	(81,965,794)	(64,640,687)	(17,325,107)	26.8%	(57,342,266)	(60,975,033)	3,632,767	(6.0%)
Other income	233,922	-	233,922	100.0%	66,225	-	66,225	100.0%
Change in position	$ (3,801,861)	$ -	$ (3,801,861)	(100.0%)	$ 1,111,574	$ -	$ 1,111,574	(100.0%)

Budgetary Highlights

2021 to 2022

The Authority operated under a formal budget for the year ending on December 31, 2022. The approved 2022 budget included pro forma rates to charge the Project Participants for their individual power use. These rates were developed using an average condition water year scenario, which included an assumption that average hydropower would be available during the year.

During 2022, the Authority had interest income of $0.2 million and $3.6 million in prior period expenses included in Table C in operating expenses. These items were not included in the 2022 budget.

2020 to 2021

The Authority operated under a formal budget for the year ending on December 31, 2021. The approved 2021 budget included pro forma rates to charge the Project Participants for their individual power use. These rates were developed using an average condition water year scenario, which included an assumption that average hydropower would be available during the year.

During 2021, the Authority had interest income of $.04 million and $2.4 million in prior period expenses included in operating expenses in Table C. These items were not included in the 2021 budget.

Capital Asset

During 2022 and 2021 the Authority did not purchase or receive capital assets.

Debt Service Requirements

No debt was outstanding as of December 31, 2022 and 2021.

Contacting the Authority's Management

This annual financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Power and Water Resources Pooling Authority, P. O. Box 160, Arvin, CA 93203.

Power and Water Resources Pooling Authority

Statements of Net Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9,516,707	$ 12,807,927
Accounts receivable, customers	3,518,393	3,720,446
Accounts receivable, miscellaneous	326,030	14,859
Deposits	4,704,792	3,025,774
Other current assets	154,173	91,859
	18,220,095	19,660,865
Noncurrent Assets		
Capital assets, at cost	414,087	414,087
Less accumulated depreciation	(130,142)	(118,311)
	283,945	295,776
Other Assets		
Green House Gas allowances	996	996
Restricted receivable	84,516	106,056
Restricted cash and cash equivalents	9,082,616	5,947,038
	9,168,128	6,054,090
	$ 27,672,168	$ 26,010,731
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 4,795,368	$ 2,459,791
Funds on deposit, Project Participants	3,345,267	3,331,584
Public Purpose Program Fund	3,060,025	2,426,139
Cap-and-Trade Program Fund	6,107,106	3,626,954
	17,307,766	11,844,468
Net Position		
Net investment in capital assets	283,945	295,776
Unrestricted	10,080,457	13,870,487
	10,364,402	14,166,263
	$ 27,672,168	$ 26,010,731

See Notes to Financial Statements.

Power and Water Resources Pooling Authority

Statements of Revenues, Expenses, and Changes in Net Position
For Years Ended December 31, 2022 and 2021

Revenues:	***2022***	***2021***
Service, customer and general and administrative charges	$ 77,930,011	$ 58,387,615
Operating expenses:		
Power - base resource	5,550,399	6,430,959
Power - supplemental	30,567,189	19,991,302
Power - LEC	2,182,915	1,382,173
Power - renewable energy	2,945,503	1,726,336
Power - surcharges	142,686	147,918
Transmission and distribution	32,480,566	22,393,316
CAISO	2,011,048	293,790
Scheduling and coordinating	496,349	430,378
Metering	637,216	645,310
Prior year power cost adjustments	3,631,064	2,416,387
General and administrative	1,320,859	1,484,397
	81,965,794	57,342,266
Operating income (loss)	(4,035,783)	1,045,349
Nonoperating income:		
Interest income	224,244	44,594
Other income	9,678	21,631
	233,922	66,225
Change in net position	(3,801,861)	1,111,574
Net position, beginning of year	14,166,263	13,054,689
Net position, end of year	$ 10,364,402	$ 14,166,263

See Notes to Financial Statements.

