



**A G E N D A**

**MIDDLE FORK PROJECT  
FINANCE AUTHORITY**

**Thursday, February 20, 2020  
11:00 a.m., Adjourned Regular Meeting**

American River Room  
Placer County Water Agency  
144 Ferguson Road  
Auburn, California

Members of the Board of Directors:

***PLACER COUNTY WATER AGENCY***

Primo Santini, District 2, Vice-Chair  
Mike Lee, District 3

***COUNTY OF PLACER***

Robert Weygandt, District 2  
Jim Holmes, District 3, Chair

A. Call to Order

1. Roll call
2. Pledge of Allegiance

B. Agenda Review and Changes

C. Consent Calendar: All items listed under the consent calendar are considered to be routine and may be approved by one motion.

D. General Items

- pg. 1 1. Consider **Adopting Resolution 20-\_\_** authorizing issuance and sale of refunding bonds, authorizing the execution and delivery of an indenture, a bond purchase contract, and a continuing disclosure certificate; approving the form of an official statement and the related distributions thereof and approving other actions related thereto.

E. Reports by Directors: In accordance with Government Code § 54954.2(a), Directors may make brief announcements or brief reports on their own activities. They may ask questions for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda.

- F. Reports by Legal Counsel
- G. Reports by Secretary
- H. Reports by Executive Director
- I. Adjournment

**THE NEXT RESOLUTION NUMBER IS 20-02.**

The administrative affairs of the MFP Finance Authority are managed by PCWA. Inquiries regarding the MFP Finance Authority should be directed to the PCWA General Manager's office (530) 823-4860 for reply.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact PCWA at (530) 823-4860. Notification by Friday noon preceding the meeting will enable the Authority to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.102-35.104 ADA Title II]

In accordance with Government Code Sec. 54954.2(a) this notice and agenda were posted in the Agency's outdoor bulletin board at the Placer County Water Agency Business Center at 144 Ferguson Road, Auburn, California, on or before February 14, 2020.

Any writing that is a public record under the Public Records Act that relates to an agenda item for an open session of the Board meeting that is distributed less than 72 hours prior to the meeting will be made available for public inspection at the time the writing is distributed to any Board members. Also, any such writing will be available for public inspection at the Agency's office located at 144 Ferguson Road, Auburn, California, during normal business hours.

**Tentative Schedule of Upcoming Middle Fork Project Finance Authority Board Meeting**

- **Thursday, April 16, 2020, 10:00 a.m.** – Regular Board of Directors' meeting at Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.



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M E M O R A N D U M

**TO:** Middle Fork Project Finance Authority Board of Directors  
**FROM:** Joseph H. Parker, CPA - Treasurer  
**DATE:** February 12, 2020  
**RE:** 2020 MFPFA Debt Refinancing of the 2006 Bonds

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**RECOMMENDATION:**

Consider the adoption of **Resolution No. 20-\_\_** authorizing the issuance and sale of refunding bonds, authorizing the execution and delivery of an indenture, a bond purchase contract, and a continuing disclosure certificate; approving the form of a preliminary official statement and the related distributions thereof and approving other actions related thereto.

**The following Refinancing Bond Documents are attached for your review and reference:**

- Resolution authorizing issuance and sale of refunding bonds and authorizing Officers to execute documents
- Indenture (Agreement with Trustee)
- Bond Purchase Contract
- Preliminary Official Statement (“POS”)
- Continuing Disclosure Certificate (Exhibit D to the POS)

**BACKGROUND:**

In 2006, the Authority issued the Middle Fork Project Finance Authority Revenue Bond, Series 2006 which was purchased by the Placer County Treasury in a face amount up to \$100,000,000 with the total amount borrowed \$84,359,094 (draws \$61,445,845, initial reimbursement \$3,932,584 and capitalized interest \$18,980,665). Proceeds from the Bond were used for the financing of the Middle Fork Project FERC relicensing and other betterments to the Middle Fork Project. As of February 12, 2020, the outstanding principal balance of the Bond is \$71,028,393 with a fixed interest rate of 3.471%. This is the amount that will be refinanced.

The net present value savings, of a tax exempt refunding is projected at more than \$4.7 million. At the Board meeting on October 10, 2019, the Board authorized staff to perform due diligence for the refinancing of the 2006 Bond and approved agreements for financial and legal services including the authorization of an independent financial feasibility study and report.

At the Board meeting on January 16, 2020, the Board approved an agreement for tax counsel and was provided drafts of the following refinancing debt documents that would require action at a future meeting for review and reference:

- Resolution authorizing issuance and sale of refunding bonds and authorizing Officers to execute documents
- Indenture (Agreement with Trustee)
- Bond Purchase Contract
- Preliminary Official Statement
- Continuing Disclosure Certificate
- Middle Fork Project Financial Feasibility Report prepared by Horizons Energy

Also established was the February 20, 2020 Adjourned Regular Board meeting for the execution and authorization of the documents.

**New Debt Covenants in these Refunding Bond Documents:**

1. The MFP is owned and operated by PCWA. PCWA holds the FERC license and its employees manage and staff the operations of the MFP. PCWA is integral to assuring the MFP's operations generate sufficient revenue for the Authority to pay the debt service obligation, therefore there is a need with this 2020 public debt sale to have covenants from the Agency to protect the source of revenues for the Authority's bond debt service. Because of the close working relationship between the Agency and the County, the 2006 Bond covenant did not have specific Agency covenants.
2. A covenant of the Indenture requires the Authority to establish an Operation and Maintenance Reserve Fund equal to 180 days of projected operating and maintenance expenses based on the Authority's annual operating budget. This new reserve fund will be a component of the Authority's existing Operating Reserve, which has a full funding target set at a minimum of one year of operating expenses. The Authority's adopted 2020 Budget operating expense budget totals \$27,969,305 and is comprised of both the Administration and PCWA Power Division- Operating budgets. The Operation and Maintenance Reserve (180 days of the operating reserve) has been initially set at \$14 million and will vary with the Authority's Annual Operating Budget.
3. The Indenture includes a detailed flow of funds for the maintenance and operation of the revenue generating asset to ensure the payment of debt service. All MFP revenues are to be deposited into the System Revenue Fund. Use of revenues from the System Revenue Fund are prioritized: 1. Pay all operation and maintenance costs as they become due and payable; 2. Pay interest component of the debt service; 3. Pay the principal component of debt service; 4. Transfer to Trustee on each interest payment date any amount necessary for the Trustee's Reserve Account; and 5. Maintain the Operation and

Maintenance Reserve Fund funding amount to meet the 180 day funding requirement. When the above has been satisfied, the Authority may use and apply monies in the System Revenue Fund for any lawful purpose, such as fund capital project appropriations. As the 2020 bonds year is April 2 - April 1 with April 1 being the going forward principal payment date, the 2020 bonds require debt service (principal and interest) to be paid to the Trustee through the next principal payment date (October 1, 2020, and each April 1 thereafter) in order to use revenues to fund capital project and other uses. Therefore there may be a need for the Authority to establish a practice to prefund debt service through the next principal payment date so that revenues received between the prefunding date and the next principal payment date, if they exceed operation and maintenance expenses, would be considered surplus and available for capital funding, distributions and other needs.

**FISCAL IMPACT:**

Based on current market conditions, there currently is an estimated net present value savings of more than \$4.7 million from refinancing. This estimated net present value savings includes all projected transaction costs for the financial, legal, underwriter and other services.

**RESOLUTION NO. 20-\_\_\_ OF THE BOARD OF DIRECTORS OF THE MIDDLE FORK PROJECT FINANCE AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF REFUNDING BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE, A BOND PURCHASE CONTRACT, AND A CONTINUING DISCLOSURE CERTIFICATE; APPROVING THE FORM OF AN OFFICIAL STATEMENT AND THE DISTRIBUTION THEREOF; AND APPROVING OTHER ACTIONS RELATED THERETO**

WHEREAS, the Middle Fork Project Finance Authority (the “Authority”) is a joint exercise of powers agency duly organized and operating pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and a joint exercise of powers agreement dated January 10, 2006 (the “Joint Powers Agreement”), between the County of Placer (the “County”) and the Placer County Water Agency (the “Agency”);

WHEREAS, the County and the Agency established the Authority to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications, and costs that may be required for the FERC relicensing of the Middle Fork Project by the Agency;

WHEREAS, pursuant to Resolution No. 06-06 of the Board of Directors of the Authority (the “Board”) and the Bond Purchase Contract dated March 29, 2006, between the Authority and the Placer County Treasurer, the Authority issued and sold its Revenue Bond, Series 2006 (the “Series 2006 Bond”), to finance costs related to the relicensing of the Middle Fork Project;

WHEREAS, to refund the Series 2006 Bond, the Authority intends to issue its Middle Fork Project Finance Authority Revenue Bonds, Series 2020 Refunding (the “Bonds”);

WHEREAS, the Authority has previously adopted General Financial Policies, which include a debt management policy that complies with Government Code section 8855(i), and the Authority’s issuance and sale of the Bonds as contemplated by this Resolution are in compliance with the debt management policy;

WHEREAS, the following proposed agreements and documents relating to the issuance, sale, and delivery of the Bonds by the Authority, which are incorporated herein by reference, have been presented to the Board for its review and approval:

1. an indenture between the Authority, the Agency, and U.S. Bank National Association, as trustee, to provide for the authentication and delivery of revenue bonds and secure the payment of the principal of, premium if any, and interest on the bonds according to the terms and conditions set forth therein (the “Indenture”);
2. a bond purchase contract between the Authority, the Agency, and Goldman Sachs & Co. LLC (the “Underwriter”), whereby the Authority will sell the Bonds to the Underwriter (the “Bond Purchase Contract”);
3. an official statement relating to the Bonds (the “Official Statement”); and
4. a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) relating to the Bonds;

WHEREAS, it appears to the Board of Directors that the issuance, sale, and delivery of the Bonds and the authorization, approval, execution, and delivery of the agreements and documents described above or contemplated thereby or incidental thereto are desirable and in the best interests of the Authority;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Middle Fork Project Finance Authority, as follows:

**Section 1.** Recitals. The foregoing recitals are true and correct and the Board so finds and determines.

**Section 2.** Authorization to Issue the Bonds. The Board hereby authorizes the issuance of the Bonds in accordance with the terms of the Indenture as finally executed, provided that the total net interest cost to maturity on the Bonds plus the principal amount of the Bonds does not exceed total net interest cost to maturity on the Series 2006 Bond plus the principal amount of the Series 2006 Bond.

**Section 3.** Authorization of Sale. The Board hereby authorizes the sale of the Bonds pursuant to the Bond Purchase Contract to the Underwriter; provided that the Underwriter's discount for the sale of the Bonds does not exceed 0.8% of the principal amount of the Bonds. The Designated Officers are hereby authorized and directed to negotiate with the Underwriter the final terms of the sale and its timing.

**Section 4.** Authorization of Officers to Execute and Deliver Documents. The Board hereby authorizes the Chair, the Vice-Chair, the Executive Director, the Treasurer, and the Secretary of the Authority (the "Designated Officers"), and each of them individually, for and in the name of the and on behalf of the Authority, to approve, execute, and deliver the following agreements and documents:

- (a) the Indenture;
- (b) the Bond Purchase Contract;
- (c) the Official Statement and
- (d) the Continuing Disclosure Certificate;

in substantially the form presented to the Authority at this meeting, which agreements and documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as are approved by the officer or officers executing the agreement or document for the Authority. The execution of the foregoing by a Designated Officer or Officers constitutes conclusive evidence of such officer's or officers' and the Board's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of agreements and documents presented to the Authority at this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Bonds and provisions relating to municipal bond insurance, shall be as provided in the Indenture as finally executed.

**Section 5. Execution of the Bonds.** The Board hereby authorizes and directs the Chair to execute the Bonds on behalf of the Authority in the form set forth in and otherwise in accordance with the Indenture and authorizes and directs the Secretary to countersign the Bonds.

**Section 6. Distribution of Official Statement.** The Board hereby authorizes the Underwriter to distribute copies of the Official Statement in preliminary form to persons who may be interested in the purchase of the Bonds and authorizes and directs the Underwriter to deliver copies of the final Official Statement to all purchasers of the Bonds. The Board hereby authorizes and directs the Designated Officers, and each of them individually, to declare the preliminary form of the Official Statement to be deemed final as of its date.

**Section 7. Disclosure of Specified Financing Information.** Pursuant to the requirements of Government Code section 5852.1, the Board is required to disclose at a public meeting certain information related to the financing. The Board has obtained from Montague DeRose and Associates, LLC, as municipal advisor to the Authority, good faith estimates of this required information and hereby discloses the estimates information as shown in Exhibit A attached hereto and incorporated herein by reference.

**Section 8. General Authorization.** The Board hereby authorizes and directs the Designated Officers and other officers and agents of the Authority, and each of them individually, for and in the name of and on behalf of the Authority, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the issuance, sale, and delivery of the Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

**Section 9. Effective Date.** This resolution takes effect immediately upon its passage.

The foregoing resolution was duly passed at the adjourned regular meeting of the Board of Directors of the Middle Fork Project Finance Authority held on February 20, 2020, by the following vote on roll call:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

Signed and approved by me after its passage this 20th day of February 2020.

\_\_\_\_\_  
Chair, Board of Directors  
Middle Fork Project Finance Authority

ATTEST:

\_\_\_\_\_  
Secretary,  
Middle Fork Project Finance Authority

## Exhibit A

### Specified Financial Information

The good faith estimates set forth herein are provided with respect to the Middle Fork Project Finance Authority Revenue Bonds, Refunding Series 2020 (the “Bonds”). The good faith estimates have been provided to the Authority by Montague DeRose and Associates, LLC, as municipal advisor to the Authority. Each estimate is based on the Authority’s financing plan and current market conditions, including market interest rates prevailing at the time of preparation of the estimate.

Principal Amount. The estimated aggregate principal amount of the Bonds to be sold is \$66,265,000.

True Interest Cost. The estimated true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 2.43%.

Finance Charge. The estimated finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$1,028,887.

Amount of Proceeds to be Received. The estimate of the amount of proceeds to be received by the Authority from the sale of the Bonds, less the finance charge of the Bonds funded by proceeds of the Bonds, as estimated above, and less the estimated reserve amount funded by proceeds of the Bonds, is \$72,160,049. No capitalized interest is expected to be funded with proceeds of the Bonds.

Total Payment Amount. The estimated total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds, plus any estimated finance charge for the Bonds that is not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$97,922,224.

The foregoing estimates are good faith estimates only. The actual figures may differ from the estimates owing to (a) differences between assumptions regarding the date of the sale of the Bond, the principal amount of Bonds sold, the amortization of the Bonds, and market interest rates at the time of sale of the Bonds and actual facts, (b) other market conditions, (c) changes in the financing plan, or (d) a combination of such factors.

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**INDENTURE**

between the

**MIDDLE FORK PROJECT FINANCE AUTHORITY,**

the **PLACER COUNTY WATER AGENCY,**

and

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

Dated March 1, 2020

relating to the

Middle Fork Project Finance Authority Revenue Bonds

and

\$\_\_\_\_\_ principal amount of Series 2020 Refunding Bonds

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## INDENTURE

THIS INDENTURE, dated March 1, 2020 (the “Indenture”), between the **MIDDLE FORK PROJECT FINANCE AUTHORITY** (the “Authority”), a joint exercise of powers agency duly created and existing pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and an agreement entitled “Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority,” dated as of January 10, 2006 (the “Joint Powers Agreement”), between the County of Placer (the “County”), a political subdivision of the State of California, and the Placer County Water Agency (the “Agency”), a public agency duly organized and existing pursuant to the Placer County Water Agency Act (California Statutes 1957, Chapter 1234, as amended) (the “PCWA Act”), the **AGENCY**, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

### WITNESSETH:

WHEREAS, the Agency owns the Middle Fork American River Hydroelectric Project (the “Project”) and has operated it since 1967, first pursuant to license no. 2079 issued by the Federal Energy Regulatory Commission (“FERC”) on March 13, 1963, which expired on February 28, 2013, and thereafter pursuant to an annual license approved by order of FERC on March 7, 2013, which license is automatically renewed until action is taken by FERC on PCWA’s Application for New License, which was filed on February 23, 2011;

WHEREAS, the Agency and the County, through the PCWA Act, are responsible for approving new contracts for the sale of electrical energy and related services from the Project and the spending of revenue therefrom for the benefit of the people of Placer County;

WHEREAS, pursuant to the Joint Powers Agreement, the revenues from the sale of electrical energy and related services from the Project are payable directly to the Authority for deposit into the Authority’s bank account, and the Authority distributes those revenues as provided in the Joint Powers Agreement;

WHEREAS, the Joint Powers Agreement provides that the first priority for the expenditure of revenues from the Project is operation and maintenance of the Project, including compliance with all contract and regulatory requirements, the maintenance of prudent reserves, and the repayment of any debt incurred by the Authority;

WHEREAS, pursuant to the Act and the Joint Powers Agreement, the Authority is authorized to issue bonds (the “Bonds”) to finance or refinance studies, procedures, and improvements and modifications to the Project;

WHEREAS, pursuant to Resolution No. 06-06 of the Board of Directors of the Authority, the Authority issued its Revenue Bond, Series 2006 (the “Series 2006 Bond”), to finance costs related to the relicensing of the Project;

WHEREAS, the Authority has determined to enter into this Indenture in order to provide for the authentication and delivery of any additional Bonds, to establish and declare the terms and

conditions upon which the Bonds shall be issued and secured, and to secure the payment of the principal thereof and premium (if any) and interest thereon;

WHEREAS, the Authority intends to issue Bonds pursuant to this Indenture to refund the Series 2006 Bond;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture;

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to constitute this Indenture a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Bonds, as follows:

**ARTICLE I**  
**DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICABILITY**

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, request or other document herein or therein mentioned:

(a) The terms defined in this Section have the meanings herein specified and include the plural as well as the singular.

(b) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles.

(c) All references herein to “generally accepted accounting principles” refer to such principles as they exist at the date of applicability thereof.

(d) All references herein to “Articles,” “Sections,” and other subdivisions are to the designated Articles, Sections, and other subdivisions of this Indenture as originally executed.

(e) The words “herein,” “hereof,” “hereby,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, or other subdivision.

(f) Words of the masculine gender mean and include words of the feminine and neuter genders.

(g) Unless otherwise defined in this Indenture, all terms used herein have the meanings assigned to such terms in the Act.

**Accountant’s Report** means a report signed by an Independent Certified Public Accountant.

**Accreted Value** means, with respect to any Capital Appreciation Bonds, as of the date of calculation, the initial amount thereof plus the interest accrued thereon to such date of calculation, compounded from the date of initial delivery at the approximate interest rate thereof on each compounding date, as determined in accordance with the table of accreted values for any Capital Appreciation Bonds prepared by the Authority at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

**Act** means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

**Additional Bonds** means any Bonds of an additional Series issued pursuant to Section 3.01 (Issuance of Additional Series of Bonds) and secured on a parity with all other Bonds issued hereunder.

**Agency** means the Placer County Water Agency, a public agency duly organized and existing pursuant to the Placer County Water Agency Act (California Statutes 1957, Chapter 1234, as amended).

**Ancillary Obligations** means any Liquidity Facility or Financial Products Agreement designated in a Supplemental Indenture as an Ancillary Obligation for purposes of this Indenture.

**Authority** means the Middle Fork Project Finance Authority created pursuant to the Act and the Joint Powers Agreement, and its successors and assigns in accordance herewith.

**Annual Debt Service** means the total of Debt Service with respect to the Bonds coming due in the Fiscal Year to which reference is made.

**Authorized Denomination** for any Series of Bonds means, unless otherwise specified in the Supplemental Indenture that establishes the terms and provisions of such Series of Bonds, (1) with respect to any Current Interest Bond, \$5,000 principal amount and, (2) with respect to any Capital Appreciation Bond, \$5,000 Accreted Value at maturity or, with respect to both, any integral multiple thereof.

**Average Annual Debt Service** means the total of Debt Service for each Fiscal Year during which the Bonds to which reference is made are Outstanding divided by the number of Fiscal Years such Bonds are Outstanding.

**Beneficial Owner** means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

**Board** means the Board of Directors of the Authority.

**Bonds** means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article II (Issuance of Bonds).

**Business Day** means any day on which the Trustee is open for business at its Corporate Trust Office.

**Capital Appreciation Bonds** means any Bonds described as such when issued and with respect to which interest thereon is compounded and paid at maturity or on prior redemption.

**Certificate, Statement, Request, Requisition, or Order** of the Authority or the Agency means, respectively, a written certificate, statement, request, requisition, or order signed in the name of the respective entity, in the case of the Authority, by the Chair, Vice-Chair, Executive Director, Treasurer, or Secretary of the Authority or by any other officer of the Authority duly authorized by the Executive Director for that purpose, and, in the case of the Agency, by its General Manager, Director of Financial Services, or any other person authorized by the Board of Directors of the Agency or the General Manager to execute such instruments.

**Closing Date** with respect to any Series of the Bonds means the date of delivery of such Series to the initial purchaser thereof.

**Code** means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

**Corporate Trust Office** means the corporate trust office of the Trustee located at One California Street, Suite 1000, San Francisco, CA 94111, Attention: Global Corporate Trust, provided that for registration, transfer, exchange, payments and surrender of the Bonds, Corporate Trust Office means the corporate trust operations office in Saint Paul, Minnesota, or such other office or offices as the Trustee shall designate from time to time.

**Costs of Issuance** means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the original authorization, issuance, sale, and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, title insurance premiums, rating agency fees, municipal bond insurance premiums, fees and charges for preparation, execution, transportation, and safekeeping of Bonds, and any other cost, charge, or fee in connection with the original delivery of Bonds.

**County** means the County of Placer, a political subdivision of the State of California.

**Coverage Report** means a debt service coverage report signed by an Independent Certified Public Accountant, an Independent Engineer, or an Independent Financial Consultant and filed with the Authority pursuant to Section 3.0(E) (Issuance of Additional Series of Bonds -- Debt Service Feasibility).

**Current Interest Bonds** means any Bonds described as such when issued and that pay interest at least semiannually to the Owners thereof (excluding the first payment of interest thereon).

**Credit Facility** means the insurance policy, letter of credit, or other credit facility of the Credit Provider provided with respect to a Series of the Bonds.

**Credit Facility Account** means the account by that name established pursuant to Section 7.18 (Credit Facility Account and Liquidity Facility Account).

**Credit Provider** means any provider of a Credit Facility with respect to a Series of the Bonds and its successors and assigns. **Credit Providers** means, collectively, the providers of each Credit Facility with respect to the Bonds and their successors and assigns.

**Debt Service** means, for any Fiscal Year, the sum of:

(i) the interest accruing during such Fiscal Year on all outstanding Bonds, assuming that all outstanding Serial Bonds are retired as scheduled and that all outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds),

(ii) that portion of the principal amount of all outstanding Serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, and

(iii) that portion of the principal amount of all outstanding Term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be;

provided, that:

(i) Accreted Value: if any of such Bonds are Capital Appreciation Bonds, then the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(ii) Variable Rates: if any of such Bonds bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of:

(1) the actual rate on the date of calculation, or if such Bonds are not yet outstanding, the initial rate (if then established and binding), and

(2) if the Bonds have been outstanding for at least twelve (12) months, the average rate over the twelve (12) months immediately preceding the date of calculation, and

(iii) Debt Secured by Letter of Credit: if any of such Bonds are secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), the principal payments or deposits with respect to such Bonds nominally due in the last Fiscal Year in which such Bonds mature may, at the option of the Authority, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit and interest on such Bonds after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions;

(iv) Balloon Debt: if any of such Bonds are not secured by a letter of credit as described in clause (c) of this definition and 20% or more of the original principal of such Bonds is not due until the final stated maturity of such Bonds, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or thirty (30) years, whichever is greater;

(v) Paired Obligations: (i) if any of such Bonds bear interest at a variable rate and the payments received and made by the Authority under a Financial Products Agreement with respect to such Bonds are expected to produce a fixed rate to be paid by the Authority, then such Bonds together with the Financial Products Agreement shall be treated as a single obligation of the Authority that bears interest at such fixed rate; or (ii) if any such Bonds bear interest at a fixed rate and the payments received and made by the Authority under a Financial Products Agreement with respect to such Bonds are expected to produce a variable rate to be paid by the Authority, then such Bonds together with the Financial Products Agreement shall be treated as a single obligation of the Authority that bears interest at such variable rate;

(vi) Deduction of Available Amounts: principal and interest payments with respect to Bonds shall be excluded to the extent such payments are to be paid from (i) amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor, (ii) the proceeds of Bonds held by the Trustee or other fiduciary as funded (capitalized) interest specifically to pay such interest, or (iii) amounts received or expected to be received from a governmental entity that are related to the payment thereof (such as refundable credits payable by the U.S. Treasury);

(vii) Available Reserve Amounts: the amount on deposit in a debt service reserve fund with respect to Bonds on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of such Bonds; and, to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in inverse order of due date, until such amount is exhausted.

**Defeasance Securities** means the following:

a. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs)).

b. Direct obligations of the U.S. Treasury that have been stripped by the U.S. Treasury itself, CATS, TIGRS and similar securities.

c. The interest component of Resolution Funding Corp. (REFCORP) strips that have been stripped by request to the Federal Reserve Bank of New York in book-entry form

d. Pre-refunded municipal bonds rated in the highest Rating Category of any Rating Agency then rating the Bonds. If, however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's and no Fitch rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

e. Obligations issued by the following agencies that are backed by the full faith and credit of the U.S.:

(i). *U.S. Export-Import Bank (Eximbank)*  
Direct obligations or fully guaranteed certificates of beneficial ownership

(ii) *Farmers Home Administration (FmHA)*  
Certificates of beneficial ownership

(iii) *Federal Financing Bank*

(iv) *General Services Administration*  
Participation Certificates

(v) *U.S. Maritime Administration*  
Guaranteed Title XI financing

(vi) *U.S. Department of Housing and Urban Development (HUD)*  
Project Notes  
Local Authority Bonds  
New Communities Debentures – U.S. government guaranteed debentures  
U.S. Public Housing Notes and Bonds – U.S. government-guaranteed public housing notes and bonds

**Energy Market Hedging Agreement** means a hedging agreement , arrangement or security, however denominated, entered into for the purpose of reducing or otherwise managing the risk of energy market prices.

**Engineer's Report** means a report signed by an Independent Engineer.

**Event of Default** means any of the events described in Section 10.01 (Events of Default) hereof as an "Event of Default."

**Financial Products Agreement** means an interest rate swap, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, however denominated, identified to the Trustee in a Certificate of the Authority as having been entered into with a Qualified Provider not for investment purposes but with respect to Bonds (which Bonds shall be specifically identified in the Certificate of the Authority) for the purpose of (1) reducing or otherwise managing the risk of interest rate changes or (2) effectively converting interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure or from a variable rate exposure to a fixed rate exposure.

**Fiscal Year** means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

**Fitch** means Fitch Ratings, Inc., and its successors and assigns, except that, if Fitch no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but only so long as a nationally recognized rating agency then maintains a rating on the Bonds.

**Generally Accepted Accounting Principles** means the uniform accounting and reporting procedures set forth in publications of the Financial Accounting Standards Board or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

**Indenture** means this Indenture, dated March 1, 2020, between the Authority, the Agency, and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

**Independent Certified Public Accountant** means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom:

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and

(3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

**Independent Engineer** means a registered engineer or firm of registered engineers generally recognized to be well-qualified in engineering matters relating to hydroelectric power generating systems, appointed and paid by the Authority, and who:

(1) is in fact independent and not under the domination of the Authority or any member thereof;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and

(3) is not connected with the Authority as an officer or employee of the Authority or any member thereof, but who may be regularly retained to make reports to the Authority.

**Independent Financial Consultant** means a financial consultant qualified in the field of municipal finance, appointed and paid by the Authority, and who:

(1) is in fact independent and not under the domination of the Authority or any member thereof;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and

(3) is not connected with the Authority as an officer or employee of the Authority or any member thereof, but who may be regularly retained to make reports to the Authority.

**Information Service** means the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) website, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and or such other services providing information with respect to called bonds, or no such services, as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

**Insurance Consultant** means an individual or firm, employed by the Authority, including the Risk Manager of the Authority, that has actuarial-experienced personnel in the field of risk management.

**Interest Fund** means the fund by that name established pursuant to Section 7.05 (Allocation of Net System Revenues).

**Interest Payment Date** with respect to Bonds of any Series means the date or dates specified in such Bonds on which interest on such Bonds is due and payable.

**Joint Powers Agreement** means the agreement entitled “Joint Exercise of Powers Agreement for the Middle Fork Project Finance Authority,” dated as of January 10, 2006, between the County and the Agency, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

**Liquidity Facility** means a commitment of a Liquidity Provider to provide liquidity for the purchase of a Series of the Bonds in form and substance satisfactory to the Credit Providers. A Liquidity Facility may be included as part of a Credit Facility.

**Liquidity Facility Account** means the account by that name established pursuant to Section 7.18 (Credit Facility Account and Liquidity Facility Account).

**Liquidity Facility Agreement** means the agreement pursuant to which a Liquidity Provider provides a Liquidity Facility.

**Liquidity Provider** means any institution issuing a Liquidity Facility then in effect with respect to a Series of the Bonds. Liquidity Providers means, collectively, the institutions issuing each Liquidity Facility then in effect with respect to the Bonds.

**Liquidity Provider Bonds** means Bonds purchased with amounts drawn under a Liquidity Facility and owned by a Liquidity Provider or its transferees.

**Mandatory Sinking Account Payment** means, with respect to Bonds of any Series and maturity, the amount required by a Supplemental Indenture hereto to be deposited by the Agency in a Sinking Account for the payment of Term Bonds of such Series and maturity.

**Maximum Annual Debt Service** means the greatest amount of Debt Service with respect to the Bonds coming due in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

**Moody’s** means Moody’s Investors Service, Inc., and its successors and assigns, except that, if Moody’s no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but only so long as a nationally recognized rating agency then maintains a rating on the Bonds.

**Net Proceeds** means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such award or such proceeds.

**Net System Revenues** means, for any Fiscal Year, the System Revenues during such Fiscal Year less the Operation and Maintenance Costs during such Fiscal Year.

**Operation and Maintenance Costs** means the reasonable and necessary costs paid or incurred by the Agency or the Authority for maintaining and operating the System, determined in accordance with Generally Accepted Accounting Principles, including (without limitation) all reasonable expenses of maintenance and repair and other expenses necessary to maintain and preserve the System in good repair and working order, and all administrative costs of the Agency

or the Authority that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums, and costs to comply with State or federal regulations, and including all other reasonable and necessary costs of the Authority or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Bonds or of such Bonds, such as compensation, reimbursement and indemnification of the trustee for any such Bonds and fees and expenses of Independent Certified Public Accountants, Independent Engineers, Independent Financial Consultants, Insurance Consultants, and the Agency's or the Authority's financial advisor; but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles, losses or gains on subsidiaries accounted for on any equity basis, or other bookkeeping entries of a similar nature, (b) intergovernmental transfers by the Agency or the Authority that are not reimbursements or payments for overhead or other administrative expenses incurred by the Agency or the Authority, and (c) all interest charges and charges for the payment of principal or amortization of bonded or other indebtedness of the Authority.

**Operation and Maintenance Reserve Fund** means the fund by that name established pursuant to Section 8.12 (Operation and Maintenance Reserve Fund).

**Opinion of Counsel** means a written opinion of counsel experienced in the field of law relating to municipal bonds, appointed and paid by the Authority.

**Outstanding**, when used as of any particular time with reference to Bonds, means all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 6.01(A) (Discharge of Indenture -- Payment of Bonds); and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant hereto.

**Owner** means any person who shall be the registered owner of any Outstanding Bond.

**Payments** means the payments of interest and principal and the redemption premiums, if any, payable by the Authority under and pursuant to this Indenture.

**Permitted Investments** means any of the following to the extent permitted by the laws of the State (the Trustee is entitled to rely on any Written Request of the Authority directing investments as a certification to the Trustee that such investments are so permitted):

- (1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

- (2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration (FmHA)

Certificates of beneficial ownership

Federal Financing Bank

Federal Housing Administration (FHA)

Debentures

General Services Administration

Participation Certificates

Government National Mortgage Association (GNMA or “Ginnie Mae”)

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations (participation certificates)

U.S. Maritime Administration

Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures – U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

- (3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System

Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)

Participation Certificates

Senior debt obligations

Federal National Mortgage Association (FNMA or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP)  
obligations

Farm Credit System

Consolidated systemwide bonds and notes.

- (4) Money market funds, including funds of the Trustee or any affiliate, registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in one of the two highest Rating Categories of any Rating Agency then rating the Bonds.
- (5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings associations or mutual savings banks. The collateral must be held by a third party and the Trustee, on behalf of Owners, must have a perfected first security interest in the collateral.
- (6) Certificates of deposit, savings accounts, deposit accounts or money market deposits, including deposits in the Trustee or any affiliate, that are fully insured by the Federal Deposit Insurance Corporation, including BIF and SAIF.
- (7) Investment Agreements, including guaranteed investment contracts, forward purchase agreements, and reserve fund put agreements entered into with financial institutions whose long-term debt obligations are rated in one of the three highest Rating Categories of any Rating Agency then rating the Bonds or acceptable to the Credit Providers.
- (8) Commercial paper rated, at the time of purchase, in the highest short-term Rating Category of any Rating Agency then rating the Bonds.
- (9) Bonds or notes issued by any state or municipality that are rated in one of the three highest Rating Categories by any Rating Agency then rating the Bonds.
- (10) Federal funds or bankers acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating in the highest short-term Rating Category or one of the three highest long-term Rating Categories of any Rating Agency then rating the Bonds.
- (11) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date. Repurchase Agreements (“repos”) with a term that exceeds 30 days must be acceptable to the Credit Providers. Repos with a term of 30 days or less must satisfy the following criteria:

Repos must be between the Trustee and a dealer bank or securities firm

Primary dealers on the Federal Reserve reporting dealer list that are rated in one of the three highest long-term Rating Categories of any Rating Agency then rating the Bonds, or

Banks rated in one of the three highest long-term Rating Categories of any Rating Agency then rating the Bonds.

The written repo contract must include the following:

Securities that are acceptable for transfer are:

Direct U.S. governments

Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

The term of the repo may be up to 30 days

The collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee before/simultaneous with payment (perfection by possession of certificated securities).

Valuation of Collateral

The securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

Legal opinion that must be delivered to the Authority:

Repo meets guidelines under state law for legal investment of public funds.

- (12) Pre-refunded municipal bonds rated in the highest Rating Category by any Rating Agency then rating the Bonds. If, however, the issue is only rated by Standard & Poor's, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipals to satisfy this condition.
- (13) The Local Agency Investment Fund referred to in Section 16429.1 of the California Government Code.
- (14) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California that invests exclusively in investments permitted by Section 53601 of Title 5, Division 2,

Chapter 4 of the California Government Code, as it may be amended (California Asset Management Program).

**Person** means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**Principal Fund** means the fund by that name established pursuant to Section 7.05 (Allocation of Net System Revenues).

**Principal Payment Date** with respect to Bonds of any Series means the date or dates specified in such Bonds on which installments of principal of such Bonds are due and payable or Mandatory Sinking Account Payments are due and payable.

**Project** means any additions, betterments, extensions, or improvements to the System designated by the Board as a designated Project, the acquisition and construction of which is to be paid for by the proceeds of any Bonds.

**Project Fund** means a fund of that name established by a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on a Project.

**Qualified Provider** means any financial institution or insurance company that is a party to a Financial Products Agreement. The general unsecured obligations of any Qualified Provider must have a long-term rating in one of the three highest Rating Categories of any Rating Agency then rating the Bonds.

**Rating Agency** means Standard & Poor's, Moody's, and Fitch or, in the event that Standard & Poor's, Moody's, or Fitch no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Standard & Poor's, Moody's, Fitch, or other nationally recognized rating agency then maintains a rating on the Bonds.

**Rating Category** means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

**Redemption Fund** means that means the fund by that name established pursuant to Section 7.10 (Application of Redemption Fund) hereof.

**Redemption Price** means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

**Regular Record Date** means the fifteenth day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

**Reserve Facility** means any letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to Section 7.09 (Funding and Application of Reserve Fund).

**Reserve Fund** means the fund by that name established pursuant to Section 7.09 (Funding and Application of Reserve Fund) hereof.

**Responsible Officer of the Trustee** means any Vice President, Assistant Vice President or Trust Officer of the Trustee having regular responsibility for corporate trust matters related to this Indenture.

**Securities Depositories** means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; or such other addresses and/or such other securities depositories as the Authority may designate.

**Serial Bonds** means Bonds for which no scheduled mandatory redemptions are provided.

**Series**, whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, issued in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption, and other provisions, and any Bonds thereafter issued upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

**Series Required Reserve** means, as of any date of calculation:

(1) for the Series 2020 Refunding Bonds, the least of (i) Maximum Annual Debt Service for the Series 2020 Refunding Bonds as of such date, (ii) 125% of average Annual Debt Service on all Series 2020 Refunding Bonds Outstanding as of such date, and (iii) 10% of the original principal amount of the Series 2020 Refunding Bonds; and

(2) for any other Series of Bonds the amount specified in the Supplemental Indenture that establishes the terms and provisions of such Series of Bonds;

provided that, if the Supplemental Indenture providing for the issuance of an additional Series of Bonds provides that such Series shall be secured by the Reserve Account established for a previously issued Series of Bonds, then a single Series Required Reserve shall be calculated on a combined basis for those Series.

**Series 2020 Refunding Bonds** means the Series of Bonds issued pursuant to Article IV (Terms and Issue of Series 2020 Refunding Bonds).

**Sinking Accounts** means the accounts in the Principal Fund so designated and established pursuant to Section 7.08 (Application of Principal Fund) for the payment of Term Bonds.

**Special Record Date** for the payment of any defaulted interest on the Bonds means a date fixed by the Trustee pursuant to Section 2.07 (Payment of Interest on the Bonds; Interest Rights Preserved).

**Standard & Poor's** means Standard & Poor's Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a limited liability company duly organized and existing under the law of the State of New York, and its successors and assigns, except that if Standard & Poor's no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency, but only so long as a nationally recognized rating agency then maintains a rating on the Bonds.

**State** means the State of California.

**Supplemental Indenture** means any indenture then in full force and effect that has been duly executed and delivered by the Authority, the Agency, and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

**System** means the electric power generating facilities of the Middle Fork American River Hydroelectric Project, currently consisting of five powerhouses (French Meadows, Hell Hole Dam, Middle Fork, Ralston, and Oxbow Powerhouses), five diversion impoundments (Duncan Creek Diversion, North Fork Long Canyon Creek Diversion, South Fork, Long Canyon Creek Diversion, Middle Fork Afterbay, and Ralston Afterbay), five tunnels (Duncan Creek-Middle Fork, French Meadows-Hell Hole, Hell Hole-Middle Fork, Middle Fork-Ralston, Ralston-Oxbow Tunnels), and two reservoirs (French Meadows Reservoir, and Hell Hole Reservoir), which is owned by the Agency, and all other properties, structures or works hereafter acquired and constructed by the Agency and determined to be a part of the hydroelectric power project, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

**System Revenue Fund** means the fund by that name established pursuant to Section 7.03 (System Revenue Fund).

**System Revenues** means each of the following:

- (1) all revenue received by the Agency or the Authority from the sale of electric energy or capacity and any other electric-power-related services of the System,
- (2) the earnings on and income derived from the investment of all such revenue, and
- (3) the payments received net of payments made under a Financial Products Agreement or an Energy Market Hedging Agreement.

**Tax Certificate** means any arbitrage and/or rebate certificate delivered by the Authority at the time of the issuance and delivery of a Series of Tax-Exempt Bonds, as the same may be amended or supplemented in accordance with its terms.

**Tax-Exempt Bonds** means any Bonds of a Series the interest on which is intended to be excluded from gross income for federal income tax purposes.

**Term Bonds** means Bonds that are subject to scheduled mandatory redemptions on or before their respective maturities calculated to retire such bonds on or before their specified maturity dates.

**Trustee** means U.S. Bank National Association or any other association or corporation that may at any time be substituted in its place as provided in Section 11.09 (Removal and Resignation; Appointment of Successor).

**Section 1.02. Equal Security.** In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract between the Authority, the Agency, and the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

**Section 1.03. Acts of Owners.** Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent, or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond delivered in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

**Section 1.04. Notices, etc., to Authority, Agency, and Trustee.** Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the Corporate Trust Office. Any notice to or demand upon the Authority shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the Authority at P.O. Box 6570,

Auburn, California 95604, Attention: Executive Director (or such other address as may have been filed in writing by the Authority with the Trustee). Any notice to or demand upon the Agency shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the Agency at 144 Ferguson Road, Auburn, California 95604, Attention: Director of Financial Services (or such other address as may have been filed in writing by the Agency with the Trustee).

**Section 1.05. Notices to Owners; Waiver.** In any case where notice to Owners is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Owners shall affect the sufficiency of such notice with respect to other Owners.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Owners shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

**Section 1.06. Form and Content of Documents Delivered to Trustee.** Every certificate or opinion provided for in this Indenture with respect to compliance by or on behalf of the Authority with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto, (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Authority may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant, or an independent consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant, or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel, accountant, or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel, or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants, or independent consultants may certify to different matters, respectively.

**Section 1.07. Effect of Headings and Table of Contents.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be

solely for convenience of reference and shall not affect the meaning, construction, or effect of this Indenture.

**Section 1.08. Successors and Assigns.** Whenever herein either the Authority, the Agency, or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all agreements and covenants required hereby to be performed by or on behalf of the Authority, the Agency, or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof, whether so expressed or not.

**Section 1.09. Benefits of the Indenture.** Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Agency, the Trustee and the Owners any right, remedy or claim under or by reason of this Indenture or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Agency, the Trustee, and the Owners of the Bonds.