Power and Water Resources Pooling Authority

Statements of Cash Flows
For Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash receipts from Project Participants	$ 79,589,079	$ 60,545,781
Cash payments to Project Participants	(1,939,584)	(3,191,761)
Cash payments to other suppliers for goods and services	(77,968,349)	(56,384,246)
Net cash provided by (used in) operating activities	(318,854)	969,774
Cash flows from investing activities:		
Interest income	163,212	57,653
Net increase (decrease) in cash and cash equivalents	(155,642)	1,027,427
Cash and cash equivalents at beginning of year	18,754,965	17,727,538
Cash and cash equivalents at end of year	$ 18,599,323	$ 18,754,965

See Notes to Financial Statements.

	2022	2021
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (4,035,783)	$ 1,045,349
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	11,831	11,831
Other income	9,678	21,631
Changes in operating assets and liabilities:		
Accounts receivable	(109,118)	(809,964)
Deposits and other assets	(1,658,760)	(468,886)
Accounts payable	2,335,577	(705,731)
Other liabilities	3,127,721	1,875,544
Net cash provided by (used in) operating activities	$ (318,854)	$ 969,774
Supplemental disclosures of cash flow information:		
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$ 9,516,707	$ 12,807,927
Restricted cash and cash equivalents	9,082,616	5,947,038
	$ 18,599,323	$ 18,754,965

Note 1. Nature of Activities and Summary of Significant Accounting Policies

The reporting entity:

The Authority was established by a Joint Powers Agreement, dated January 22, 2004, under the California Joint Exercise of Powers Act. The Authority is a public agency comprised of irrigation districts. The Joint Powers Agreement provides that the Authority shall have the power to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy-related projects and programs. In furtherance of these rights, the Authority operates as a publicly owned electric utility and provides retail electric service to the Project Participants.

Project Participants:

As of December 31, 2022 and 2021, the Authority's Project Participants and their respective voting percentages are as follows:

	Effective April 1, 2022	Effective April 1, 2021
Arvin-Edison Water Storage District	18.6674%	18.3023%
Banta-Carbona Irrigation District	5.9784	5.9577
Cawelo Water District	5.6750	5.8899
Glenn-Colusa Irrigation District	5.1376	5.2115
James Irrigation District	3.9954	3.9781
Lower Tule River Irrigation District	4.9609	4.9932
Princeton-Codora-Glenn Irrigation District and Provident Irrigation District	4.0427	4.1153
Reclamation District 108	4.2128	4.2801
Santa Clara Valley Water District	6.6395	6.7711
Sonoma County Water Agency	8.5751	8.6295
Byron Bethany Irrigation District	3.9387	3.9450
West Stanislaus Irrigation District	5.7436	5.7898
Westlands Water District	18.0267	17.8926
Zone 7 Water Agency	4.4065	4.2440

Management and Board of Directors:

The Authority's governing body is its fourteen member Board of Directors, which annually elects a Chairman and Vice-Chairman. The Joint Powers Agreement directs that voting is based on a formula reflecting, among other things, each Project Participant's annual energy usage.

Basis of accounting and financial reporting:

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, in conformity with the uniform system of accounts prescribed for water districts by the Controller of the State of California. Revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of cash payments or receipts.

When the Authority has both unrestricted and restricted resources available for Authority purposes, it is the Authority's practice to first expend restricted resources, subsequently utilizing unrestricted resources as needed.

The Authority utilizes a net position presentation in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. Net position is categorized as invested in capital assets, net of related debt, restricted components of net position and unrestricted components of net position. These categories are defined as follows:

> *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and the deferred outflow of advanced refunding of bonds, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

> *Restricted components of net position* - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

> *Unrestricted components of net position* - This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position

Fund accounting:

The Authority utilizes a proprietary enterprise fund category to account for its activities. Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Other items not properly included among operating revenues are reported as nonoperating revenues. All assets and liabilities associated with an enterprise fund's activities are included on its statements of net position.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and cash equivalents:

For purpose of reporting cash flows, the Authority considers cash equivalents to be all highly liquid debt instruments purchased with an original maturity of three months or less. At December 31, 2022 and 2021, cash and cash equivalents include cash on hand and amounts deposited with banks and the State Treasurer's office.