**Section 1.10. Payments/Actions Otherwise Scheduled on Non-Business Days.** Except as specifically set forth in a Supplemental Indenture, any payments or transfers that would otherwise become due on any day that is not a Business Day shall become due or shall be made on the next succeeding Business Day. When any other action is provided for herein to be done on a day named or within a specified time period and the day named or the last day of the specified period falls on a day other than a Business Day, such action may be performed on the next succeeding Business Day with the same effect as though performed on the appointed day or within the specified period.

**Section 1.11. No Personal Liability For Debt Service.** No Board member, officer, or employee of the Authority is individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained relieves any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

**Section 1.12. No Liability of Agency for Debt Service; No Personal Liability for Obligations of the Agency.** The Agency is not the issuer of the Bonds and is not liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds. No member of the Board of Directors of the Agency, officer, or employee of the Agency is individually or personally liable for the obligations of the Agency hereunder, but nothing herein contained relieves any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

**Section 1.13. Separability Clause.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority, the Agency, or the Trustee is contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof is null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and in no way affects the validity hereof or of the Bonds, and the Owners retains all the benefit, protection and security afforded to them under the Act or any other applicable provisions of law. The Authority, the Agency and the Trustee hereby declare that they would have executed and delivered the Indenture and each and every other article,

section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 1.14. Governing Law.** This Indenture shall be governed by, and construed and interpreted in accordance with, the laws of the State.

**Section 1.15. Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority, the Agency, and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

## **ARTICLE II ISSUANCE OF BONDS**

**Section 2.01. Title; Issuable in Series; General Limitations.** The general title of the Bonds of all Series shall be “Middle Fork Project Finance Authority Revenue Bonds.” With respect to the Bonds of any particular Series, the Authority may incorporate into or add to the general title of such Bonds any words, letters, or figures designed to distinguish that Series.

The Authority may issue Bonds in Series hereunder, in book-entry form or otherwise, as from time to time authorized by the Board, subject to the covenants, provisions, and conditions contained in this Indenture.

The maximum principal amount of Bonds that the Authority may issue hereunder is not limited; subject, however, to the right of the Authority, which is hereby reserved, to limit the aggregate principal amount of Bonds that may be issued or Outstanding hereunder.

**Section 2.02. Terms of Particular Series.** Each Series of Bonds, other than the Series 2020 Refunding Bonds, shall be created by a Supplemental Indenture establishing the terms and provisions of such Series of Bonds and the form of the Bonds of such Series. The several Series of Bonds may differ from each other in any respect not in conflict with the provisions of this Indenture and as may be prescribed in this Indenture or the Supplemental Indenture creating such Series.

The Authority shall determine, at the time of issuance of each Series of Bonds, the terms thereof, including the interest rate or rates at which interest is borne by the Bonds of such Series or the manner in which the interest rate or rates are determined (not to exceed the maximum rate of interest permitted by law), the intervals at which interest on the Bonds of such Series shall be payable, the date or dates on which and the year or years in which the Bonds of such Series shall mature and become payable, and the manner in which principal of and interest on the Bonds of such Series shall be payable.

**Section 2.03. Forms and Denominations.** The form of the Bonds of each Series shall be established by the provisions of the Indenture or the Supplemental Indenture creating such Series. The Bonds of each Series shall be distinguished from the Bonds of other Series as may be determined by the officers of the Authority executing particular Bonds, as evidenced by their

execution thereof. The Bonds may carry such legends as may be required to indicate restrictions on their transfer, if any.

The Authority may issue the Bonds of any Series (i) in such denominations as it specifies at the time of issuance thereof and (ii) in fully registered form without coupons or in fully registered book-entry form.

**Section 2.04. Execution, Authentication, Delivery, and Dating.** The Bonds shall be executed in the name and on behalf of the Authority by the Chair of the Authority and countersigned by its Secretary of the Authority. The signature of any of these officers on the Bonds may be facsimile or manual. Unless otherwise provided in any Supplemental Indenture, the Bonds shall then be delivered to the Trustee for authentication by it.

In case any of the officers who signed or countersigned any of the Bonds ceases to be such officer or officers of the Authority before the Bonds so signed or countersigned have been authenticated, or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the Authority as though those who signed and countersigned the same had continued to be such officers of the Authority. Any Bond may be signed and countersigned on behalf of the Authority by such persons as at the actual date of execution such Bond are the proper officers of the Authority although at the nominal date of such Bond any such person was not such officer of the Authority.

Except as may be provided in any Supplemental Indenture, no Bond is valid or obligatory for any purpose or entitled to the benefits of this Indenture unless there appears on such Bond a certificate of authentication substantially in the form provided for herein, manually executed by the Trustee. Such certificate of authentication when manually executed by the Trustee is conclusive evidence, and the only evidence, that such Bond has been duly executed, authenticated, and delivered hereunder.

**Section 2.05. Registration, Transfer, and Exchange.** The Trustee will keep or cause to be kept a register (herein sometimes referred to as the “Bond Register”) in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration and transfer of Bonds. The Bond Register shall at all times be open to inspection during normal business hours by the Authority with reasonable notice.

Upon surrender of a Bond for transfer at the Corporate Trust Office, the Authority shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same Series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds of any Series may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, and maturity, upon surrender of the Bonds for exchange at the Corporate Trust Office. Upon surrender of Bonds for exchange, the Authority shall execute and the Trustee shall authenticate and deliver the Bonds that the Owner making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this Indenture shall be promptly cancelled by the Trustee and thereafter disposed of as provided for in Section 2.09 (Cancellation).

All Bonds issued upon any transfer or exchange of Bonds are the valid obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange must be accompanied by a written instrument of transfer, in a form approved by the Trustee, that is duly executed by the Owner or by his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the Trustee shall require the Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority.

The Trustee is not required to transfer or exchange (i) Bonds of any Series during the period established by the Trustee for the selection of Bonds of such Series for redemption or (ii) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

**Section 2.06. Mutilated, Destroyed, Stolen or Lost Bonds.** If (i) any mutilated Bond is surrendered to the Trustee, or the Authority and the Trustee receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the Authority and the Trustee such security or indemnity as may be required by them to save each of them harmless, then the Authority shall execute, and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Series and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Bond under this Section, the Authority may require payment of a sum sufficient to pay the cost of preparing such Bond, any tax or other governmental charge that may be imposed in relation thereto, and any other expenses connected therewith.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the Authority, whether or not the destroyed, lost, or stolen Bond is at any time enforceable by anyone, and is entitled to all the security and benefits of this Indenture equally and ratably with all other Outstanding Bonds secured by this Indenture. Neither the Authority nor the Trustee shall be required to treat both the new Bond and the Bond it replaces as being Outstanding for the purpose of determining the principal amount of Bonds that may be issued hereunder, but both the new Bond and the Bond it replaces shall be treated as one and the same.

**Section 2.07. Payment of Interest on the Bonds; Interest Rights Preserved.** Interest represented by any Bond that is payable, and is punctually paid or duly provided for, on any

Interest Payment Date shall be paid to the Owner thereof as of the close of business on the Regular Record Date for such interest specified in the provisions of this Indenture.

Any interest on any Bond that is payable but is not punctually paid or duly provided for on any Interest Payment Date forthwith ceases to be payable to the Owner on the relevant Regular Record Date. Such defaulted interest shall be paid to the Person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee. In the name of and at the expense of the Authority, the Trustee shall cause notice of the payment of such defaulted interest and the Special Record Date to be mailed, first-class postage prepaid, to each Owner of a Bond at his address as it appears in the Bond Register not fewer than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond carries all the rights to interest accrued and unpaid, and to accrue, that were carried by such other Bond. Each such Bond bears interest from such date so that neither loss nor gain in interest results from such transfer, exchange, or substitution.

**Section 2.08. Persons Deemed Owners.** The Authority and the Trustee are entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority. The ownership of Bonds shall be proved by the Bond Register. The Trustee may establish a record date as of which to measure consent of the Owners in order to determine whether the requisite consents are received.

**Section 2.09. Cancellation.** All Bonds surrendered for payment, redemption, transfer, or exchange, if surrendered to the Trustee, shall be promptly cancelled by the Trustee and, if surrendered to any person other than the Trustee, shall be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by the Trustee.

The Authority shall deliver to the Trustee for cancellation any Bonds acquired in any manner by the Authority, and the Trustee shall promptly cancel such Bonds.

No Bond shall be executed in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by this Indenture. The Trustee shall destroy all cancelled Bonds.

**Section 2.10. Book-Entry Provisions.** Notwithstanding any provision of this Indenture to the contrary, if the Bonds of a Series are issued as book-entry only bonds, then the following provisions shall apply:

(A) **Limitations on Transfer.** Registered ownership of Bonds of such Series, or any portions thereof, may not be transferred except:

(1) To any successor of The Depository Trust Company or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (“substitute depository”); provided that any successor of The Depository Trust Company or substitute

depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository not objected to by the Trustee, upon (a) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the Authority that The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (a) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository if no substitute depository that is not objected to by the Trustee can be obtained, or (b) a determination by the Authority that it is in the best interests of the Authority to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its function as depository.

(B) Execution and Delivery of New Bonds. In the case of any transfer pursuant to clause (1) or clause (2) of subsection 2.10(A) (Book-Entry Provisions -- Limitations on Transfer) hereof, upon receipt of all Outstanding Bonds of such Series by the Trustee, together with a Certificate of the Authority to the Trustee, a single new Bond for each maturity of Bonds of such Series in the aggregate principal amount of the Bonds of such maturity then Outstanding shall be executed and delivered, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Authority. In the case of any transfer pursuant to clause (3) of subsection 2.10(A) (Book-Entry Provisions -- Limitations on Transfer) hereof, upon receipt of all Outstanding Bonds of such Series by the Trustee together with a Certificate of the Authority to the Trustee, new Bonds shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Certificate of the Authority, subject to the limitations of Section 2.05 (Registration, Transfer, and Exchange) hereof; provided that the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Certificate of the Authority.

(C) Notation of Reduction of Principal. In the case of partial redemption, cancellation or a refunding of any Bonds evidencing all or a portion of the principal maturing in a particular year, The Depository Trust Company shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(D) No Responsibility to Persons Other Than Owners. The Authority and the Trustee are entitled to treat the person in whose name any book-entry only Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of such Bonds. Neither the Authority nor the Trustee has any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the Owner of any Bond.

(E) Payments to Depository. So long as all Outstanding Bonds of such Series are registered in the name of “Cede & Co.” or its registered assign, the Authority and the Trustee shall cooperate with “Cede & Co.”, as sole registered Owner of such Bonds, and its registered assigns in effecting payment of the principal of and redemption premium, if any, and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

**Section 2.11. Establishment and Application of Project Funds**. With respect to each Series of Bonds that funds the payment of the costs of a Project, the Authority shall establish and maintain a separate fund designated as the “\_\_\_\_\_ Project Fund” (inserting therein the Series designation of such Bonds). The Authority shall use the moneys in a Project Fund to pay the costs of acquiring, constructing, furnishing, and equipping a Project (or reimbursing the Authority or the Agency for such costs) and to pay the Costs of Issuance of the Bonds. All earnings from the investment of moneys in a Project Fund shall be deposited therein. Upon completion of a Project, the Authority shall notify the Trustee in writing of such completion and transfer any amounts remaining in the related Project Fund to the Trustee for deposit in the System Revenue Fund.

### **ARTICLE III ISSUANCE AND DELIVERY OF ADDITIONAL SERIES OF BONDS**

**Section 3.01. Issuance of Additional Series of Bonds**. The Authority may by Supplemental Indenture establish one or more Series of Bonds, in addition to the Series 2020 Refunding Bonds issued hereby, secured under this Indenture equally and ratably with the Series 2020 Refunding Bonds and any other Bonds previously issued hereunder, and the Authority may issue, and the Trustee shall authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of Section 3.02 (Proceedings for Issuance of Additional Series of Bonds) and any additional requirements set forth in the related Supplemental Indenture and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Bonds:

- (A) No Default. No Event of Default has occurred and is then continuing.
- (B) Principal Amount. The aggregate principal amount of Bonds issued hereunder may not exceed any limitation imposed by law or by any Supplemental Indenture.
- (C) Payment Dates. If and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued, the principal payments of such additional Series of Bonds shall be due on April 1 in each year in which principal is to be paid and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on April 1 and October 1 in each year, as appropriate.
- (D) Debt Service. The Indenture is amended so as to increase the Payments payable by the Authority thereunder by an amount at least sufficient to pay the interest on and principal of such Additional Bonds as the same become due.
- (E) Debt Service Feasibility. The Authority must satisfy the debt service feasibility requirements described in this subsection (E). The debt service feasibility requirements for new

money financings are as described below under (1) Project Financings, and the debt service feasibility requirements for refundings are as described below under (2) Refundings.

(1) Project Financings. With respect to the financing of the acquisition or construction of a Project, the Authority may satisfy either the historical coverage test or the projected coverage test. The Authority need not satisfy both coverage tests.

(i) Historical Coverage. The historical coverage test is satisfied if the Net System Revenues for either the most recent Fiscal Year for which audited financial statements are available or a period of twelve (12) consecutive months during the eighteen (18) months immediately preceding the date of adoption (the “adoption date”) by the Board of the resolution authorizing the issuance of Bonds (the “measurement period”), as evidenced by both a calculation prepared by the Authority and a Coverage Report on such calculation on file with the Authority, shall have produced a sum equal to at least one hundred twenty per cent (120%) of Annual Debt Service on all Outstanding Bonds and the Bonds to be issued in each of the five (5) full Fiscal Years next succeeding the adoption date or in each of the three (3) full Fiscal Years next succeeding the date through which interest with respect to the Bonds to be issued has been capitalized, whichever period ends later.

(ii) Projected Coverage. The projected coverage test is satisfied if the projected Net System Revenues for each of the five (5) full Fiscal Years next succeeding the earlier of (x) the date through which interest with respect to the Bonds to be issued has been capitalized or the execution date or issue date if no interest has been capitalized and (y) the date on which all Projects are expected to commence operations shall be at least one hundred twenty per cent (120%) of Annual Debt Service in each such Fiscal Year on all Bonds to be Outstanding, as evidenced by both a calculation prepared by the Authority and a Coverage Report on such calculation on file with the Authority. In calculating debt service coverage for this purpose, projected Net System Revenues may include the estimated amount of additional Net System Revenues to accrue to the System from new sales of electric energy anticipated to be generated during such five-year period by the additions or improvements to or extensions of the System.

(2) Refundings. If any such Bonds are issued for the purpose of discharging or defeasing Bonds then unpaid and outstanding, the debt service feasibility requirements will be satisfied if, upon such execution or issuance, either (a) the Authority meets the requirements of subsection (E)(1) above or (b) a Coverage Report is filed with the Authority to the effect that Annual Debt Service on all Bonds to be Outstanding in each future Fiscal Year following such discharge or defeasance would not exceed Annual Debt Service in that Fiscal Year had such discharge or defeasance not occurred.

(F) Reserve Account. Subject to the provisions of Section 7.09 (Funding and Application of Reserve Fund), the Supplemental Indenture providing for the issuance of such Series shall require that, forthwith upon the receipt of the proceeds of the sale of such Series, either (1) the Reserve Account for such Series be funded in the amount of the Series Required Reserve for such Series (if greater than zero), or (2) if the Authority provides in the Supplemental Indenture

providing for the issuance of such Series that such Series will be secured by the Reserve Account established with respect to another Series of Bonds, the balance in the Reserve Account be increased, if necessary, to an amount at least equal to the Series Required Reserve with respect to all Bonds of all Series to be secured by that Reserve Account that are to be considered Outstanding upon the issuance of such Series. The deposit may be made from the proceeds of the sale of such Series or from other funds of the Authority or from both such sources or in the form of a Reserve Facility as described in Section 7.09 (Funding and Application of Reserve Fund), as provided in such Supplemental Indenture.

Nothing in this Section or in this Indenture contained shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by this Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

### **Section 3.02. Proceedings for Issuance of Additional Series of Bonds.**

(A) Supplemental Indenture. Whenever the Authority determines to issue a Series of Bonds pursuant to Section 3.01 (Issuance of Additional Series of Bonds), the Authority shall authorize the execution of a Supplemental Indenture specifying the principal amount and prescribing the forms of Bonds of such additional Series and providing the terms, conditions, distinctive designation, denominations, methods of numbering, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of this Indenture.

(B) Documentation. Before such additional Series of Bonds may be issued and delivered, the Authority shall file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied):

(1) Supplemental Indenture. An executed copy of the Supplemental Indenture authorizing such Series.

(2) Authority Certificate. A Certificate of the Authority stating that that each of the requirements of subsections (A) through (F) of Section 3.01 (Issuance of Additional Series of Bonds) has been met.

(3) Debt Service Certificate. A Certificate of an Independent Financial Consultant or the underwriter of the proposed Additional Bonds stating that the requirements of Section 3.01(D) (Issuance of Additional Series of Bonds -- Debt Service) have been satisfied.

(4) Debt Service Coverage. The calculation and Coverage Report required by Section 3.01(E) (Issuance of Additional Series of Bonds -- Debt Service Feasibility).

(5) Opinion of Counsel. An Opinion of Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the Authority and the Agency in accordance with this Indenture; that the aggregate principal amount of Bonds issued hereunder does not exceed any limitation imposed by law or by any Supplemental Indenture; that such Series, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding limited obligations of the Authority; that upon the delivery of such Series the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by this Indenture; and that the Supplemental Indenture will be a valid and binding obligation of the Authority and the Agency.

(6) Redemption Instructions. In the case of issuance of Additional Bonds for refunding purposes, if any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Owners or owners of all or the portion of the Bonds to be redeemed, or proof that such notice has been given by the Authority; provided, however, that, in lieu of such instructions or waiver or proof of notice of redemption, the Authority may cause to be deposited with the Trustee all of the Bonds proposed to be redeemed (whether cancelled or uncanceled) with irrevocable instructions to the Trustee to cancel the Bonds so to be redeemed upon the exchange and delivery of the refunding Bonds; and provided further that no provision of this Indenture shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

## **ARTICLE IV TERMS AND ISSUE OF SERIES 2020 REFUNDING BONDS**

### **Section 4.01. Terms and Form of Series 2020 Refunding Bonds.**

(A) Creation of Series 2020 Refunding. The Authority hereby creates a series of Bonds and additionally designates them “Series 2020 Refunding.” At any time after the execution and delivery of this Indenture, the Authority may execute and the Trustee shall authenticate and deliver the Series 2020 Refunding Bonds in an aggregate principal amount of \$[PRINCIPAL AMOUNT] upon the Order of the Authority.

(B) Form of Series 2020 Refunding Bonds. The form of the Series 2020 Refunding Bonds shall be substantially as set forth in Exhibit A with such insertions, omissions, substitutions, and variations as may be determined by the officers executing the same, as evidenced by their execution thereof, to reflect the applicable terms of the Series 2020 Refunding Bonds established by this Article.

(C) Book-Entry Form; Denominations. The Series 2020 Refunding Bonds shall be issued in fully registered form, in Authorized Denominations and shall be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company. The Series 2020 Refunding Bonds shall be evidenced by one Series 2020 Refunding Bond maturing on each of the maturity dates with respect to the Series 2020 Refunding Bonds in a denomination corresponding to the total principal amount represented by the Series 2020 Refunding Bonds payable on such

date. Registered ownership of the Series 2020 Refunding Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10 (Book-Entry Provisions). The Series 2020 Refunding Bonds shall bear such distinguishing numbers and letters as may be specified by the Trustee.

(D) Date; Interest Accrual; Maturity Dates; Interest Rates. The Series 2020 Refunding Bonds shall be dated their date of delivery, shall mature in the following amounts on the following dates, and shall bear interest from their date at the following rates per annum:

Maturity Date	Principal Amount	Interest Rate
October 1, 2020		
April 1, 2021		
April 1, 2022		
April 1, 2023		
April 1, 2024		
April 1, 2025		
April 1, 2026		
April 1, 2027		
April 1, 2028		
April 1, 2029		
April 1, 2030		
April 1, 2031		
April 1, 2032		
April 1, 2033		
April 1, 2034		
April 1, 2035		
April 1, 2036		

Interest on the Series 2020 Refunding Bonds shall be calculated on the basis of a 360 day year comprising twelve 30 day months.

(E) Principal and Interest Payments. The principal or Redemption Price of the Series 2020 Refunding Bonds shall be payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Corporate Trust Office. Interest on the Series 2020 Refunding Bonds shall be payable on October 1, 2020, and thereafter semiannually on April 1 and October 1 of each year by check mailed by first class mail on each Interest Payment Date or, as provided in Section 2.10(E) (Payments to Depository) and upon the written request received by the Trustee at least five (5) days before the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has provided the Trustee with wire transfer instructions on or before the applicable Regular Record Date, by wire transfer on each Interest Payment Date to the Owner thereof as of the close of business on the Regular Record Date. Any such written request shall remain in effect until rescinded in writing by the Owner. Any Owner that requests payment by wire transfer shall pay the associated wire charges. The Regular Record

Date for the Series 2020 Refunding Bonds is the fifteenth (15th) day of the calendar month immediately preceding the relevant Interest Payment Date.

(F) Cessation of Interest Accrual. Interest on any Series 2020 Refunding Bond ceases to accrue (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided there has been irrevocably deposited with the Trustee an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Owner of such Bond is not entitled to any other payment, and such Bond is no longer be Outstanding and entitled to the benefits of this Indenture, except for the payment of the principal amount or Redemption Price, as appropriate, of such Bond.

**Section 4.02. Redemption of Series 2020 Refunding Bonds.**

(A) General Redemption Provisions. The Series 2020 Refunding Bonds are subject to redemption as provided in Article V (Redemption of Bonds). No Bond may be redeemed in part pursuant to the provisions of this Section 4.02 if the principal amount of such Bond to be Outstanding following such partial redemption is not an Authorized Denomination.

(B) Optional Redemption. The Series 2020 Refunding Bonds are subject to redemption prior to their stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part (in Authorized Denominations and by such maturities as may be specified by the Authority and at random within a maturity) on any date on and after April 1, 20\_\_, at the stated principal amount of the Series 2020 Refunding Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

(C) Mandatory Sinking Fund Redemption. The Series 2020 Refunding Bonds maturing on April 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, at random from Mandatory Sinking Account Payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Series 2020 Refunding Bonds optionally redeemed:

<b>Mandatory Redemption Dates (April 1)</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Dates (April 1)</b>	<b>Principal Amount</b>
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*\*Maturity*

**Section 4.03. Application of Proceeds of Series 2020 Refunding Bonds.** The Authority shall cause the proceeds of the sale of the Series 2020 Refunding Bonds in the amount of \$\_\_\_\_\_ to be set aside or applied as follows:

(A) Reserve Funding. [in the Series 2020 Refunding Reserve Account (created by Section 7.09 (Funding and Application of Reserve Fund) \$\_\_\_\_\_);][to [Insurer] for the cost of the premium for the [Reserve Fund Policy] \$\_\_\_\_\_];

(B) Costs of Issuance. in the Series 2020 Refunding Costs of Issuance Account (created by Section 4.04 (Establishment and Application of Costs of Issuance Fund)) \$\_\_\_\_\_; and

(C) Refunding. to the Placer County Treasurer, \$\_\_\_\_\_ for the prepayment of the Series 2006 Bond.

The Trustee may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits.

**Section 4.04. Establishment and Application of Costs of Issuance Fund.** The Authority shall establish and maintain a separate fund designated as the “Costs of Issuance Fund.” With respect to each Series of Bonds for which proceeds of the sale thereof are required to be set aside specifically to pay Costs of Issuance, the Authority shall maintain a separate account within the Costs of Issuance Fund designated as the “\_\_\_\_\_ Costs of Issuance Account” (inserting therein the Series designation of such Bonds). The moneys in each Costs of Issuance Account shall be applied by the Authority to pay or to reimburse itself for the payment of the Costs of Issuance of the related Series of Bonds.

**Section 4.05. Validity of Series 2020 Refunding Bonds.** The recital in the Series 2020 Refunding Bonds that they are issued pursuant to the Constitution and statutes of the State is conclusive evidence of their validity and of compliance with provisions of law in their issuance.

## ARTICLE V REDEMPTION OF BONDS

**Section 5.01. General Applicability of Article.** Bonds that are redeemable before their respective stated maturities shall be redeemable in accordance with their terms and in accordance with this Article.

**Section 5.02. Notice to Trustee.** In the case of any redemption at the election of the Authority of less than all the Outstanding Bonds, the Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Trustee) notify the Trustee of such redemption date and of the principal amount of Bonds to be redeemed.

**Section 5.03. Selection by Trustee of Bonds to be Redeemed.** If less than all the Outstanding Bonds of any maturity are to be redeemed, not more than sixty (60) days prior to the redemption date the Trustee shall select the particular Bonds to be redeemed (in whole or in part) from the Outstanding Bonds that have not previously been called for redemption, in minimum denominations of \$5,000, at random in any manner that the Trustee in its sole discretion shall deem appropriate and fair. For purposes of selection, each \$5,000 portion of a Bond shall be deemed to be a separate Bond.

The Trustee shall promptly notify the Authority in writing of the Bonds so selected for redemption and, in the case of a Bond selected for partial redemption, the principal amount represented thereby to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal represented by such Bond that has been or is to be redeemed.

**Section 5.04. Notice of Redemption.**

(A) Mailed Notice. Notice of redemption shall be mailed (first class postage prepaid) by the Trustee, not fewer than thirty (30) nor more than sixty (60) days prior to the redemption date, to (i) the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register, (ii) the Securities Depositories (if the Bonds are not then in book entry form), and (iii) the Information Service. Notice of redemption to the Securities Depositories shall be given by registered or overnight mail.

(B) Content of Notice. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the amount of any redemption premium, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount represented thereby to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount thereof or specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with premium (if any) and interest thereon accrued to the date fixed for redemption, and that from and after such redemption date interest thereon ceases to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee has any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee is liable for any inaccuracy in such numbers.

(C) Defects in Notice or Procedure. Failure by the Trustee to give notice to the Information Service or any of the Securities Depositories or failure of any Owner to receive notice or any defect in any such notice does not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice to any one or more of the respective Owners of any Bonds designated for redemption does not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

(D) Conditional Notice of Redemption; Rescission of Redemption. The Authority may, at its option, specify in any notice of optional redemption that redemption is conditional upon the availability of money sufficient to pay the Redemption Price of all the Bonds that are to be redeemed on the date fixed for redemption. The Authority may, at its option, prior to the date

fixed for optional redemption in any notice of redemption, rescind and cancel such notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under this Trustee Agreement. Neither the Authority nor the Trustee has any liability to the Owners or any other party as a result of the Authority's failure to redeem Bonds as a result of insufficient money.

**Section 5.05. Deposit of Redemption Price; Payment of Amounts to Reserve Facility Providers.** Prior to any date for redemption of Bonds, the Authority shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds that are to be redeemed on that date. Such money shall be held in trust for the benefit of the persons entitled to such Redemption Price. Prior to any date for optional redemption of Bonds, the Authority must pay in full all amounts due to each issuer of a Reserve Facility.

**Section 5.06. Bonds Payable on Redemption Date; Effect of Redemption.** Notice of redemption having been duly given as aforesaid and moneys for payment of the Redemption Price of the Bonds so to be redeemed being held by the Trustee, on the redemption date designated in such notice (i) the Bonds so to be redeemed become due and payable at the Redemption Price specified in such notice, (ii) interest on such Bonds ceases to accrue, (iii) such Bonds cease to be entitled to any benefit or security under this Indenture, and (iv) the Owners of such Bonds have no rights in respect thereof except to receive payment of said Redemption Price. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by Trustee at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable to the Owners of the Bonds on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 2.07 (Payment of Interest on the Bonds; Interest Rights Preserved).

**Section 5.07. Bonds Redeemed in Part.** Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

## **ARTICLE VI DEFEASANCE**

### **Section 6.01. Discharge of Indenture.**

(A) Payment of Bonds. Any Bond may be paid in any of the following ways:

(1) by paying or causing to be paid the principal of and interest on the Bond, as and when the same become due and payable;

(2) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 6.03 (Deposit of Money or Securities with Trustee)) to pay or redeem the Bond; or

(3) by delivering the Bond to the Trustee for cancellation.

(B) Consequence of Payment of All Bonds. If all Bonds that are Outstanding have been paid and the Authority has also paid or caused to be paid all other sums payable hereunder, then and in that case, at the election of the Authority, evidenced by a Statement of the Authority filed with the Trustee signifying the intention of the Authority to discharge all such obligations and this Indenture, and notwithstanding that any Bonds not have been surrendered for payment, this Indenture, the pledge of assets made hereunder, all covenants and agreements and other obligations of the Authority under this Indenture, and the rights and interests created hereby (except as to any surviving rights of transfer or exchange of Bonds as provided in Section 2.05 (Registration, Transfer, and Exchange)) and rights to payment from moneys deposited with the Trustee as provided in Section 6.02 (Discharge of Liability on Bonds)) cease, terminate, become void, and are completely discharged and satisfied. Notwithstanding the satisfaction and discharge of this Indenture, the obligations to the Trustee under Section 11.07 (Compensation and Indemnification of Trustee), the provisions of Section 11.09 (Removal and Resignation; Appointment of Successor), and the covenants of the Authority to preserve the exclusion of interest on Tax-Exempt Bonds contained in Section 9.06 (Federal Income Tax Covenants) survive.

(C) Delivery of Excess Funds. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver to the Authority all moneys or securities or other property held by it pursuant to this Indenture that, as evidenced by a verification report (upon which the Trustee may conclusively rely) from an Independent Certified Public Accountant, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; subject to the provisions of Section 9.06 (Federal Income Tax Covenants) and any Tax Certificate with respect to moneys in the Rebate Fund.

(D) Notice of Defeasance. If moneys or Permitted Investments are deposited with and held by the Trustee as provided above, the Trustee shall within thirty (30) days after such money or Permitted Investments are deposited with it mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.05 (Registration, Transfer, and Exchange) hereof, (a) setting forth the maturity date or date fixed for redemption, as the case may be, of the Bonds, (b) giving a description of the Permitted Investments, if any, so held by it, and (c) stating that this Indenture has been discharged in accordance with the provisions of this Section.

**Section 6.02. Discharge of Liability on Bonds.** Upon the deposit with the Trustee, escrow agent, or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 6.03 (Deposit of Money or Securities with Trustee)) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as in Article V (Redemption of Bonds) provided or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Authority in respect of such Bond ceases, terminates, and is completely discharged, except that thereafter (i) the Owner thereof is entitled to payment of the principal of and interest on such Bond

and premium, if any, thereon by the Authority, and the Authority remains liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 6.04 (Payment of Bonds After Discharge of Indenture) and (ii) the Owner thereof retains its rights of transfer or exchange of Bonds as provided in Section 2.05 (Registration, Transfer, and Exchange).

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously executed and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

**Section 6.03. Deposit of Money or Securities with Trustee.** Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(A) Cash. Lawful money of the United States of America in an amount equal to all unpaid principal of and interest on such Bonds to maturity, except that, in the case of Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article V (Redemption of Bonds) provided or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held shall be all unpaid principal of and interest on the Bonds to the redemption date and any redemption premium thereon; or

(B) Defeasance Securities. Defeasance Securities the principal of and interest on which when due will, together with the money (if any) deposited with or held by the Trustee at the same time, in the opinion of an Independent Certified Public Accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date, as the case may be, on (and any redemption premium on) the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption has been given as in Article V (Redemption of Bonds) provided or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that the Trustee has been irrevocably instructed (by the terms of this Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price of and interest on such Bonds.

**Section 6.04. Payment of Bonds After Discharge of Indenture.** Any moneys held by the Trustee in trust for the payment of the principal of or interest or redemption premium on any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the Authority, be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys thereupon ceases; provided, however, that,

before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (solely at the request and cost of the Authority) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the Bond Register a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal of or premium or interest on Bonds, whether at redemption or maturity, shall be held uninvested in trust for the account of the Owners thereof and the Trustee is not be required to pay Owners any interest on, or be liable to the Owners or any other person for any interest earned on, moneys so held.

## **ARTICLE VII SYSTEM REVENUES**

**Section 7.01. Liability of Authority Limited to System Revenues; Obligations of Agency Conditional on Reimbursement.** Notwithstanding anything to the contrary contained herein, the Authority is not required to advance any money derived from any source other than the System Revenues as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness. The Agency is not the issuer of the Bonds and is not liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds. No provision of this Indenture requires the Agency to expend or risk its own funds in the performance of any agreements or covenants herein contained without adequate assurance of reimbursement from System Revenues.

**Section 7.02. Pledge of Net System Revenues.** In order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of this Indenture, and subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Authority and the Agency hereby pledge all of the Net System Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Indenture, other than amounts on deposit in the Rebate Fund. This pledge constitutes a first pledge of and charge and lien upon such assets for the payment of the Bonds in accordance with their terms and is valid and binding from and after issuance of the Bonds, without any physical delivery thereof or further act. The pledge herein made is irrevocable until all of the Bonds are no longer Outstanding.

**Section 7.03. System Revenue Fund.** In order to carry out and effectuate the pledge and lien on the Net System Revenues contained herein, (a) the Agency agrees and covenants that all System Revenues shall be paid directly to the Authority and (b) the Authority agrees and covenants that all System Revenues shall be deposited when and as received in the “System Revenue Fund,” which fund the Authority agrees and covenants to maintain so long as any Bonds remain unpaid.

**Section 7.04. Payment of Operation and Maintenance Costs.** From the moneys in the System Revenue Fund, the Authority shall first pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and

Maintenance Costs, the payment of which is not then immediately required) as they become due and payable, either directly or reimbursing the Agency for all Operation and Maintenance Costs that it has paid.

**Section 7.05. Allocation of Net System Revenues.**

(A) Allocations for Debt Service and Reserve Replenishment. So long as any Bonds are Outstanding, the Authority shall deposit or cause to be deposited Net System Revenues into the following respective funds in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority:

(1) Interest Fund. First, not later than five (5) Business Days before each Interest Payment Date, the Authority shall pay to the Trustee for deposit into the “Interest Fund,” which fund the Trustee agrees and covenants to maintain so long as any Bonds remain unpaid, an amount equal to (a) the aggregate amount of interest and principal becoming due and payable on the Outstanding Bonds on such Interest Payment Date or Principal Payment Date (but excluding any moneys on deposit in the Interest Fund from the proceeds of the Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such date). No such transfer for deposit into the Interest Fund need be made if the amount contained therein is at least equal to the interest due and payable on the next Interest Payment Date upon all of the Bonds then Outstanding (but excluding any moneys on deposit in the Interest Fund from the proceeds of the Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

(2) Principal Fund. Second, not later than five (5) Business Days before each Principal Payment Date, the Authority shall pay to the Trustee for deposit into the “Principal Fund,” which fund the Trustee agrees and covenants to maintain so long as any Bonds remain unpaid, an amount equal to the aggregate principal amount of Bonds to be redeemed on such Principal Payment Date from the respective Sinking Accounts for the Term Bonds, but less any amounts deposited into the Principal Fund during the preceding twelve-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period. No such transfer for deposit into the Principal Fund need be made so long as there shall be in such fund (i) moneys sufficient to pay the principal of all Serial Bonds then Outstanding and maturing by their terms on the next such Principal Payment Date plus (ii) the aggregate principal amount of all Term Bonds required to be redeemed on the next Principal Payment Date, but less any amounts deposited into the Principal Fund during the preceding twelve-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period.

(3) Reserve Fund. Third, on each Interest Payment Date, the Authority shall transfer to the Trustee for deposit into each Reserve Account the amount necessary to increase the amount therein to the Series Required Reserve.

(4) Operation and Maintenance Reserve Fund. Fourth, to the extent that Net System Revenues are available, on each Interest Payment Date, the Authority shall deposit in the Operation and Maintenance Reserve Fund the amount necessary to increase the amount therein to its required balance.

(B) Surplus Amounts. On any date, if (1) the amounts on deposit in the Interest Fund and the Principal Fund are at least equal to the aggregate amount of interest and principal becoming due and payable on the Outstanding Bonds on and before the next Principal Payment Date plus the aggregate principal amount of Bonds to be redeemed on such Principal Payment Date from the respective Sinking Accounts for the Term Bonds, (2) each Reserve Account is funded in the amount of its Series Required Reserve, and (3) the Authority has complied with the replenishment requirement of subsection (A)(4) (Allocation of Net System Revenues – Allocations for Debt Service and Reserve Replenishment -- Operation and Maintenance Reserve Fund) above, then the Authority may use and apply any moneys in the System Revenue Fund for any lawful purpose; provided that (i) no Event of Default has occurred and is then continuing and (ii) the Authority reasonably expects that it will have sufficient System Revenues to pay Operation and Maintenance Costs for the then-current Fiscal Year.

**Section 7.06. Payments to Trustee.** Each transfer by the Authority to the Trustee pursuant to Section 7.05 (Allocation of Net System Revenues) must be in lawful money of the United States of America and paid to the Trustee at the Corporate Trust Office. The Trustee shall forthwith deposit the amounts received from the Authority in the funds described in Section 7.05 (Allocation of Net System Revenues). All moneys at any time held in such funds shall be held in trust for the benefit of the Owners of the Bonds and shall be disbursed, allocated, and applied solely for the uses and purposes set forth in this Article VII (System Revenues).

**Section 7.07. Application of Interest Fund.** All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

**Section 7.08. Application of Principal Fund.**

(A) Use of Amounts in Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Account shall be used and withdrawn by the Trustee solely to purchase or redeem or pay Bonds at maturity, as provided herein.

(B) Sinking Accounts. The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each maturity, designated as the “\_\_\_\_\_ Sinking Account,” inserting therein the maturity designation of such Bonds. On any date upon which Term Bonds are subject to mandatory redemption, the Trustee shall transfer the amount of the principal then redeemable from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each mandatory redemption date established for such Sinking Account, the Trustee shall apply the amount required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such maturity for which such Sinking Account was established, upon the notice and in the manner provided herein; provided that, at any time

prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Authority, apply moneys in such Sinking Account to the purchase (in whole or in part) of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the principal amount represented thereby. If, during the twelve-month period immediately preceding said mandatory redemption date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds of such maturity with the Trustee, or Term Bonds of such maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said mandatory redemption, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount represented thereby, to reduce the amount required for deposit on the mandatory redemption date in the Sinking Account.

Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Authority to be used for any lawful purpose.

All Bonds purchased from a Sinking Account or deposited by the Authority with the Trustee in a twelve-month period ending April 1, shall be allocated first to the next succeeding mandatory redemption for such maturity of Term Bonds, then as a credit against such future mandatory redemptions for such maturity of Term Bonds as may be specified in a Request of the Authority. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future mandatory redemptions for such maturity of Term Bonds as may be specified in a Request of the Authority.

#### **Section 7.09. Funding and Application of Reserve Fund.**

(A) Funding of the Reserve Fund. The Trustee shall establish and maintain a separate fund designated as the “Reserve Fund.” With respect to each Series of Bonds for which the Series Required Reserve is greater than zero, the Trustee shall establish and maintain in the Reserve Fund a separate account designated as the “Series \_\_\_\_\_ Reserve Account” (inserting therein the Series designation or designations (if the Reserve Account secures more than one Series) of such Bonds). Upon the delivery of each Series of Bonds, if required by subsection (F) of Section 3.01 (Issuance of Additional Series of Bonds – Reserve Account), the Authority shall deposit into the Reserve Account for the Series either the amount of the Series Required Reserve (if the Reserve Account secures a single Series of Bonds) or the amount necessary to increase the balance in the Reserve Account to the Series Required Reserve with respect to all Bonds of all Series secured by that Reserve Account (if the Reserve Account secures more than one Series). [The Series Required Reserve for the Series 2020 Refunding Bonds shall be initially satisfied by the delivery of a Reserve Facility in the amount of \$\_\_\_\_\_.]

(B) Substitution of Cash. The Authority may at any time substitute cash for all or part of the amount available to be paid to the Trustee under any Reserve Facility delivered pursuant to this Section to satisfy the Series Required Reserve.

(C) Letter of Credit.

(1) In lieu of making the Series Required Reserve replenishment deposits in compliance with subsection (A)(3) (Reserve Fund) of Section 7.05 (Allocation of Net System Revenues), or in replacement of moneys then on deposit in a Reserve Account (which shall be transferred by the Trustee to the Authority), the Authority may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of any Rating Agency then rating the Bonds, in an amount, together with moneys, Permitted Investments, or Reserve Facilities (as described in subsection (E) of this Section) on deposit in the Reserve Account, equal to the Series Required Reserve. Such letter of credit shall have a term of no less than three (3) years or, if less, until the maturity of the Bonds and shall provide by its terms that it may be drawn upon as provided in this Section. In addition, the letter of credit must be acceptable to the Credit Providers. If a drawing is made on the letter of credit, the Authority shall make such payments as may be required by the terms of the letter of credit or any obligations related thereto (but no less than quarterly pro rata payments) so that the letter of credit shall, absent the delivery to the Trustee of a Reserve Facility satisfying the requirements contained in subsection (E) of this Section or the deposit in the Reserve Account of an amount sufficient to increase the balance in the Reserve Account to the Series Required Reserve, be reinstated in the amount of such drawing within one year of the date of such drawing.

(2) At least one year prior to the stated expiration of such letter of credit, the Authority shall either (i) deliver a replacement letter of credit acceptable to the Credit Providers, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Bonds, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of subsection (E) of this Section. Upon delivery of such replacement letter of credit, extended letter of credit, or Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority shall fail to deposit a replacement letter of credit, extended letter of credit, or Reserve Facility with the Trustee, the Authority shall immediately commence to make quarterly deposits with the Trustee so that an amount equal to the Series Required Reserve will be on deposit in the Reserve Account no later than the stated expiration date of the letter of credit. If an amount equal to the Series Required Reserve as of the date following the expiration of the letter of credit is not on deposit in the Reserve Account one week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in the Reserve Account.