The Authority invests any excess funds not needed for immediate needs into State of California managed Local Agency Investment Fund (“LAIF”), which is a permitted investment by both State law and the Authority’s investment policy. Created by state statute, the LAIF is a component of a pooled money program that is administered by the State Treasurer’s Office. The fund has regulatory oversight from the Local Investment Advisory Board, which is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. As the LAIF does not make share-value adjustments due to immaterial differences between fair value and cost, the Authority’s cost basis in the fund is reflected in cash and cash equivalents on the statements of net position as of December 31, 2022 and 2021.

Cash flows:

GASB Statement No. 9, *Reporting of Cash Flows for Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting,* states for purposes of preparing the statements of cash flows, all transactions not classified as capital and related financing activities or investing activities are classified as operating activities. The adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities includes other income and expenses.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The Authority considers accounts receivable to be fully collectable. Based on the credit history with customers having outstanding balances and current relationships with them, it has concluded that bad debt on balances outstanding at year-end is not necessary.

Concentration of credit risk:

Credit is extended, in the form of accounts receivable, to the Project Participants who are located throughout northern and central California.

Capital assets:

Capital assets are defined by the District as assets with an individual cost of more than $5,000 and an estimated useful life greater than two years. Depreciation is computed using the straight-line method over the estimated useful life of 35 years.

Maintenance and repairs of property, plant and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated amortization are eliminated from the accounts and gain or loss is included in operations.

Revenue recognition:

Income is derived from the levy of power service charges as determined annually by the Board of Directors. Revenues from power sales are recognized as power is delivered.

Derivative instruments and hedging activities:

The Authority enters into contracts for the purchase and sale of electricity for use in the Project Participants' business operations. GASB requires the Authority to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempt as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal purchases and normal sales are documented and exempted from the accounting and reporting requirements of GASB.

The Authority’s policy is to fulfill all derivative and hedging contracts by either taking delivery of power from a third party or by providing power to a third party as provided for in each contract. The Authority’s policy does not authorize the use of derivatives or hedging instruments for speculative purposes such as hedging electricity pricing fluctuations beyond the Authority’s estimated capacity to receive or deliver power. Normal purchases and normal sales contracts are accounted for as executory contracts as required under generally accepted accounting principles. As of December 31, 2022 and 2021, the Authority had no contracts accounted for as derivatives.

Note 2. Cash and Investments

Cash and investments as of December 31, 2022 and 2021 are classified in the accompanying financial statements as follows:

	2022	***2021***
Cash and cash equivalents	$ 9,516,707	$ 12,807,927
Restricted cash and cash equivalents	9,082,616	5,947,038
	$ 18,599,323	$ 18,754,965

Cash and investments as of December 31, 2022 and 2021 consist of the following:

	2022	2021
Deposits with banks	$ 5,465,469	$ 3,005,020
Deposits with State of California LAIF	13,133,854	15,749,945
	$ 18,599,323	$ 18,754,965

Investments authorized by the Authority's investment policy

The Authority's investment policy only authorizes investment in the local government investment pool administered by the State of California Local Agency Investment Fund and obligations of the U.S. Treasury as authorized by the Government Code. Other types of investments that are authorized by the Government Code can be added as an amendment to the approved policy. The Authority's policy does not contain any specific provisions intended to limit the Authority's exposure to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk or foreign currency risk.

Disclosures relating to interest rate risk

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

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment as of December 31, 2022:

Investments	*Reported Amount*	*Maturity Date*
Local Agency Investment Fund	$ 13,133,854	N/A

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Local Agency Investment Fund does not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than the external investment pool) that represent 5% or more of total investments at December 31, 2022 and 2021.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At December 31, 2022 and 2021, the Authority had no risk associated with deposits.