(D) Other Reserve Facility. In lieu of making the Series Required Reserve replenishment deposits in compliance with subsection (A)(3) (Reserve Fund) of Section 7.05 (Allocation of Net System Revenues), or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the Authority), the Authority may also deliver to the Trustee an insurance policy, surety bond, or other Reserve Facility securing an amount, together with moneys, Permitted Investments or letters of credit on deposit in the Reserve Account, no less than the Series Required Reserve issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's

insurance policies or surety bonds) are rated in one of the two highest Rating Categories of any Rating Agency then rating the Bonds and, if rated by A.M. Best & Company, must also be rated in the highest rating category by A.M. Best & Company. Such Reserve Facility shall have a term of no less than the maturity of the Bonds in connection with which such Reserve Facility was obtained. In addition, the Reserve Facility must be acceptable to the Credit Providers. In the event that such Reserve Facility for any reason lapses or expires, the Authority shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to the Reserve Account.

(E) Use of Amounts in Reserve Fund.

(1) Payment of Debt Service Deficiencies. All amounts in a Reserve Account (including all amounts that may be obtained from Reserve Facilities on deposit in that Reserve Account) shall be used and withdrawn by the Trustee, as hereinafter provided, solely for the purpose of paying debt service on the Bonds of the related Series in the event of any deficiency in the Interest Fund or the Principal Fund, or (together with any other moneys available therefor) for the payment or redemption of all Bonds of such Series then Outstanding, or for the payment of the final principal and interest payment with respect to the Bonds of any Series of Bonds secured by that Reserve Account (provided that following such payment the amounts in the Reserve Account (including the amounts that may be obtained from Reserve Facilities on deposit therein) will equal the Series Required Reserve. The Trustee shall first draw on the portion of the Reserve Account held in cash or Permitted Investments and then, on a pro rata basis with respect to amounts held in the form of Reserve Facilities (calculated by reference to the maximum amounts of such Reserve Facilities), draw on or collect under each Reserve Facility issued with respect to the Reserve Account, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the principal of and interest on the Bonds of such Series when due.

(2) Repayment of Amounts Recovered as Preferences in Bankruptcy. If the Trustee has notice that any payment of principal or interest represented by a Bond has been recovered from an Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the Reserve Facility, if any, securing that Bond so provide, shall so notify the issuer thereof and draw on or collect under such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Owner the principal and interest so recovered. If and to the extent that the Series Required Reserve is satisfied by a deposit of cash or Permitted Investments and one or more Reserve Facilities (or any combination thereof), the Trustee shall first draw on the portion of the Reserve Account held in cash or Permitted Investments and then make drawings on or collect under such Reserve Facilities on a pro rata basis (calculated by reference to the maximum amounts of such Reserve Facilities).

(3) Reimbursement to Reserve Facility Providers. If the Trustee draws on or collects under a Reserve Facility, the Trustee shall use amounts deposited in the related Reserve Account by the Authority following such draw or collection first to make the payments required by the terms of the Reserve Facility or related reimbursement or loan

agreement so that the Reserve Facility shall, absent the delivery to the Trustee of a substitute Reserve Facility acceptable to the Credit Providers that satisfies the requirements of this Section or the deposit in that Reserve Account of an amount sufficient to increase the balance in the Reserve Account to the Series Required Reserve, be reinstated in the amount of such draw or collection within one year of the date of the draw or collection. After such reinstatement, the Trustee shall use amounts deposited in that Reserve Account by the Authority for the replenishment of the portion of the Reserve Account held in cash or Permitted Investments.

(F) Transfer of Excess Amounts. Any amounts in a Reserve Account in excess of the Series Required Reserve (as calculated by the Authority) shall be transferred by the Trustee to the Authority on the Business Day next succeeding each Principal Payment Date; provided that such amounts shall be transferred only from the portion of the Reserve Account held in the form of cash or Permitted Investments and further provided that the Authority is not then in default under this Indenture. The Authority shall deposit such amounts into the System Revenue Fund.

**Section 7.10. Application of Redemption Fund.** The Trustee shall establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” All moneys deposited by the Authority with the Trustee for the purpose of redeeming Bonds shall, unless otherwise directed by the Authority, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner, at the times and upon the terms and conditions specified herein; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Authority, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such maturity of Term Bonds as may be specified in a Request of the Authority.

**Section 7.11. Rebate Fund.** At the direction of the Authority, upon the issuance of a Series of Tax-Exempt Bonds, the Trustee shall establish and maintain a fund designated as the “Rebate Fund” separate from any other fund held by the Trustee. The Trustee shall deposit moneys into and disburse moneys from the Rebate Fund pursuant to written instructions from the Authority. The Trustee shall be deemed conclusively to have complied with the provisions of this Section and the Tax Certificate if it follows the instructions of the Authority, including to supply all necessary information in the manner specified in the Tax Certificate. In the absence of written instructions from the Authority, the Trustee shall not be required to take any action with respect to the Rebate Fund or the Tax Certificate and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

**Section 7.12. Investments of Money in Accounts and Funds.**

(A) Investment in Permitted Investments. All moneys in any of the funds and accounts held by the Trustee and established pursuant to this Indenture shall be invested solely as directed by the Authority, solely in Permitted Investments. All Permitted Investments shall, as directed by

the Authority in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in Section 9.06 (Federal Income Tax Covenants), the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority and not inconsistent with the duties of the Trustee under this Indenture. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to this Indenture, such moneys shall be invested in Permitted Investments described in clause (4) (Money Market Funds) of the definition thereof and the Trustee shall thereupon immediately request investment instructions from the Authority for such moneys.

(B) Maturity of Investments. Moneys in a Reserve Account shall be invested in Permitted Investments maturing within five years of the date of such investment, but in no event later than the final maturity of the Bonds of the Series secured thereby, or, in the case of Investment Agreements, available by the terms thereof for withdrawal at the times and for the purposes required for the application of funds in the Reserve Account. Moneys in the remaining funds and accounts shall be invested in Permitted Investments maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

(C) Deposit of Earnings. All interest, profits, and other income received from the investment of moneys in any fund or account held by the Trustee hereunder, other than the Rebate Fund, shall be transferred by the Trustee to the Authority on the Business Day next succeeding each Principal Payment Date; provided that the Authority is not then in default under this Indenture. The Authority shall deposit such amounts into the System Revenue Fund. All interest, profits, and other income received from the investment of moneys in the Rebate Fund shall be deposited therein, except as otherwise directed by the Authority. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account from which such accrued interest was paid.

(D) Valuation. All Permitted Investments credited to the Reserve Fund shall be valued as of each Interest Payment Date at their fair market value determined to the extent practical by reference to the closing bid price thereof published in the Wall Street Journal or any other financial publication or quotation service selected by the Trustee in its discretion, including such pricing services as may be available to the Trustee within the Trustee's regular accounting system.

(E) Accounting; Acquisition and Disposition. The Trustee may commingle any of the funds or accounts established pursuant to this Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Indenture. The Trustee and its affiliates may act as sponsor, advisor, depository, principal, or agent in the making or disposing of any investment and, with the prior written consent of the Authority, may impose its customary charge therefor. The Authority acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Authority the right to receive brokerage confirmations or security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee may sell at the best price reasonably obtainable, or

present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the fund or account to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

**Section 7.13. Funds and Accounts.** Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

**Section 7.14. Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest, principal, or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held uninvested in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 6.04 (Payment of Bonds After Discharge of Indenture).

**Section 7.15. Draws Under Credit Facilities.** Prior to the termination thereof, the Trustee shall draw on a Credit Facility in an amount and at such times (as such times shall be set forth in the Credit Facility) as shall be required to pay in full the principal of and interest on the Bonds (excluding any Liquidity Provider Bonds registered in the name of the Credit Provider or its designee or Bonds registered in the name of the Authority). If the Credit Facility is a direct-pay letter of credit, the Trustee shall make such draw at such time as is required to receive amounts needed on each Interest Payment Date, maturity date, mandatory sinking fund redemption date, and other redemption date. If the Credit Facility is an insurance policy, the Trustee shall make such draw in accordance with the terms of such insurance policy to pay the principal of and interest on the Bonds following non-payment thereof on any Interest Payment Date, maturity date, mandatory sinking fund redemption date or, with the consent of the Credit Provider, other redemption date and following a recovery of payments of principal of and interest on the Bonds pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction. If the Credit Facility is a direct pay letter of credit, the Trustee shall pay the principal of and interest on the Bonds (excluding any Outstanding Liquidity Provider Bonds registered in the name of the Credit Provider or its designee) when due and payable solely from moneys drawn under the Credit Facility.

**Section 7.16. Credit Facility Provisions.**

(A) Trustee to Hold Credit Facilities The Trustee shall hold and maintain each Credit Facility for the benefit of the Owners until the Credit Facility terminates in accordance with its terms. The Trustee shall diligently enforce all terms, covenants and conditions of each Credit Facility, including payment when due of any claims under each Credit Facility, and will not consent to or agree to or permit any amendment or modification thereof that would materially adversely affect the rights or security of Owners. If at any time during the term of the Credit

Facility any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the Credit Provider transfer the Credit Facility, if required, by the Credit Facility, to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment.

(B) Exercise of Rights by Credit Providers. Notwithstanding anything contained herein to the contrary, all provisions hereof regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Providers shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Providers were not mentioned therein (1) during any period during which there is a payment default under the related Credit Facility, or (2) after the related Credit Facility shall at any time for any reason cease to be valid and binding on the related Credit Provider in the reasonable judgment of the Agency, or shall be declared to be null and void by final non-appealable judgment of a court of competent jurisdiction; provided, however, that the payment of amounts due to the related Credit Provider pursuant to the terms hereof shall continue in full force and effect. The foregoing shall not affect any other rights of such Credit Provider.

#### **Section 7.17. Liquidity Facility Provisions.**

(A) Trustee to Hold Liquidity Facilities The Trustee shall hold and maintain each Liquidity Facility for the benefit of the Owners until the Liquidity Facility expires in accordance with its terms. The Trustee shall enforce all terms, covenants and conditions of each Liquidity Facility, including drawing on a Liquidity Facility as required to provide for the purchase price of Bonds (other than Liquidity Provider Bonds or Bonds owned by the Agency), and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, a Liquidity Facility, and will not consent to, agree to or permit any amendment or modification of a Liquidity Facility that would materially adversely affect the rights or security of the Owners of the Bonds. If at any time during the term of any of the Liquidity Facilities any successor Trustee is appointed and qualified under this Indenture, the successor Trustee succeeds to the rights of the resigning or removed Trustee under the Liquidity Facility. The resigning or removed Trustee shall request that the Liquidity Providers take any action necessary to effect the assignment to the successor Trustee.

(B) Trustee to Make Draws Under Liquidity Facilities. The Trustee shall draw moneys under the Liquidity Facility for the related Series of the Bonds in accordance with the terms thereof in an amount necessary to make full and timely payments of the purchase price of Bonds of such Series required to be made pursuant to this Indenture.

#### **Section 7.18. Credit Facility Account and Liquidity Facility Account.**

(A) Credit Facility Account. The Trustee shall create a separate account called the "Credit Facility Account," into which all moneys drawn under the Credit Facilities shall be deposited and disbursed (with separate sub-accounts for different Series of the Bonds and Credit Facilities). The Credit Facility Account shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under this Indenture or otherwise, and the Trustee has the exclusive and sole right of withdrawal from the Credit Facility Account for the exclusive benefit of the Owners of the Bonds with respect to which such drawing was made.

Moneys drawn on the Credit Facility and deposited in the Credit Facility Account for the payment of debt service with respect to a particular Series of Bonds shall be used only to pay debt service with respect to such Series of Bonds. Moneys in the Credit Facility Account shall be held in cash and shall not be invested. Any amounts remaining on deposit in the Credit Facility Account Fund and not required for the purpose for which drawn shall be promptly repaid to the Credit Provider.

(B) Liquidity Facility Account. The Trustee shall create a separate account called the “Liquidity Facility Account,” into which all moneys drawn under the Liquidity Facilities shall be deposited and disbursed (with separate sub-accounts for different Series of the Bonds and Liquidity Facilities). The Authority has no right title or interest in the Liquidity Facility Account. The Liquidity Facility Account shall be established and maintained by the Trustee and held uninvested and in trust apart from all other moneys and securities held under this Indenture or otherwise, and over which the Trustee has the exclusive and sole right of withdrawal for the exclusive benefit of the Owners of the Bonds with respect to which such drawing was made.

## **ARTICLE VIII FINANCIAL COVENANTS OF THE AGENCY AND THE AUTHORITY**

**Section 8.01. Compliance with Law; Preservation of Rights.** The Authority and the Agency will faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right, privilege, permit, and license now owned or hereafter acquired by them, including their right to exist and the Agency’s right to own and operate the System, to the end that such franchises, rights, privileges, permits, and licenses are maintained and preserved and do not become abandoned, forfeited, or in any manner impaired.

**Section 8.02. Amendment of Joint Powers Agreement.** The Agency agrees that, so long as any Bonds are Outstanding, it shall not agree to an amendment of the Joint Powers Agreement that would impair the Authority’s right to receive all of the revenues from the sale of electrical energy and related services from the System.

**Section 8.03. Power Sales.** The Agency shall use its best efforts to maintain in full force and effect the Participating Generator Agreement dated August 7, 2012, between the Agency and the California Independent System Operator Corporation, and otherwise preserve its eligibility to submit bids for the sale of power and energy and ancillary services from the System.

### **Section 8.04. Against Additional Prior Lien Obligations and Other Encumbrances; Subordinate Obligations.**

(A) Additional Prior Lien Obligations. The Authority hereby covenants and agrees that it shall not incur any obligations that are secured by a pledge and lien on the Net System Revenues that is senior to the pledge and lien on the Net System Revenues contained herein.

(B) Other Encumbrances. The Authority will not make any pledge of or place any lien on the System Revenues except as provided herein.

(C) **Subordinate Obligations.** The Authority may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose that are payable from and secured by a pledge of and lien on any moneys transferred to other funds of the Authority (as provided in Section 7.05(B) (**Allocation of Net System Revenues – Surplus Amounts**)), provided that such pledge and lien is subordinate in all respects to the pledge of and lien on the Net System Revenues provided herein.

**Section 8.05. Against Sale or Other Disposition of Property.** The Agency will not sell, lease, or otherwise dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of the System Revenues. The Agency will not enter into any agreement or lease that impairs the operation of the System or any part thereof necessary to secure adequate Net System Revenues for the payment of the Bonds or that would otherwise impair the rights of the Agency with respect to the System Revenues or the operation of the System. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the System, or any material or equipment that has become worn out, may be sold by the Agency. The Agency shall deduct an amount equal to the proceeds it receives from any such sale from reimbursements due from the Authority for Operation and Maintenance Costs.

**Section 8.06. Operation and Maintenance of the System.** The Agency will maintain and preserve the System in good repair and working order at all times in conformity with standards customarily followed in the electric utility industry for projects of like size and character. The Agency will operate the System as a revenue-producing enterprise in an efficient and economical manner consistent with sound economy, usual utility standards, and practices for the operation and maintenance of a facility similar to the System and so as to assure that the same is financially self-sufficient and self-sustaining and that the Authority can meet its obligations hereunder. The Agency will pay all Operation and Maintenance Costs of the System as they become due and payable.

**Section 8.07. Payment of Claims.** The Agency will pay and discharge any and all lawful claims for labor, materials or supplies that, if unpaid, might become a lien on the Net System Revenues or any part thereof or on any funds in the hands of the Agency prior or superior to the lien of the Bonds or that might impair the security of the Bonds.

**Section 8.08. Compliance with Contracts.** The Agency will comply with, keep, observe and perform all agreements, conditions, covenants, and terms (express or implied) required to be performed by it contained in all contracts for the use of the System and all other contracts affecting or involving the System to the extent that the Agency is a party thereto.

**Section 8.09. Payment of Taxes and Compliance with Governmental Regulations.** The Agency will pay and discharge all taxes, assessments, and other governmental charges that may hereafter be lawfully imposed upon the System or any part thereof or upon the System Revenues when the same shall become due. The Agency will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the System or any part thereof, but the Agency shall not be required to comply with any regulations or requirements so long as the validity or application thereof is contested in good faith.

**Section 8.10. Insurance; Application of Net Proceeds.**

(A) Casualty Insurance. The Agency will procure and maintain or cause to be procured and maintained insurance on the System with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with utility systems similar to the System so long as such insurance is available from reputable insurance companies. In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the System. The Agency shall begin such reconstruction, repair, or replacement promptly after such damage or destruction occurs; shall continue and properly complete such reconstruction, repair, or replacement as expeditiously as possible; and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair, or replacement so that the same shall be completed and the System shall be free and clear of all claims and liens. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be applied to the redemption of the Bonds. If such Net Proceeds are sufficient to enable the Authority to retire the entire obligation evidenced hereby prior to the final maturity of the Bonds, the Agency may elect not to reconstruct, repair, or replace the damaged or destroyed portion of the System, and thereupon such Net Proceeds shall be applied to the redemption of Bonds.

(B) Other Insurance. The Agency will procure and maintain such other insurance that it deems advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with utility systems similar to the System.

(C) Self-Insurance. Any insurance required to be maintained pursuant to paragraph (A) above and any insurance maintained pursuant to paragraph (B) above may be maintained under a self-insurance or pooled risk program, so long as such self-insurance or pooled risk program is maintained in the amounts and manner usually maintained in connection with utility systems similar to the System.

(D) Notice of Cancellation. All policies of insurance required to be maintained herein shall provide that the Agency shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

**Section 8.11. Eminent Domain Proceeds**. If all or any part of the System is taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(A) Additions to System. If (1) the Agency obtains and files with the Trustee an Engineer's Report or Accountant's Report showing (i) the estimated loss of annual Net System Revenues, if any, suffered or to be suffered by the Agency by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions, or improvements to the System proposed to be acquired and constructed by the Agency from such Net Proceeds, and (iii) an estimate of the additional annual Net System Revenues to be derived from such additions, betterments, extensions, or improvements, and (2) the Agency, on the basis of such Engineer's Report or Accountant's Report filed with the Trustee, determines that the estimated additional annual Net System Revenues will sufficiently offset the estimated loss of annual Net System Revenues resulting from such eminent domain proceedings so that the ability of the Agency and the Authority to meet their obligations hereunder will not be substantially impaired

(which determination shall be final and conclusive) then the Agency shall promptly proceed with the acquisition and construction of such additions, betterments, extensions, or improvements substantially in accordance with such Engineer's Report or Accountant's Report and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the Agency for such purpose shall be deposited in the System Revenue Fund.

(B) Application to Other Purposes. If (1) the Agency obtains and files with the Trustee an Engineer's Report or Accountant's Report containing an estimate of annual Net System Revenues after the taking by eminent domain and (2) the Agency, on the basis of such Engineer's Report or Accountant's Report, determines that Net System Revenues will equal at least one hundred twenty per cent (120%) of Debt Service for each Fiscal Year in which Bonds are Outstanding, then the Agency may use such Net Proceeds for any lawful purpose.

(C) Redemption of Bonds. If the conditions of neither of the foregoing subsections are met, then such Net Proceeds shall be applied to the redemption of Bonds.

#### **Section 8.12. Operation and Maintenance Reserve Fund.**

(A) Establishment of Fund; Required Balance. The Authority shall establish and maintain a separate fund designated as the "Operation and Maintenance Reserve Fund." The amount required to be on deposit in the Operation and Maintenance Reserve Fund on the date of delivery of the Series 2020 Refunding Bonds is \$14,000,000. In each Fiscal Year thereafter, the required balance for the Operation and Maintenance Reserve Fund is one-half of the Authority's budget for Operation and Maintenance Costs in that Fiscal Year. Failure to maintain the Operation and Maintenance Reserve Fund at its required balance is not a default hereunder so long as the Authority complies with the replenishment requirement of Section 7.05(A)(4) (Allocation of Net System Revenues – Allocations for Debt Service and Reserve Replenishment -- Operation and Maintenance Reserve Fund).

(B) Application of Fund. The Authority may withdraw and use the amounts in the Operation and Maintenance Reserve Fund only for Operation and Maintenance Costs.

### **ARTICLE IX GENERAL COVENANTS OF THE AUTHORITY**

**Section 9.01. Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized pursuant to law to enter into this Indenture and to authorize the issuance of the Bonds and pledge the Net System Revenues under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the valid and binding limited obligations of the Authority in accordance with their terms.

**Section 9.02. Punctual Payment and Performance.** The Authority will punctually pay out of the System Revenues the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained herein and in the Bonds.

**Section 9.03. Extension of Time for Payment of Bonds.** The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement. If the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, unless the principal represented by all of the Bonds and of all claims for interest represented thereby that shall not have been so extended have been paid in full. Nothing in this Section shall be deemed to limit the right of the Authority to cause the delivery of Bonds for the purpose of refunding any Outstanding Bonds, and such delivery shall not be deemed to constitute an extension of maturity of Bonds.

**Section 9.04. Preservation of Rights of Owners.** The Authority shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of Net System Revenues and other assets and all the rights of the Owners under this Indenture against all claims and demands of all persons whomsoever.

**Section 9.05. Federal Income Tax Covenants.** The Authority and the Agency shall at all times do and perform all acts and things permitted by law and this Indenture that are necessary and desirable in order to assure that interest paid on any Tax-Exempt Bonds will continue to be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Authority and the Agency agree to comply with the provisions of the Tax Certificate. This covenant shall survive the defeasance or payment in full of the Tax-Exempt Bonds.

**Section 9.06. Further Assurances.** Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority and the Agency will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

## **ARTICLE X EVENTS OF DEFAULT AND REMEDIES OF OWNERS**

**Section 10.01. Events of Default.** The following events are Events of Default:

(A) **Payment Default.** Default in the due and punctual payment of the interest on any Bond or the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption when and as the same shall become due and payable;

(B) **Breach of Covenant.** Default by the Authority or the Agency in the observance or performance of any covenant, condition, agreement, or provision in this Indenture on its part to be observed or performed, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority or the Agency by the Trustee;

(C) **Bankruptcy.** A declaration of bankruptcy by the Authority or the Agency.

**Section 10.02. Institution of Legal Proceedings by Trustee.** If one or more of the Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Owners of a majority in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Bonds under this Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder. The Trustee may exercise its rights under this Indenture to collect its fees and expenses without the consent of the Owners of any Bonds.

**Section 10.03. Non-Waiver.** Nothing in this Article or in any other provision hereof or in the Bonds affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Owners of the Bonds at the respective dates of maturity or upon prior redemption as provided herein from the Net System Revenues as provided herein pledged for such payment, or affects or impairs the right of such Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any default or breach of duty or contract by any Owner does not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by any Owner to exercise any right or remedy accruing upon any default or breach of duty or contract impairs any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Owners by the Act or by this Article may be enforced and exercised from time to time and as often as deemed expedient by the Owners.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority and any Owner are restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 10.04. Actions by Trustee as Attorney-in-Fact.** Any action, proceeding or suit that any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners, whether or not the Trustee is an Owner, and the Trustee is hereby appointed (and the successive Owners, by taking and holding the Bonds issued hereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

**Section 10.05. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

**Section 10.06. Limitation on Owners' Right to Sue.** No Owner of any Bond issued hereunder has the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon this Indenture, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default as defined in Section 10.01 (Events of Default) hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Bonds then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such request was received by, and said tender of indemnity was made to, the Trustee.

Such notification, request, tender of security or indemnity, and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; its being understood and intended that no one or more Owners of Bonds has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture must be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

## **ARTICLE XI THE TRUSTEE**

**Section 11.01. Appointment of the Trustee.** U.S. Bank National Association is hereby appointed as Trustee under this Indenture and hereby accepts the trust imposed upon it as Trustee hereunder and to perform all the functions and duties of the Trustee hereunder, subject to the terms and conditions set forth in this Indenture.

### **Section 11.02. Certain Duties and Responsibilities.**

(A) When No Default is Continuing. Prior to an Event of Default, and after the curing or waiver of all Events of Default that may have occurred,

(1) Duties Limited to Those Specified. the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee;

(2) Reliance on Documents. in the absence of bad faith on its part the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture.

(B) During Continuance of Default. During the existence of any Event of Default (that has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in

it by this Indenture and use the same degree of care and skill in their exercise as a reasonable person would exercise or use under the circumstances in the conduct of such person's own affairs.

(C) Immunities of Trustee. No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection A of this Section;

(2) the Trustee is not liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or any lesser amount that may direct the Trustee under this Indenture) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture; and

(4) no provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(D) Immunities Applicable to All Provisions of Indenture. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is be subject to the provisions of this Article XI (The Trustee).

**Section 11.03. Notice of Defaults.** Within forty five (45) days after the occurrence of any default hereunder, the Trustee shall transmit by mail to all Owners of Bonds as their names and addresses appear on the Bond Register notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of or premium, if any, or interest on any Bond or in the payment of any sinking fund installment, the Trustee is protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Owners; and provided further that in the case of any default of the character specified in Section 10.01(B) (Events of Default -- Breach of Covenant) no such notice to Owners shall be given until at least thirty (30) days after the occurrence thereof. For purposes of this Section, the term "default" means any event that is, or after notice or lapse of time or both would become, an Event of Default.

**Section 11.04. Certain Rights of Trustee; Liability of Trustee.** Except as otherwise provided in Section 11.02 (Certain Duties and Responsibilities):

(A) Reliance on Documents Believed Genuine. The Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, requisition, consent, order, bond, note, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(B) Documentation of Authority's Directions. Any request or direction of the Authority mentioned herein is sufficiently evidenced by a Certificate, Statement, Request, Requisition, or Order of the Authority;

(C) Reliance on Authority Statement. Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Trustee (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Statement of the Authority, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable;

(D) Reliance on Advice of Counsel. The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority, and the written advice of such counsel or any Opinion of Counsel is full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee hereunder in good faith and in reliance thereon;

(E) Security for Costs. The Trustee is under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Owners pursuant to the provisions of this Indenture, including, without limitation, the provisions of Article X (Events of Default and Remedies of Owners) hereof, unless such Owners have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby.

(F) Investigation of Factual Matters. The Trustee is not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(G) Performance of Duties by Agents. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and is entitled to advice of counsel concerning all matters of trust and its duty hereunder, but the Trustee is answerable for the negligence or misconduct of any such attorney-in-fact, agent, or receiver selected by it; provided that the Trustee is not answerable for the negligence or misconduct of any attorney-in-law or certified public accountant selected by it with due care.

(H) Knowledge of Event of Default. The Trustee shall not be deemed to have knowledge of, and is not required to take any action with respect to, any Event of Default other

than an Event of Default described in Section 10.01(A) (Events of Default – Payment Default) unless a Responsible Officer of the Trustee has actual knowledge of such event.

(I) No Responsibility for Disclosure Material. The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(J) Extension of Immunities. The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(K) No Duty. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

**Section 11.05. Trustee Not Responsible for Recitals, Validity of Bonds, or Application of Proceeds.**

(A) Trustee Makes No Representations. The recitals of facts herein and in the Bonds contained (other than the Certificate of Authentication on the Bonds) shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Bonds, as to the sufficiency of the Net System Revenues or the priority of the lien of this Indenture thereon, or as to the financial or technical feasibility of any project and does not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly assigned to or imposed upon it herein or in the Bonds.

(B) Trustee Not Responsible for Authority's Use of Certain Moneys and Other Actions. The Trustee is not responsible for:

(1) the application or handling by the Authority of any moneys transferred to or pursuant to any Requisition or Request of the Authority in accordance with the terms and conditions hereof;

(2) the application and handling by the Authority of any fund or account designated to be held by the Authority hereunder;

(3) any error or omission by the Authority in making any computation or giving any instruction pursuant to a Tax Certificate and the Trustee may rely conclusively on any computations or instructions furnished to it by the Authority in connection with the requirements of any Tax Certificate; or

(4) the construction, operation, or maintenance of any project or facilities by the Authority or the Agency.

**Section 11.06. Trustee May Hold Bonds.** The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action that any Owner of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under this Indenture. The Trustee may in good faith hold any other form of indebtedness of the Authority; own, accept or negotiate any drafts, bills of exchange,

acceptances or obligations of the Authority and make disbursements for the Authority; and enter into any commercial or business arrangement therewith, without limitation.

**Section 11.07. Compensation and Indemnification of Trustee.** The Authority agrees, subject to the provisions of Section 7.01 (Liability of Authority Limited to System Revenues):

(A) Compensation. to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder;

(B) Reimbursement. except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel (including internal counsel)), except any such expense, disbursement, or advance as be attributable to the Trustee's negligence or willful misconduct; and

(C) Indemnification. to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trusts created hereby, including the costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The rights of the Trustee and the obligations of the Authority under this Section survive the discharge of the Bonds and this Indenture.

**Section 11.08. Corporate Trustee Required; Eligibility.** There must at all times be a Trustee hereunder, which must be a national banking association, federally chartered savings association or institution, trust company, or bank having the powers of a trust company authorized to do business in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such national banking association, federally chartered savings association or institution, bank, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purpose of this Section the combined capital and surplus of such federally chartered savings association or institution, bank, or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee ceases to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in this Article.

**Section 11.09. Removal and Resignation; Appointment of Successor.**

(A) Effectiveness of Resignation or Removal. No removal or resignation of the Trustee and appointment of a successor Trustee pursuant to this Article becomes effective until the acceptance of appointment by the successor Trustee under Section 11.10 (Acceptance of Appointment by Successor).

(B) Trustee's Right to Resign. The Trustee may resign at any time by giving written notice of such resignation to the Authority and by giving the Owners notice of such resignation by

mail at the addresses shown on the Bond Register. If an instrument of acceptance by a successor Trustee has not been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

(C) Authority's Right to Remove Trustee. The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, by giving written notice of such removal to the Trustee.

(D) Mandatory Removal of Trustee. The Authority shall remove the Trustee if at any time,

(1) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing),

(2) the Trustee ceases to be eligible in accordance with Section 11.08 (Corporate Trustee Required; Eligibility) and fails to resign after written request therefor by the Authority, or

(3) the Trustee becomes incapable of acting or is adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property is appointed or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

in each case by giving written notice of such removal to the Trustee.

(E) Appointment of Successor. If the Trustee shall resign, be removed, or become incapable of acting, or if a vacancy occurs in the office of Trustee for any cause, the Authority shall promptly appoint a successor Trustee by an instrument in writing. If no successor Trustee has been so appointed by the Authority and accepted appointment in the manner hereinafter provided within thirty (30) days after such resignation, removal, or incapability or the occurrence of such vacancy, the Owners may, by an instrument or instruments signed by the Owners of a majority in principal amount of the Bonds, appoint a successor Trustee, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

(F) Performance of Duties by Treasurer. If, by reason of the judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties hereunder, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest in the Treasurer, or designee, of the Authority in trust for the benefit of the Owners.

(G) Notice of Removal or Resignation. The Authority shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Owners as their

names and addresses appear in the Bond Register. Each notice shall include the name of the successor Trustee and the address of its corporate trust office. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

**Section 11.10. Acceptance of Appointment by Successor.** Any successor Trustee appointed under this Indenture shall execute and deliver to the Authority and to its predecessor Trustee an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed, or conveyance, becomes vested with all the moneys, rights, powers, trusts, and duties of the predecessor Trustee; but, at the Request of the Authority or the request of the successor Trustee, the predecessor Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to the successor Trustee all the right, title, and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall duly assign, transfer, and deliver to the successor Trustee all property and money held by the predecessor Trustee hereunder. Upon request of any successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, properties, rights, powers, trusts, and duties.

**Section 11.11. Merger or Consolidation.** Any company or entity into which the Trustee may be merged or converted or with which it may be consolidated or any company or entity resulting from any merger, conversion, or consolidation to which it shall be a party or any company or entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company or entity shall be eligible under Section 11.08 (Corporate Trustee Required; Eligibility), is the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The successor Trustee shall mail written notice of such change of organization and the new name (if any) of the successor Trustee to the Authority by first-class mail, postage prepaid, within three (3) Business Days of its effectiveness. In case any Bonds have been executed, but not delivered, by the Trustee then in office, any successor by merger, conversion, or consolidation to such executing Trustee may adopt such execution and deliver the Bonds so executed with the same effect as if such successor Trustee had itself executed such Bonds.

**Section 11.12. Preservation and Inspection of Documents.** So long as any of the Bonds are Outstanding, all documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and are subject at all reasonable times to the inspection of the Authority and any Owner, and their agents and representatives duly authorized in writing, at reasonable times and under reasonable conditions.

**Section 11.13. Accounting Records and Reports.** The Trustee will keep or cause to be kept proper books of record and accounts prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the System Revenues. The Trustee shall also maintain adequate records, verified with the respective issuer of a Reserve Facility, as to the amount available to be drawn under each Reserve Facility and as to the amounts paid and owing to each issuer of a Reserve Facility. Such books shall be made available for inspection by the

Authority, the Credit Providers, and the issuers of any Reserve Facilities at reasonable hours and under reasonable conditions.

## ARTICLE XII AMENDMENT OF THE INDENTURE

**Section 12.01. Supplemental Indentures without Consent of Owners.** This Indenture and the rights and obligations of the Authority, of the Agency, of the Trustee, and of the Owners of the Bonds may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the Agency, and the Trustee may enter into without the consent of any Owners but only to the extent permitted by law and only for any one or more of the following purposes:

(A) Additional Security: to add to the covenants and agreements of the Authority or the Agency contained in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority or the Agency;

(B) Curative Provisions: to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, or to make any other revisions or additions to this Indenture as the Authority may deem necessary or desirable, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(C) Trust Indenture Act Qualification: to modify, amend, or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions, and provisions as may be permitted by said act or similar federal statute, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(D) Additional Series: to create any Series of Bonds and make such other provisions as provided in Article III (Issuance and Delivery of Additional Series of Bonds);

(E) Redemption Notification: to modify or supplement the procedures for giving notice of redemption of Bonds in order to comply with regulations promulgated by the United States Securities and Exchange Commission;

(F) Credit Enhancement and Liquidity: to make modifications or adjustments necessary, appropriate, or desirable to accommodate Credit Facilities, Reserve Facilities, and Liquidity Facilities delivered in connection with a Series of Bonds;

(G) Book-Entry Modifications: to amend, modify, or eliminate the book entry registration system for the Bonds;

(H) Preservation of Tax-Exemption: to make such provisions as are necessary or appropriate to ensure the exclusion of interest on any Tax-Exempt Bonds from gross income for federal income tax purposes; and

(I) No Material Effect: for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

**Section 12.02. Supplemental Indentures with Consent of Owners or Credit Enhancers.**

(A) Consent of Owners. This Indenture and the rights and obligations of the Authority, the Owners of the Bonds, and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into when the written consent of the Authority and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have been filed with the Trustee; provided that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds is not required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section.

(B) Consent of Credit Providers. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the Authority and the Trustee, which becomes binding when the written consents of the Authority and each Credit Provider have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds are insured by a Credit Facility the Credit Provider of which is a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of any Rating Agency then rating the Bonds.

(C) Limitations on Amendments. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the principal amount thereof, or extend the time of payment or reduce the amount of any mandatory redemption payment provided for any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of principal of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net System Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Owners of the Bonds of the lien created by this Indenture on such assets (in each case, except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

(D) Form of Consent. It is not necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

**Section 12.03. Notice of Amendment**. Promptly after the execution and delivery by the Trustee and the Authority of any Supplemental Indenture pursuant to this Section, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, or attaching a copy thereof, to the Owners of the Bonds at the addresses shown on the Bond Register.

Any failure to give such notice, or any defect therein, does not, however, in any way impair or affect the validity of any such Supplemental Indenture.

**Section 12.04. Execution of Supplemental Indentures.** In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee is entitled to receive, and, subject to Section 11.02 (Certain Duties and Responsibilities), is fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture. The Trustee may, but is not obligated to, enter into any such Supplemental Indenture that affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise.

**Section 12.05. Effect of Supplemental Indentures.** From and after the time any Supplemental Indenture becomes effective pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**Section 12.06. Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of his Bond for such purpose at the Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Trustee and, upon demand of the Owners of any Bonds then Outstanding and upon surrender for cancellation of such Bonds, shall be exchanged at the Corporate Trust Office, without cost to any Owner, for Bonds then Outstanding in equal aggregate principal amounts of the same tenor and maturity.

**Section 12.07. Amendment of Particular Bonds.** The provisions of this Article do not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

## ARTICLE XIII CREDIT FACILITIES

**Section 13.01. Credit Provider Consent Rights.** Notwithstanding any contrary provision hereof, the Credit Providers have the following rights hereunder:

(A) Amendment of Credit Provider Rights. Any provision of this Indenture expressly recognizing or granting rights in or to a Credit Provider may not be amended in any manner that affects the rights of such Credit Provider hereunder without the prior written consent of such Credit Provider. Each Credit Provider reserves the right to charge the Authority a fee for any consent or amendment to this Indenture while its Credit Facility, as applicable, is outstanding.

(B) Exercise of Owners' Consent Rights. Unless otherwise provided in this Section, the consent of the Credit Providers is required in lieu of the consent of the Owners of Bonds insured by them, when the consent of such Owners is required, for the following purposes: (i) execution and delivery of any amendment or supplement to this Indenture, (ii) removal of the Trustee and selection and appointment of any successor Trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above that requires the consent of any such Owner.

(C) Reorganization or Liquidation of Authority. Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Credit Providers. In the event of any reorganization or liquidation, each Credit Provider has the right to vote on behalf of the Owners of all Bonds insured by it, absent a default by such Credit Provider under the applicable Credit Facility.

**Section 13.02. Credit Provider Remedies.** Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, each Credit Provider is entitled to exercise all rights and remedies, with respect to the enforcement and control of proceedings, that have been granted to the Owner of any Bond insured by it, as if it were such Owner and for the benefit of such Owner under this Indenture.

**Section 13.03. Notice Rights.**

(A) Documents and Information to Surveillance Department. Upon request of a Credit Provider and while the applicable Credit Facility is in effect, the Authority shall send the following items to such Credit Provider, addressed to the "Surveillance Department" or equivalent:

- (1) a copy of any financial statement, audit and/or annual report of the Authority;
- (2) a copy of any notice to be given to the Owners, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Indenture relating to the security for the Bonds;
- (3) All notices to be delivered pursuant to any continuing disclosure certificate or agreement entered into by the Authority with respect to any Bonds; and
- (4) such additional information it may reasonably request.

(B) Documents and Information to Surveillance Department. While a Credit Facility is in effect, the Authority or the Trustee, as applicable, shall furnish the following items to the applicable Credit Provider, addressed to the "General Counsel" or equivalent:

(1) Written notice from the Authority to each Credit Provider of any failure of the Authority to provide relevant notices or certificates pursuant to this Indenture, if it has actual knowledge of such failure;

(2) Notwithstanding any other provision of this Indenture, written notice from the Trustee to each Credit Provider if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder;

(3) All notices to be delivered pursuant to any continuing disclosure certificate or agreement entered into by the Authority with respect to any Bonds; and

(4) such additional information it may reasonably request.

(C) Access to Information. The Authority and the Agency will permit each Credit Provider to discuss the affairs, finances and accounts of the Authority and the Agency or any information such Credit Provider may reasonably request regarding the security for the Bonds with appropriate officers of the Authority or the Agency. The Authority will permit each Credit Provider to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

**Section 13.04. Effect of Credit Facility Payments.** Notwithstanding anything herein to the contrary, if the principal and/or interest due on any Bond is paid by a Credit Provider pursuant to its Credit Facility, such Bond remains Outstanding for all purposes, is not defeased or otherwise satisfied, and shall not be considered paid by the Authority, and the pledge of the Net System Revenues and all covenants, agreements and other obligations of the Authority to the Owner thereof continue to exist and run to the benefit of such Credit Provider, and such Credit Provider is subrogated to the rights of such Owner.

IN WITNESS WHEREOF, the MIDDLE FORK PROJECT FINANCE AUTHORITY and the PLACER COUNTY WATER AGENCY have caused this Indenture to be signed in their respective names by their duly authorized officers and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed by one of the officers thereunder duly authorized, all as of the day and year first above written.

**MIDDLE FORK PROJECT FINANCE  
AUTHORITY**

By: \_\_\_\_\_  
Chair

**Countersigned:**

\_\_\_\_\_  
Secretary

**PLACER COUNTY WATER AGENCY**

By: \_\_\_\_\_

**Attest:**

\_\_\_\_\_

**U.S. BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**  
**FORM OF SERIES 2020 REFUNDING BOND**  
MIDDLE FORK PROJECT FINANCE AUTHORITY  
REVENUE BONDS, SERIES 2020 REFUNDING

R-\_\_\_\_\_ \$ \_\_\_\_\_

MATURITY DATE	INTEREST RATE PER ANNUM	ORIGINAL ISSUE DATE	CUSIP:
[April/October] 1, ____			

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: \$ \_\_\_\_\_

The MIDDLE FORK PROJECT FINANCE AUTHORITY, a joint exercise of powers agency duly organized and validly existing under and pursuant to the laws of the State of California (the “Authority”), for value received hereby, promises to pay (but only out of the Net System Revenues hereinafter referred to) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from their original issue date specified above until the principal hereof shall have been paid at the interest rate per annum specified above, payable on October 1, 2020, and semiannually thereafter on each April 1 and October 1. Interest due on or before the maturity or prior redemption of this Bond shall be payable by check mailed by first class mail to the registered owner hereof or, upon the written request of any owner of \$1,000,000 or more in aggregate principal amount of bonds (in accordance with the terms of the Indenture described below), by wire transfer. The principal hereof is payable in lawful money of the United States of America at the corporate trust office of U.S. Bank National Association, as trustee (the “Trustee”). Notwithstanding the foregoing, so long as this Bond is registered in the name of Cede & Co., principal of and redemption premium, if any, and interest on this Bond shall be payable by wire transfer to the registered owner.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its “Revenue Bonds, Series 2020 Refunding” (the “Series 2020 Refunding Bonds”) in the aggregate principal amount of \$[PRINCIPAL AMOUNT], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the “Act”) and under and pursuant to the provisions of a Indenture dated March 1, 2020 (the “Indenture”), between the Authority, the Placer County Water Agency (the “Agency”), and the Trustee (copies of which are on file at the corporate trust office of the Trustee).