Note 3. Capital Assets

In 2011, the Authority entered into three Distribution Facilities Agreements with Project Participants (Glenn-Colusa Irrigation District, effective March 2, 2011; Reclamation District 108, effective March 30, 2011 and Santa Clara Valley Water District, effective August 23, 2011). Under the Distribution Facilities Agreements, the Project Participants are responsible for installing electric distribution facilities that will be used by the Authority to provide electric service to the Project Participants' respective new electric loads. Upon inspection and acceptance by the Authority, the electric distribution facilities were transferred to and became the property of the Authority. The Project Participants are responsible for all costs related to the installation, operation, maintenance and replacement of the electric distribution facilities. In 2011, Glenn-Colusa Irrigation District transferred $290,616 and Reclamation District 108 transferred $123,471 of Distribution facilities to the Authority. As of December 31, 2022 and 2021, capital assets balance is $414,087.

Note 4. Restricted Assets

Public Purpose Program (P3):

The restricted balance for the P3 Program, as of December 31, 2022 and 2021 was $3,060,025 and $2,426,139, respectively, included in restricted cash and cash equivalents and restricted receivable and an equivalent liability balance. The restricted assets are required by Public Utilities Code §385(a) which states that each publicly-owned electric utility shall establish a non-bypassable, usage based charge on local distribution service of not less than the lowest expenditure level of 1996 from the three largest electrical corporations in California on a percent of revenue basis. The Public Utilities Code requires that the collected charges shall be used to fund investments in certain designated projects including energy efficiency, energy conservation, and renewable energy. In September 2006, the Authority's Board adopted Public Purpose Program (P3) Guidelines establishing that each Project Participant shall contribute an amount equal to 2.85% times its amount invoiced for energy delivered based upon the current pro-forma rates in effect for the period. The P3 Guidelines require the collected funds to be placed in an interest-bearing account whereby the Board Treasurer shall track the deposits, withdrawals, and balance attributable to each Project Participant. Any Project Participant may propose a P3 project and request disbursement from that Project Participant's designated P3 funds. Every conforming P3 project, as determined by the Authority's Board, shall receive funding from the requesting Project Participant's available designated P3 funds. Not less than once a year, coinciding with the annual cost reconciliation process and the Authority's audit of its financial performance, an internal audit of the P3 Account shall be undertaken to assess conformance with the Public Utilities Code and P3 Guidelines.

Cap-and-Trade Program:

The California Cap-and-Trade Program ("Program") became effective on January 1, 2012. The Program was designed to provide entities subject to its regulation the flexibility to seek out and implement the lowest-cost options to reduce greenhouse gas ("GHG") emissions. As part of the Cap-and-Trade Program, the California Air Resources Board ("CARB") created GHG allowances ("Allowances") to represent the right to emit one metric ton of greenhouse gases. Each year, CARB allocates a pre-determined amount of "free" Allowances to electric distribution utilities, such as the Authority, while the remainder of Allowances are made available for purchase in quarterly auctions ("Auction"). Pursuant to the Program regulations, the Authority may not directly sell the Allowances to other entities but may only consign the Allowances for sale in one or more of ARB's quarterly auctions. The Auction revenue that the Authority receives from the sale of free Allowances shall be used solely for the benefit of Authority ratepayers in a manner consistent with California law. The restricted balance of the Cap-and-Trade Program, as of December 31, 2022 and 2021 was $6,107,106 and $3,626,954, respectively, included in restricted cash and cash equivalents, restricted receivable and an equivalent liability.

Note 5. Board Designated Reserves

The Board Designated Reserves are presented as internally constrained Unrestricted Net Assets of the Authority to be used for their respective purposes. The Board Designated Reserves at December 31, 2022 and 2021 were as follows:

	2022	***2021***
Energy	$ 10,000,000	$ 10,000,000

Note 6. Related Party Transactions

The Authority has engaged the services of the Arvin-Edison Water Storage District (AEWSD), a Project Participant, to provide treasurer and accounting services. The Authority paid AEWSD $82,673 and $94,148 for services for the years ended December 31, 2022 and 2021, respectively. The Authority paid $3,210 and $2,333 to AEWSD for office and administrative expenses for the years ended December 31, 2022 and 2021, respectively.

Revenues for the years ended December 31, 2022 and 2021 of $77,930,011 and $58,387,615, respectively, were generated by the payments made by the Authority's Project Participants. Total accounts receivable of $3,518,393 and $3,720,446 at December 31, 2022 and 2021, respectively, were due from the Authority's Project Participants.

Note 7. Prior Year Power Cost Adjustments

On or before July 1 of each succeeding year, the Authority provides the Project Participants with a final accounting of power charges and other operating expenses for the previous calendar year. Adjustments of prior year power costs resulted in a net decrease to income for the years ended December 31, 2022 and 2021. The adjustments consist of the following items:

	2022	*2021*
Reconciliation refund to participants	$ 4,036,910	$ 2,502,379
Miscellaneous prior year	(405,846)	(85,992)
	$ 3,631,064	$ 2,416,387

Note 8. Commitments

The Authority contracted with WAPA in August 2004 to receive a percentage of the CVP's power resources available for marketing on an hourly basis. WAPA provides a percentage of the CVP power resources consistent with WAPA's post-2004 Power Marketing Plan. The contract for service is for January 1, 2005 through December 31, 2024.

The Authority has entered into various other power purchase agreements with wholesale power suppliers through which the Authority buys power that is supplemental to power received under the Authority's contract with WAPA. The Authority has access to various third-party marketers through its Edison Electric Institute and Western Systems Power Pool agreements. In 2018, the Authority had fixed power purchase agreements and capacity contracts with NextEra Energy Marketing.

Subject to certain early termination rights, these agreements specify minimum purchase obligations. The Authority is obligated to purchase this supplemental power at contract rates and may be subject to margin calls from these third-party suppliers if the Authority were to violate the credit terms of these contracts. The Authority has reciprocal rights to margin its suppliers in the unlikely event of their financial distress.

In 2008, the Authority executed a Second Phase Agreement with the Northern California Power Agency ("NCPA") to participate in the construction and operation of the Lodi Energy Center ("LEC"). The Authority has a 2.667% subscription (approximately 7 MW) of the 302 megawatt ("MW") natural gas-fired combined cycle power generation facility. The Commercial Operation Date ("COD") was declared in November 2012.

Effective July 23, 2014, the Authority entered into a power purchase agreement ("PPA") with RE Astoria 2, LLC to purchase certain renewable energy and associated environmental attributes from a 75 MW photovoltaic solar facility being constructed in Kern County. The COD starting the 20-year agreement term occurred on December 5, 2016.

Effective April 17, 2015, the Authority entered into a 20-year PPA with Whitney Point Solar, LLC to purchase certain renewable energy and associated environmental attributes from a 20 MW photovoltaic solar facility constructed in Fresno County. The COD occurred on April 14, 2017.

Effective March 22, 2019, the Authority entered into a 20-year PPA with RE Slate 4, LLC to purchase certain renewable energy, capacity and associated environmental attributes from a 300 MW photovoltaic solar facility being constructed in Kings County. The agreement's Key Milestones include an expected construction start date no later than August 31, 2021, and an expected COD no later than December 31, 2021. Through a series of negotiations in 2020, the PPA was: (a) assigned to Slate 1, LLC; (b) amended to include a subscription for 10 MW of co-located battery energy storage; and (c) amended to extend the date on which the seller must begin paying delay damages to April 1, 2022 while ensuring that the Authority receives all RECs that would have otherwise been generated during the delay period. In June 2021, the First Amendment to the amended PPA was executed which incorporated certain operating restrictions for battery storage that were required before COD.

Before the Authority entered these long-term agreements, it had received executed rate agreements from the Authority's participating customers that will be allocated output from each respective solar facility. Each rate agreement obligates the participating customers on a "take-or-pay" basis for all costs associated with the Authority's generation entitlement share of facility output.