The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from electric power revenues (the “System Revenues”) held in certain funds and accounts pursuant to the Indenture. The Authority is not obligated to pay interest on and principal of the Bonds except from the System Revenues. All Bonds are equally and ratably

secured in accordance with the terms and conditions of the Indenture by a pledge of and charge and lien upon the Revenues. The Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds as provided in the Indenture.

The full faith and credit of the Authority and the Agency are not pledged for the payment of the interest on or principal of the Bonds. No tax shall ever be levied or collected to pay the interest on or principal of the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge or lien upon any property of the Authority or the Agency or any of their income or receipts except the Net System Revenues. The Bonds are not a debt of the Agency, and the Agency is not liable for the payment of the interest on or the principal of the Bonds.

Reference is hereby made to the Act and to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the System Revenues, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Indenture (with or without consent of the registered owners of the Bonds). All the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond. The registered owner of this Bond, by acceptance hereof, agrees and consents to all the provisions of the Indenture.

*[insert redemption provisions when final]*

Notice of redemption of this Bond shall be given by first class mail not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner hereof, subject to and in accordance with provisions of the Indenture with respect thereto. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated, interest on this Bond ceases to accrue and the registered owner of this Bond has no rights with respect hereto except to receive payment of the redemption price hereof.

If an event of default, as defined in the Indenture, occurs, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, except that the Indenture provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Indenture and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such

registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond are not entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication attached hereto shall have been executed and dated by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

The rights and obligations of the Authority and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon terms provided in the Indenture, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the Middle Fork Project Finance Authority has caused this Bond to be executed in its name and on its behalf by the Chair of the Authority and countersigned by the Secretary of the Authority, and has caused this Bond to be dated as of the original issue date specified above.

MIDDLE FORK PROJECT FINANCE  
AUTHORITY

By: \_\_\_\_\_  
Chair

Countersigned:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture which has been authenticated on \_\_\_\_\_.

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_

NOTE: The signature(s) to this Assignment must correspond with the name(s) on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature(s) Guaranteed by:

\_\_\_\_\_

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution (being banks, stock brokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17A(d)15.

Social Security Number, Tax Identification Number, or other identifying number of Assignee: \_\_\_\_\_

## LEGAL OPINION

The following is a true copy of the opinion rendered by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds described therein. A signed copy is on file in my office.

---

Secretary of the Authority

**KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD**  
**A Professional Corporation**  
**400 Capitol Mall, 27th Floor**  
**Sacramento, CA 95814-4417**

[closing date]

Members of the Board  
Middle Fork Project Finance Authority  
[ADDRESS]

Re: Middle Fork Project Finance Authority  
Revenue Bonds, Series 2020 Refunding  
(Final Opinion of Bond Counsel)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Middle Fork Project Finance Authority (the “Authority”) of \$[PRINCIPAL AMOUNT] aggregate principal amount of its Revenue Bonds, Series 2020 Refunding (the “Bonds”). The Bonds are authorized to be issued pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985 (the “Act”) (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and all laws of the State of California supplemental thereto and pursuant to the provisions of the Indenture (the “Indenture”), dated March 1, 2020, between the Authority, The Placer County Water Agency, and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the Agency contained in the Indenture and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority has been duly created and is validly existing as a public agency of the State of California with full power and authority to enter into the Indenture, to perform the agreements on its part contained in the Indenture, and to issue the Bonds.
2. The Indenture has been duly executed and delivered by the Authority and is a valid and binding obligation of the Authority. The aggregate principal amount of Bonds issued under the Indenture does not exceed any limitation imposed by law or by the Indenture.
3. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net System Revenues, as such term is defined in the Indenture, and all other amounts held in any fund or account (other than the Rebate Fund) established pursuant to the Indenture, to the extent set forth in the Indenture and subject to the provisions of the Indenture that permit the Authority to apply the System Revenues and other amounts for the purposes and on the terms and conditions set forth in the Indenture.
4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Net System Revenues and other funds provided therefor in the Indenture.
5. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the Agency, the State of California, or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power. The Bonds are not a debt of the Agency, the State of California, or any other political subdivision of the State of California, none of which is liable for the payment thereof.
6. Interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth above are further qualified as follows:

- a. The rights of the holders of the Bonds and the enforceability of the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights generally, the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and the limitations on legal remedies imposed on actions against public agencies in the State of California.
- b. We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party.
- c. We express no opinion as to the effect or availability of any specific remedy provided for in the Indenture under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby.

d. We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Indenture.

e. We undertake no responsibility for the accuracy, completeness, or fairness of any offering materials relating to the Bonds and express no opinion herein with respect thereto.

f. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur. We disclaim any obligation to update this opinion for events occurring after the date hereof.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN &  
GIRARD  
A Professional Corporation

\$ \_\_\_\_\_  
**MIDDLE FORK PROJECT FINANCE AUTHORITY  
REVENUE BONDS, SERIES 2020 REFUNDING**

**BOND PURCHASE CONTRACT**

March \_\_, 2020

Middle Fork Project Finance Authority  
144 Ferguson Road  
Auburn, California 95604

Placer County Water Agency  
144 Ferguson Road  
Auburn, California 95604

Ladies and Gentlemen:

Goldman Sachs & Co., as underwriter (the “*Underwriter*”), acting on its own behalf and not as an agent or fiduciary to you, hereby offers to enter into this Bond Purchase Contract (this “*Purchase Contract*”) with the Middle Fork Project Finance Authority (the “*Authority*”) and the Placer County Water Agency (the “*Agency*”), which, upon acceptance of this offer by the Authority and approval by the Agency is binding upon the Authority, the Agency, and the Underwriter. This offer is made subject to acceptance of this Purchase Contract by the Authority and approval by the Agency on or before 5:00 p.m. California time on the date hereof, and, if not so accepted, is subject to withdrawal by the Underwriter upon written notice delivered to the Authority and the Agency at any time prior to such acceptance.

Capitalized terms used in this Purchase Contract and not otherwise defined herein have the meanings given to such terms by the Indenture dated March 1, 2020 (the “*Indenture*”), between the Authority, the Agency, and U.S. Bank National Association, N.A., as trustee (the “*Trustee*”).

**Section 1. Purchase and Sale of the Bonds.**

(a) Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the Authority for reoffering to the public, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ principal amount of the Middle Fork Project Finance Authority Revenue Bonds, Series 2020 Refunding (the “*Bonds*”).

(b) Terms of the Bonds. The Bonds shall be dated their date of delivery and shall be issued in the principal amounts, shall mature on the dates and in the years, shall bear interest from their date at the rates per annum with the yield to maturity or redemption (as applicable), and shall be subject to redemption, all as set forth on Exhibit A attached hereto.

(c) Purchase Price. The purchase price for the Bonds is \$\_\_\_\_\_ (representing the \$\_\_\_\_\_ principal amount of the Bonds, plus \$\_\_\_\_\_ of net original issue premium, and less an Underwriter's discount in the amount of \$\_\_\_\_\_).

(d) Underwriter's Role. The Authority acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the Authority and the Underwriter; (ii) the Underwriter is acting solely as an underwriter and a principal in connection with the matters contemplated by and with respect to all communications under this Purchase Contract and is not acting as the agent or fiduciary of the Authority or as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*")) of the Authority and its advisors in connection with the matters contemplated by this Purchase Contract; (iii) the Underwriter has financial and other interests that differ from those of the Authority; (iv) the Underwriter has neither assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Authority on other matters) nor has the Underwriter assumed any other obligation to the Authority except the obligations expressly set forth in this Purchase Contract; and (v) in connection with the purchase and sale of the Bonds, the Authority has consulted its own financial, legal and other advisors to the extent it has deemed appropriate.

(e) G-17 Disclosures. The Authority acknowledges that the Underwriter has provided to the Authority prior disclosures under Rule G-17 of the MSRB, which have been received by the Authority.

## **Section 2. The Bonds.**

(a) Authority for Issuance. Issuance of the Bonds is authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "*Act*"). The Bonds shall be issued and secured pursuant to the provisions of the Indenture.

(b) Purpose of the Bonds. The Bonds are being issued to provide funds to: (i) refund the Authority's Revenue Bonds, Series 2006 and (ii) pay certain costs associated with the issuance and delivery of the Bonds[, including the premiums for municipal bond insurance and a debt service reserve policy].

(c) [Insurance. The payment of principal of and interest on the Bonds will be secured by a municipal bond insurance policy (the "*Policy*") and a debt service reserve insurance policy (the "*Reserve Policy*") to be issued simultaneously with the issuance of the Bonds by \_\_\_\_\_ (the "*Insurer*").]

(d) Limited Obligations. The Bonds are valid and binding limited obligations of the Authority payable solely from the hydroelectric system revenues of the Authority and amounts held in certain funds and accounts established by the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. The Bonds are not an obligation of the Agency.

**Section 3. Use of Documents.** The Authority hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Contract, the Preliminary Official Statement (defined below), the Official Statement (defined below), the Indenture, and the Continuing Disclosure Certificate, and all information contained herein and therein and all of the documents, certificates or statements furnished by the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Contract

**Section 4. Public Offering of the Bonds.** The Underwriter agrees to make a bona fide initial public offering of all the Bonds at prices no higher than, or yields not lower than, those set forth on Exhibit A hereto. Subsequent to such initial public offering, but subject to the provisions set forth in Section 5 below, the Underwriter reserves the right to lower such initial offering prices as the Underwriter deems necessary in connection with the marketing of the Bonds; provided, however, that the Underwriter may not change the interest rates set forth in Exhibit A. Subject to the provisions set forth in Section 5 below, the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in Exhibit A. The Underwriter also reserves the right to: (i) over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

**Section 5. Establishment of Issue Price**

(a) Actions to Establish Price. The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, and Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority’s municipal advisor, Montague DeRose and Associates, LLC (the “*Municipal Advisor*”), and any notice or report to be provided to the Authority may be provided to the Municipal Advisor.

(b) The 10% Test. Except as otherwise set forth in Exhibit A attached hereto, the Authority will treat the first price (meaning single) at which 10% of each maturity of the Bonds (the “*10% test*”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, unless the hold-the-offering-price rule (described below) applies to such maturity, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined herein) has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise

upon request of the Authority or Bond Counsel (as defined herein). For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) Hold-the-offering-price rule. The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “*initial offering price*”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the end of the day immediately following the day of execution of this Purchase Contract) and (ii) the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “*hold-the-offering-price rule*”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) Selling Group Agreement; Third-Party Distribution Agreement. The Underwriter confirms that:

(1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i) (A) unless the hold-the-offering price rule applies to a maturity, to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (B) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(ii) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter

participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(iii) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) unless the hold-the-offering-price rule applies to a maturity, report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) Authority Acknowledgments. The Authority acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires.

(f) Sales to the Public. The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter do not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “*public*” means any person other than an underwriter or a related party,

(ii) “*underwriter*” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) “*related party*”: a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “*sale date*” means the date of execution of this Purchase Contract by all parties.

## **Section 6. Official Statement.**

(a) Preliminary Official Statement. The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated February \_\_, 2020 (as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “*Preliminary Official Statement*”). The Authority represents that it deems the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds that depend upon the foregoing as provided in and pursuant to Securities and Exchange Commission Rule 15c2-12 (the “*Rule*”). By the execution of this Purchase Contract, the Authority ratifies the use by the Underwriter of the Preliminary Official Statement. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds (described below) is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

(b) Official Statement. The Underwriter agrees to provide the Authority with final pricing information on the Bonds upon execution of this Purchase Contract. The Authority will supply or cause to be supplied to the Underwriter, within seven business days of the date of this Purchase Contract, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the Authority (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, and statements included therein or attached thereto, and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, being herein called the “*Official Statement*”) in such quantities and in such format as may be requested by the Underwriter in order to permit the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12(b)(4) and the rules of the Municipal Securities Rulemaking Board (the “*MSRB*”); provided, however, that the failure of the Authority to comply with this requirement due solely to the acts of the Underwriter, its counsel or agents, is not cause for the Underwriter to refuse to accept delivery of and pay for the Bonds. The

Underwriter hereby agrees that it will not send any confirmation requesting payment for the purchase of any Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system.

(c) Supplements. Each party hereto agrees that it will notify the other party hereto if, within the period from the date of this Purchase Contract to and including the date that is 25 days following the End of the Underwriting Period (as hereinafter defined), such party discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case that might cause the Official Statement (as the same may have been theretofore supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the written opinion of the Authority or the Underwriter, the preparation and publication of a supplement or amendment to the Official Statement is, as a result of such fact or event (or any other event which becomes known to the Authority or the Underwriter during such period), necessary so that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall, at its expense, supplement or amend the Official Statement in such a manner so that the Official Statement, as so supplemented or amended, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and furnish copies of such supplement or amendment to the Underwriter in such numbers as the Underwriter may reasonably request. The Authority and the Underwriter agree that they will cooperate in the preparation of any such amendment or supplement. As used herein, the term “*End of the Underwriting Period*” means the later of such time as (a) the Authority delivers the Bonds to the Underwriter, or (b) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date (as defined herein). Any notice delivered pursuant to this provision must be written notice delivered to the Authority at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the End of the Underwriting Period

**Section 7. Representations, Warranties and Covenants of the Authority.** The Authority represents and warrants to the Underwriter that:

(a) Authority Resolution. The Authority has, by Resolution No. 20-\_\_\_, adopted by a majority of the members of the Board at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, on January 30, 2020 (the “*Authority Resolution*”), taken all official action necessary to be taken by it for (i) the execution, delivery and due performance of the Indenture, the Continuing Disclosure Agreement dated the Closing Date (the “*Continuing Disclosure Agreement*”), and this Purchase Contract (together, the “*Authority Agreements*”), (ii) the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, (iii) the issuance, sale and delivery of the Bonds, and (iv) the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby;

(b) Due Organization; Power. The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “*State*”) and the Joint Exercise of Powers Agreement dated as of January 10, 2006 (the “*JPA Agreement*”), between the Agency and the County of Placer and has all necessary power and authority to adopt the Authority Resolution and to enter into and perform its duties under the Bonds and the Authority Agreements;

(c) Governmental Approvals. Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any governmental authority, legislative body, board, agency, or commission having jurisdiction over the Authority required for the execution and delivery of the Authority Agreements or the execution, delivery and sale of the Bonds or the consummation by the Authority of the other transactions contemplated by the Authority Agreements that has not been obtained;

(d) Valid Obligations. Upon their execution and delivery, each of the Bonds and the Authority Agreements will constitute a valid and binding obligation of the Authority enforceable in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors’ rights generally; and the execution and delivery of the Bonds and the Authority Agreements, and compliance with the provisions of each thereof, will not constitute a breach of or a default under any applicable law or administrative regulation of the State or the United States, or any applicable judgment, decree, agreement or other instrument to which the Authority is a party or is otherwise subject;

(e) Accuracy of Preliminary Official Statement. As of the date thereof, and at the time of the Authority’s acceptance hereof, the Preliminary Official Statement (except for any information about [the Policy, the Reserve Policy, the Insurer, and] the book-entry system) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Preliminary Official Statement, in light of the circumstances under which they were made, not misleading;Accuracy of Official Statement. As of the date hereof, and (unless an event occurs of the nature described in Section 6(c) (Supplements)) at all times subsequent hereto, up to and including the end of the underwriting period as described in Section 6(c) (Supplements), the information and statements in the Official Statement (excluding statements under the caption “UNDERWRITING”; information about [the Policy, the Reserve Policy, the Insurer, and] the book-entry system; and information as to bond prices on the cover of the Official Statement) do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) Accuracy of Supplemented Official Statement. If the Official Statement is supplemented or amended pursuant to Section 6(c) (Supplements), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such Section) at all times subsequent thereto up to and including the end of the underwriting period as described therein, the Official Statement as so supplemented or amended (except for any information about the Insurer or DTC) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(h) Financial Statements of Authority. The financial statements of the Authority contained in the Preliminary Official Statement and final Official Statement fairly present the financial position and results of operations of the Authority as of the dates and for the periods therein set forth, and, since the date thereof, there has been no material adverse change in the financial position or results of operations of the Authority;

(i) Continuing Disclosure Undertakings. The Authority has no previous undertakings entered into pursuant to the provisions of the Rule. Pursuant to the Continuing Disclosure Certificate, the Authority will undertake to provide certain annual financial information and notices of the occurrence of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement;Litigation. As of the date hereof and except as may be described in the Official Statement, no action or proceeding before any court, governmental agency or arbitrator is pending, service of process having been accomplished, or overtly threatened in writing against the Authority, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its officers, (ii) enjoin or restrain the issuance, sale or delivery of the Bonds or the use of any monies to be pledged under the Indenture for the payment of the Bonds, (iii) in any way question or affect any of the rights, powers, duties or obligations of the Authority with respect to the monies to be pledged to pay the principal of, premium, if any, or interest on the Bonds, (iv) in any way question or affect any authority for the issuance of the Bonds, or the validity or enforceability of the Bonds, or (v) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Authority Agreements, the Official Statement or any other agreement or instrument to which the Authority is a party relating to the Bonds;

(k) No Debt Issues Between the date hereof and the Closing Date, without the written consent of the Underwriter, which consent will not be unreasonably withheld, the Authority will not offer or issue any bonds, notes, or other obligations for borrowed money, or incur any material liabilities, direct or contingent, except in the course of normal business operations of the Authority;“Blue Sky” Qualification. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter may reasonably request, to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate, and will assist, if necessary therefor, in the continuation of such qualifications in effect as long as required for the distribution of the Bonds; provided, however, that the Authority is not required to qualify as a foreign corporation or to file any general consents to service of process under the laws of any state;

(m) Application of Proceeds. The Authority shall apply the proceeds of the Bonds, including the investment earnings thereon, in accordance with the Indenture and as described in the Official Statement;

(n) No Default. The Authority is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding;

(o) No Violation of Law. The issuance, sale, and delivery of the Bonds, the execution and delivery of the Authority Agreements, the adoption of the Authority Resolution, and compliance with the Authority's obligations therein will not violate applicable provisions of statutory law or regulation or breach or violate any existing obligation of the Authority under any court order or consent decree;

(p) No Breach of Contracts. The issuance, sale, and delivery of the Bonds, the execution and delivery of the Authority Agreements, the adoption of the Authority Resolution, and compliance with the Authority's obligations herein and therein do not constitute a material breach of or default under any loan agreement, indenture, bond, note, resolution, agreement, mortgage, lease, or other instrument to which the Authority is a party or by which it is bound; and

(q) Certificates of Officials. Any certificate signed by any official of the Authority authorized to do so shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

**Section 8. Representations, Warranties and Covenants of the Agency.** The Agency represents and warrants to the Underwriter that:

(a) Due Organization; Power. The Agency is a public agency duly organized and existing under the laws of the State and has all necessary power and authority to enter into and perform its duties under the Indenture.

(b) Agency Resolution. The Board of Directors of the Agency has, by Resolution No. \_\_\_\_\_, adopted by a majority of the members of the Board of Directors at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, on January 16, 2020 (the "*Agency Resolution*"), taken all official action necessary to be taken by it for the execution, delivery and due performance of the Indenture and this Purchase Contract (together, the "*Agency Agreements*") and for the taking of any and all such action as may be required on the part of the Agency to carry out, give effect to and consummate the transactions contemplated hereby.

(c) Governmental Approvals. There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any governmental authority, legislative body, board, agency, or commission having jurisdiction over the Agency required for the execution and delivery of the Agency Agreement or the consummation by the Agency of the other transactions contemplated by the Agency Agreements that has not been obtained;

(d) Valid Obligations. Upon their execution and delivery, each of the Agency Agreements will constitute a valid and binding obligation of the Agency enforceable in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally; and the execution and delivery of the Authority Agreements, and compliance with the provisions of each thereof, will not constitute a breach of or a default under any applicable law or administrative regulation of the State or the United States, or any applicable judgment, decree, agreement or other instrument to which the Agency is a party or is otherwise subject;

(e) Participating Generator Agreement. The Participating Generator Agreement dated August 7, 2012, between the Agency and the California Independent System Operator Corporation is in full force and effect;

(f) Litigation. As of the date hereof and except as may be described in the Official Statement, no action or proceeding before any court, governmental agency or arbitrator is pending, service of process having been accomplished, or overtly threatened in writing against the Agency, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Agency or the titles of its officers; (ii) in any way question or affect the validity or enforceability of the Agency Agreements; or (iii) in any way question or affect this Purchase Contract, or the transactions contemplated by this Purchase Contract, the Official Statement, or any other agreement or instrument to which the Agency is a party relating to the Bonds;

(g) No Violation of Law. The execution and delivery of the Agency Agreements, the adoption of the Agency Resolution, and compliance with the Agency's obligations therein will not violate applicable provisions of statutory law or regulation or breach or violate any existing obligation of the Authority under any court order or consent decree.