Gas supply agreements:

In 2011, the Authority entered into gas purchase enabling agreements with the State of California, Department of General Services and Shell. The "take-or-pay" agreements arrange for the acquisition of natural gas commodity and delivery for the production of electricity from the Authority's Generation Entitlement Share of the Lodi Energy Center. The Authority did not purchase gas in 2021, nor does it expect to utilize this enabling agreement in the foreseeable future.

Renewable Portfolio Standard (RPS):

In April 2011, Senate Bill X1 2, the California Renewable Energy Resources Act, was signed into law and set a Renewable Portfolio Standard (RPS) target for publicly owned electric utilities (POUs). The Authority's Board of Directors adopted policies for implementing the RPS requirements including establishing a renewable energy resources procurement plan. Accordingly, the Authority will procure a minimum quantity of electricity products from eligible renewable energy resources, including renewable energy certificates (RECs), as a specified percentage of total kilowatt hours actually sold to the Authority's retail end use customers. On April 2, 2014, the Authority established an RPS Cost of Compliance Rule (Compliance Rule). Pursuant to the Compliance Rule the Authority assigns each Project Participant its respective RPS compliance obligation and cost, routinely evaluates the Authority's RPS position relative to the compliance target, sets rates to cover costs, and deposits collected amounts into the P3-RPS Compliance Account. In September 2018, Senate Bill 100 ("SB 100") was signed into law and made several substantive changes to the California publicly owned electric utilities including:

(a) increasing the procurement target to 60% of retail sales by 2030; (b) permitting the banking of renewable resource contracts of any duration for use in future compliance periods; and (c) requiring that at least 65% of the RECs used in any compliance period are from either owned resources or contracts at least 10 years in duration. SB 100 provides for a reduction of an annual RPS requirement if, during a year within a compliance period, a POU receives more than 40 percent of its retail sales from the CVP's large hydroelectric generation. Lastly, SB 100 sets forth California's policy that eligible renewable energy resources and zero-carbon resources should supply 100% of all retail electricity sales to California end-use customers by December 2045.

Service agreements:

ACES provides power scheduling and coordinating services to the Authority. The agreement expires December 31, 2023. The Authority paid $300,000 and $420,000 to ACES for the years ended December 31, 2022 and 2021, respectively.

Future annual payments are as follows in equal monthly installments:

Year Ending December 31,	
2023	$ 300,000

The Authority executed a Fixed Fee Agreement with Robertson-Bryan, Inc. ("RBI") to provide operations and management services for a one-year term beginning on January 16, 2021, which was extended through January 15, 2022 for a monthly amount of $42,833 plus expenses. The agreement was extended through January 2023 for a monthly amount of $48,583 plus expenses. The Authority paid $793,273 and $708,839 to RBI for these services during the years ended December 31, 2022 and 2021, respectively. In accordance with a third extension through January 15, 2024, the future annual payments for the year ending December 31, 2023, is $612,150 plus expenses in equal monthly installments.

The Authority extended its Alternative Fee Agreement with Cameron-Daniel, P.C., to provide deputy general manager services (general manager and general counsel) for a term ending on October 31, 2025. The monthly fee of $33,350, plus expenses, was increased to $36,350, plus expenses, effective November 1, 2021. The Authority paid $477,179 and $480,346 for general manager services during the years ended December 31, 2022 and 2021, respectively.

Note 9. Litigation

In September 2020, the Authority intervened in FERC docket No. ER20-2878-000 through which PG&E sought to increase the rates paid by WAPA, PWRPA, and other entities for distribution service under the Wholesale Distribution Tariff ("WDT"). The Commission's Order, issued on November 13, 2020, accepted PG&E's filing that included a proposed formula rate, a substantially increased 2021 distribution revenue requirement ("DRR") and revisions to WDT service agreements with WAPA and PWRPA. In addition, the Commission preliminarily found that PG&E's rates may yield substantially excessive revenues and suspended the implementation effective date for 5 months until April 15, 2021. The matter was set for a trial-type evidentiary hearing, however, the Commission held the hearing in abeyance and appointed a settlement judge. Accordingly, the Parties resolved a substantial number of issues in two Partial Settlements as described below.

The First Partial Settlement deferred the effective date for rates initially filed in the proceeding and implemented new lower interim rates beginning June 1, 2021. On December 1, 2021, PG&E filed its first Annual Update for Rate Year 2022 revising the DRR, Distribution Rates, Cost of Ownership rates, and Customer Service Charges using the Formula Rate Model as revised pursuant to the First Partial Settlement.

The Second Partial Settlement was approved by the Commission on June 2, 2022, and resolved some, but not all, of the contested issues in the proceeding. Among other things, the Second Partial Settlement included an allocated DRR credit over the 4-year period of the WDT Formula Rate. The DRR credit is $3.5 million in each of 2021 and 2022, $2 million in 2023, and $1 million in 2024. The Second Partial Settlement also allows extended periods of non-usage for agricultural delivery points which, to avoid termination, have the option of entering into a long-term agreement to pay a minimum monthly charge for each month of non-usage. On December 1, 2022, PG&E filed its first Annual Update for Rate Year 2023 revising the DRR, Distribution Rates, Cost of Ownership rates, and Customer Service Charges using the Formula Rate Model as revised pursuant to the Second Partial Settlement.

In late 2022, ER20-2878 was consolidated with a similar PG&E proceeding at FERC and the trial-type hearing is now continuing under docket ER22-619. The procedural schedule lists August 31, 2023, as the date for the Initial Decision.

Note 10. Contingencies

Self-insurance:

The Authority is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority. SDRMA bills each member a deposit premium at the beginning of each policy year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are charged against the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the amount of outstanding claims, the Authority is billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the Authority. During the current year, there were no significant reductions in coverage.

Supplementary Information

Power and Water Resources Pooling Authority

Schedules of Revenues and Operating Expenses
For Years Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Service charges	$ 77,930,011	$ 58,387,615
Operating Expenses:		
Power:		
Power - base resource	$ 4,485,527	$ 4,870,816
Power - base restoration	1,064,872	1,560,143
Power - supplemental	30,567,189	19,991,302
Power - LEC	2,182,915	1,382,173
Power - renewable energy	2,945,503	1,726,336
Power - energy surcharges	142,686	147,918
	$ 41,388,692	$ 29,678,688
Transmission and distribution	$ 32,480,566	$ 22,393,316
CAISO	$ 2,011,048	$ 293,790
Scheduling and coordinating	$ 496,349	$ 430,378
Metering	$ 637,216	$ 645,310

	2022	2021
Prior year power cost adjustments:		
Reconciliation refund to participants	$ 4,036,910	$ 2,502,379
Miscellaneous prior year	(405,846)	(85,992)
	$ 3,631,064	$ 2,416,387
General and administrative:		
Dues and subscriptions	$ 1,881	$ 1,750
Insurance	22,691	23,369
Depreciation	11,831	11,831
Travel and entertainment	1,997	944
Licenses and fees	-	5,185
Office expenses	3,904	9,325
Professional fees	1,278,555	1,431,993
	$ 1,320,859	$ 1,484,397

Power and Water Resources Pooling Authority

Schedule of Insurance Coverage
December 31, 2022

General and auto liability, public officials' and employees' errors and omissions and employment practices liability:	
Liability ($500 deductible for 3rd party general liability property damage; $1,000 deductible per occurrence for 3rd party auto liability property damage)	$ 2,500,000 (per occurrence)
Property loss:	
Blanket coverage ($1,000 deductible per occurrence)	$ 800,000,000 (per occurrence)
Employee dishonesty coverage:	
Public employee dishonesty, forgery or alteration and theft, disappearance and destruction	$ 1,000,000 (per loss)
Boiler and machinery:	
Blanket coverage ($1,000 deductible per occurrence)	$ 100,000,000 (per occurrence)
Public officials personal liability:	
Annual aggregate of $500,000 per each elected/appointed official, subject to terms, conditions and exclusions ($1,000 deductible per claim)	$ 500,000 (per occurrence)