(h) No Breach of Contracts. The execution and delivery of the Agency Agreements, the adoption of the Agency Resolution, and compliance with the Agency's obligations therein do not constitute a material breach of or default under any loan agreement, indenture, bond, note, resolution, agreement, mortgage, lease, or other instrument to which the Agency is a party or by which it is bound.

(i) Certificates of Officials. Any certificate signed by any official of the Agency authorized to do so shall be deemed a representation and warranty by the Agency to the Underwriter as to the statements made therein;

**Section 9. Closing**. At 8:30 a.m., Pacific time, on March \_\_, 2020, or on such earlier or later date as may be agreed upon by the Underwriter and the Authority (the date of "*Closing*"), the Authority will deliver or cause to be delivered to the Underwriter, through the facilities of The Depository Trust Company in New York, New York, the Bonds, duly executed, and at the offices of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, in Sacramento, California, or such other place as shall have been mutually agreed upon by the Underwriter and the Authority, the other documents described herein, and pay the purchase price of the Bonds as set forth in this Purchase Contract in immediately available funds to the order of the Trustee.

The Bonds shall be issued in fully registered form. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto constitutes a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

**Section 10. Further Conditions to the Purchase of the Bonds**. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties, and agreements of the Authority and the Agency contained herein and to be contained in the documents and instruments to be delivered at Closing, and upon the performance by the Authority and the

Agency of their respective obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the obligations of the Underwriter under this Purchase Contract to purchase, to accept delivery of, and to pay for the Bonds are subject to the performance by the Authority and the Agency of their respective obligations to be performed hereunder and under such documents and instruments at or prior to Closing, and are also subject to the following conditions:

(a) Representations and Warranties. The representations and warranties of the Authority and the Agency contained herein are true, complete and correct on the date hereof and on and as of the date of Closing, as if made on the date of Closing.

(b) Agreements in Force; Obligations Performed. At the time of Closing (i) each of the Authority Agreements and the Agency Agreements is in full force and effect and has not been amended, modified, or supplemented, except as may have been agreed to by the Authority, the Agency, and the Underwriter, and (ii) the Authority and the Agency perform or have performed all of their respective obligations required under or specified in the Authority Agreements or the Agency Agreements, respectively, to be performed by the respective party at or prior to the date of Closing.

(c) Official Actions Taken. As of the date of Closing, all necessary official action of the Authority and the Agency relating to the Bonds and the Authority Agreements and the Agency Agreements, respectively, has been taken by the respective party and is in full force and effect and has not been amended, modified or supplemented in any material respect.

(d) No Adverse Determination. No decision, ruling or finding has been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside) or, to the best knowledge of the Authority, is pending (in which service of process has been completed against the Authority) or threatened (either in state or federal courts) (i) seeking to restrain or enjoin the execution, sale or delivery of any of the Bonds, (ii) in any way contesting or affecting the authority for the execution, sale or delivery of the Bonds or the execution and delivery of the Indenture, the Continuing Disclosure Certificate, or this Purchase Contract, or (iii) in any way contesting the existence or powers of the Authority, or contesting in any way the completeness or accuracy of the Official Statement;

(e) Marketability Conditions. Between the date hereof and the Closing, the market price for the Bonds, or the market for or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds at the initial offering prices set forth in the Official Statement, has not been materially adversely affected by reason of any of the following:

(1) Change in Law Affecting Tax Consequences of Interest Paid on the Bonds. any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either

the House of Representatives or either House of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority, its property or income, its bonds or the interest thereon or any tax exemption granted or authorized by the Act;

(2) Change in Law Affecting Securities Law Status. legislation enacted, or a decision by a court of competent jurisdiction rendered, any action taken, or rule or regulation promulgated by any governmental agency having jurisdiction of the subject matter made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect or making the contemplated underwriting and sale of the Bonds pursuant to this Purchase Contract, a violation of federal or State law;

(3) National Emergency. the declaration of war or engagement in or escalation of major military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government or the financial community in the United States;

(4) Suspension of Trading. the general suspension of trading on any national securities exchange or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any national securities exchange, whether by virtue or a determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(5) Disruptive Events in the Market. a material disruption in securities settlement, payment or clearance services or other disruptive events, occurrences or conditions in the securities or debt markets;

(6) Banking Moratorium. the declaration of a general banking moratorium by the United States, New York, or State authorities having jurisdiction;

(7) Administrative Action Affecting Securities Law Status. an order, decree, or injunction of any court of competent jurisdiction, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of federal securities laws;

(8) Trading Restrictions. the imposition of additional material restrictions not in force as of the date hereof upon trading in securities generally by any governmental authority or by any national securities exchange;

(9) Credit Restrictions. the imposition by the Comptroller of the Currency, the New York Stock Exchange, or other national securities exchange, or any governmental authority, as to the Bonds or obligations of the general character of the Bonds, of any material restrictions not now in force, or the material increase of any such restrictions now in force, with respect to the

extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(10) Change in State Law. any legislation, ordinance, rule or regulation introduced in or enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State rendered;

(11) Inaccuracy of Official Statement. any event occurring or information becoming known that, in the reasonable opinion of the Underwriter, makes untrue in any material respect any information or statement contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required or necessary to be stated therein in order to make the statements contained therein not misleading in light of the circumstances under which they were made;

(12) Financial or System Condition. the occurrence of any adverse change of a material nature in the financial condition or results of operation of the Authority or in the condition of the System; or

(13) Ratings Withdrawal or Downgrade. the withdrawal, suspension, or downgrading or placement on credit watch or notice of any intended downgrading, suspension, withdrawal or negative change in credit watch status of any rating of the Bonds or the Authority's outstanding indebtedness by any national rating agency;

(f) Receipt of Documents. At or prior to Closing, the Underwriter shall have received each of the following documents:

(1) Resolutions and Agreements. Certified copies of the Authority Resolution and the Agency Resolution and the executed copies of the Authority Agreements and the Agency Agreements;

(2) JPA Agreement. A copy of the JPA Agreement, together with a copy of the Notice of a Joint Powers Agreement dated February 2, 2006.

(3) Bond Counsel Opinion and Reliance Letter. An approving opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation ("*Bond Counsel*"), dated the date of Closing, substantially in the form attached as Appendix C-1 to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter and the Trustee;

(4) Special Tax Counsel Opinion. The opinion of Orrick, Herrington & Sutcliffe LLP ("*Special Tax Counsel*"), dated the date of Closing, substantially in the form attached as Appendix C-2 to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter;

(5) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriter, to the effect that: (i) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (ii) assuming due authorization, execution and delivery by all the parties thereto other than the

Authority and the Agency, the Continuing Disclosure Certificate and this Purchase Contract have each been duly executed and delivered by the Authority and constitute valid and binding obligations of the Authority, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State (provided that no opinion need be rendered regarding the adequacy of the Continuing Disclosure Certificate for purposes of the Rule), and (iii) the statements contained in the Official Statement under the captions "THE 2020 BONDS," "SECURITY FOR THE BONDS," Appendix B, and Appendix C-1 are accurate in all material respects insofar as such statements expressly summarize certain provisions of the Indenture and the Bonds, and the statements contained in the Official Statement under the caption "LEGAL MATTERS" and Appendix C-1, insofar as such statements expressly summarize the form and content of Bond Counsel's approving opinion, are accurate in all material respects;

(6) Supplemental Opinion of Special Tax Counsel. A supplemental opinion of Special Tax Counsel, dated the date of Closing, addressed to the Underwriter, to the effect that the statements contained in the Official Statement under the captions "TAX MATTERS," Appendix C-1, and Appendix C-2, insofar as such statements expressly summarize the form and content of Special Tax Counsel's opinion, are accurate in all material respects;

(7) Authority Counsel Opinion. An opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, as counsel to the Authority, dated the date of Closing and addressed to the Authority, the Agency, and the Underwriter to the effect that:

(i) The Authority is duly created and validly existing under the laws of the State of California as a joint exercise of powers agency;

(ii) The Authority has full power and authority to execute, deliver and perform its obligations under the Authority Agreements;

(iii) The Authority Agreements have each been duly authorized, executed, and delivered by the Authority and, assuming due authorization, execution, and delivery by and enforceability against the other parties thereto, constitute valid and binding obligations of the Authority enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State ;

(iv) The Authority has duly authorized the distribution of the Official Statement by the Underwriter for the marketing of the Bonds, and the Official Statement has been duly executed by the Authority;

(v) Except as may be required under federal securities laws and state Blue Sky or other securities laws in connection with the purchase or distribution of the Bonds by the Underwriter, no approval, consent, or authorization of any governmental or public agency, authority, or person is required for the authorization, execution, and delivery by the Authority of the Authority Agreements or the performance by the Authority of its obligations thereunder or for the issuance, sale, or delivery of the Bonds that has not been obtained.

(vi) The authorization, execution, and delivery of the Authority Agreements by the Authority and compliance by the Authority with the provisions thereof do not: breach, or result in a default under, any material agreement or other instrument to which the Authority is a party or by which the Authority or its properties are bound; violate applicable provisions of statutory law or regulation; or to our current actual knowledge breach or otherwise violate any existing obligation of the Authority under any court order or consent decree.

(8) Agency Counsel Opinion. An opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, as counsel to the Agency, dated the date of Closing and addressed to the Authority, the Agency, and the Underwriter to the effect that:

(i) the Agency is a public agency duly organized and validly existing under the Constitution and laws of the State of California;

(ii) the Agency has full power and authority to execute, deliver and perform its obligations under the Agency Agreements;

(iii) the Agency Agreements have each been duly authorized, executed, and delivered by the Agency and, assuming due authorization, execution, and delivery by and enforceability against the other parties thereto, constitute valid and binding obligations of the Agency enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State;

(iv) no approval, consent, or authorization of any governmental or public agency, authority, or person is required for the authorization, execution, and delivery by the Agency of the Agency Agreements or the performance by the Agency of its obligations thereunder that has not been obtained;

(v) the authorization, execution, and delivery of the Agency Agreements by the Agency and compliance by the Agency with the provisions thereof do not constitute a material breach or result in a default under any material agreement or other instrument to which the Agency is a party or by which the Agency or its properties are bound; violate applicable provisions of statutory law

or regulation; or to our current actual knowledge breach or otherwise violate any existing obligation of the Agency under any court order or consent decree.

(9) Disclosure Counsel Letter. The letter of Jones Hall, a Professional Law Corporation (“*Disclosure Counsel*”), dated the date of Closing and addressed to the Authority, the Agency, and the Underwriter, to the effect that, based on such counsel’s participation in conferences with representatives of the Authority, the Agency, the Municipal Advisor, the Underwriter, Nixon Peabody LLP, as counsel to the Underwriter, and others, during which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed, and based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement (which did not extend beyond the date of the Official Statement), and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that the Preliminary Official Statement as of its date and the date of the Purchase Contract or the Official Statement as of its date and as of the date of Closing (except for any CUSIP numbers; any financial, accounting, statistical, economic or demographic data; numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or management discussions and analysis; any information about DTC or its book-entry system; litigation, ratings, rating agencies, the Underwriter, underwriting, or relationships among the parties; [information as to the Insurer or the Insurance Policy or the Reserve Policy;] and Appendices [\_\_, \_\_, \_\_ and \_\_], included or referred to therein or omitted therefrom, as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(10) Authority Certificate. A certificate dated the date of Closing and executed by a duly authorized officer of the Authority to the effect that:

(i) The representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing;

(ii) To the best of their knowledge, no event affecting the Authority has occurred since the date of the Official Statement that should be disclosed in the Official Statement in order to make the statements therein accurate and not misleading in any respect; and

(iii) No action or proceeding before any court, governmental agency or arbitrator is pending, service of process having been accomplished, or overtly threatened in writing against the Authority: (a) to restrain or enjoin the issuance, sale or delivery of the Bonds; (b) that in any way contests or affects the validity of the Authority Resolution, the Bonds, or the Authority Agreements; or (c) that in any way contests the existence or powers of the Authority;

(11) Agency Certificate. A certificate dated the date of Closing from a duly authorized official of the Agency to the effect that:

(i) The representations and warranties of the Agency contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the such date;

(ii) To the best of their knowledge, no event affecting the Agency has occurred since the date of the Official Statement that should be disclosed in the Official Statement in order to make the statements therein regarding the Agency not misleading; and

(iii) No action or proceeding before any court, governmental agency or arbitrator is pending, service of process having been accomplished, or overtly threatened in writing against the Agency: (a) that in any way contests or affects the validity of this Purchase Contract or the Agency Agreements, or (b) that in any way contests the existence or powers of the Agency;

(12) Trustee Certificate. A certificate of the Trustee dated the date of Closing to the effect that:

(i) The Trustee is a national banking association duly organized and validly existing under the laws of the United States of America and has full power and is qualified to accept the duties of trustee under the Indenture and comply with the terms thereof and to perform its obligations stated therein;

(ii) The Trustee has accepted the duties and obligations imposed on it by the Indenture;

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the consummation by the Trustee of the transactions contemplated by the Indenture to be undertaken by the Trustee;

(iv) Compliance with the terms of the Indenture will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to the best knowledge of the Trustee, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any Federal or state securities or Blue Sky laws or regulations); and

(v) To the best knowledge of the Trustee, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on or threatened against or affecting the existence of the Trustee, or in any way contesting or affecting the

validity or enforceability of the Bonds or the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligations under the Indenture or the Bonds, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds or the Indenture;

(13) Tax Certificate. A Tax Certificate of the Authority, in form satisfactory to Special Tax Counsel, executed on behalf of the Authority by a duly authorized officer;

(14) Form 8038-G. A completed and executed Information Return for Tax-Exempt Governmental Bonds, Form 8038-G, ready for filing;

(15) CDIAC Reports. A copy of the reports required to be delivered to the California Debt and Investment Advisory Commission pursuant to Government Code sections 8855(i) and 53583;

(16) Ratings. Evidence that the Bonds have been assigned the [underlying] rating of “\_\_” by S&P Global Ratings (“S&P”) and “\_\_” by Moody’s Investors Service (“Moody’s”) [and that the [insured] Bonds have been assigned the rating of “\_\_” by S&P and “\_\_” by Moody’s], and that such ratings have not been withdrawn or downgraded for any reason;

(17) DTC Letter of Representations. A copy of the Blanket Letter of Representations executed by the Authority and delivered to The Depository Trust Company, New York, New York, relating to the book-entry system for the Bonds;

(18) Underwriter’s Counsel Opinion. An opinion of Nixon Peabody LLP, as counsel to the Underwriter, in form and substance acceptable to the Underwriter;

(19) [Insurance Policy and Reserve Policy]. A copy of the Insurance Policy and the Reserve Policy;]

(20) [Insurer’s Counsel Opinion]. A legal opinion of counsel to the Insurer, addressed to the Underwriter and the Agency, dated the Closing Date, in form and substance acceptable to the Underwriter, to the effect that:

(i) The Insurer is a \_\_\_\_\_ insurance company and is duly qualified to conduct an insurance business in the State of California; and

(ii) The Insurance Policy and the Reserve Policy have been duly executed and are valid and binding obligations of the Insurer enforceable in accordance with their respective terms except that the enforcement of the Insurance Policy and the Reserve Policy may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditor’s rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);]

(21) [Insurer’s Certificate]. A certificate, dated the Closing Date and signed by such officers of the Insurer as are satisfactory to the Underwriter, to the effect that the information

with respect to the Insurer and the Insurance Policy and the Reserve Policy in the Official Statement is true and correct in all material respects on and as of the Closing Date;]

(22) Certificate of Feasibility Consultant. A certificate of Horizons Energy (the “Feasibility Consultant”), executed by an authorized signatory of the Feasibility Consultant dated the Closing Date, to the effect that:

(i) the Authority has retained the Feasibility Consultant to prepare a Financial Feasibility Report (the “Report”);

(ii) the Feasibility Consultant consents to the inclusion of the Report as an appendix to the Preliminary Official Statement and the Official Statement;

(iii) the Feasibility Consultant has expertise in the matters covered by the Report and acknowledges that the Underwriter has relied on such expertise in connection with the offering and sale of the Bonds;

(iv) the conclusions set forth in the Report are reasonable as of the date of the Report and subject to the information, assumptions, qualifications, and caveats disclosed in the Report;

(v) the Feasibility Consultant is not aware of any plan, event, or circumstance occurring after the date of this Bond Purchase Contract, and before the date of the certificate that would cause it believe that the conclusions or assumptions set forth in the Report are no longer reasonable; and

(vi) the Report and the information in the Preliminary Official Statement and the Official Statement relating to the Report do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(23) Other Legal Opinions and Documents. Such additional legal opinions, certificates, instruments, and documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of Closing, of the Authority’s and the Agency’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority and the Agency on or prior to the date of Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Agency.

**Section 11. Conditions to Obligations of the Authority and the Agency.** The obligation of the Authority and the Agency to deliver the bonds hereunder is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) the receipt by the Authority, the Agency, and the Underwriter of the opinions and certificates being delivered at the Closing by persons and entities other than the Authority or the Agency.

**Section 12. Termination.** Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds have not been delivered by the Authority to the Underwriter

prior to 5:00 p.m. Pacific Time on the Closing date, then the obligation to purchase Bonds hereunder terminates and is of no further force or effect.

If the Authority is unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations are terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be canceled by the Underwriter at, or at any time prior to, the scheduled time of Closing. Notice of such cancellation must be given to the Authority in writing, or by telephone or other electronic means, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the Authority hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

### **Section 13. Expenses.**

(a) Authority Expenses. The Underwriter is under no obligation to pay, and the Authority shall pay the following expenses incident to the performance of the Authority's obligations hereunder: (i) the fees and disbursements of Bond Counsel, Special Tax Counsel, Disclosure Counsel, and the Municipal Advisor; (ii) the cost of preparation and delivery of the Bonds; (iii) the cost of printing and distribution of the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to this Purchase Contract); (iv) the fees of the rating agencies, accountants, advisers and of any other experts or consultants retained by the Authority or the Agency; (v) the initial fees of the Trustee and related fees and expenses; [(vi) the premiums for the Insurance Policy and the Reserve Policy;] and (vii) any other expenses and costs of the Authority or the Agency incident to the performance of their obligations in connection with the authorization, issuance, sale, and delivery of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the Underwriter, the Authority and the Agency.

(b) Underwriter's Expenses. The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the fees and disbursements of Underwriter's Counsel, and (iii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including travel and other expenses, CUSIP Service Bureau fees, fees of the California Debt and Investment Advisory Commission and any other fees and expenses), except as provided in (a) above or as otherwise agreed to by the Underwriter, the Authority and the Agency. **Notices.** Any notice or other communication to be given to the Authority or the Agency under this Purchase Contract may be given by delivering the same in writing at the Authority's address set forth above (with a copy to the Agency) or the Agency's address, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to: Goldman Sachs & Co, 555 California Street, 45th Floor, San Francisco, California 94104; Attention: Christopher Higgins, Vice President.

**Section 15. Parties in Interest.** This Purchase Contract is made solely for the benefit of the Authority, the Agency, and the Underwriter (including their successors and assigns), and no other person has or will have any right hereunder or by virtue hereof.

**Section 16. Survival of Representations and Warranties.** All of the representations, warranties and agreements of the Authority and of the Agency contained in this Purchase Contract remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 13 (Expenses) survive any termination of this Purchase Contract.

**Section 17. Severability.** If any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding does not invalidate or render unenforceable any other provision of this Purchase Contract.

**Section 18. Section Headings and References.** The headings or titles of the sections and subsections of this Purchase Contract are solely for convenience of reference and do not affect the meaning, construction, or effect of any provision of this Purchase Contract.

**Section 19. Governing Law.** This Purchase Contract is governed by and shall be interpreted and construed in accordance with the laws of the State.

**Section 20. Entire Agreement.** The parties agree that the terms and conditions of this Purchase Contract supersede those of all previous agreements between the parties, and that this Purchase Contract contains the entire agreement between the parties hereto.

**Section 21. Counterparts.** This Purchase Contract may be executed in any number of counterparts, all of which taken together constitute one agreement, and any of the parties hereto may execute this Purchase Contract by signing any such counterpart.

**Section 22. Effective Date.** This Purchase Contract is effective as of the date set forth below upon the execution of the acceptance and approval hereof, respectively, by an authorized officer of the Authority and the Agency, and is valid and enforceable as of the time of such acceptance and approval.

*[Signature page follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Contract to be executed by their duly authorized officers.

**GOLDMAN SACHS & CO**

By: \_\_\_\_\_  
Authorized Officer

**Accepted:**

**MIDDLE FORK PROJECT FINANCE  
AUTHORITY**

By: \_\_\_\_\_  
Chair

Countersigned:

\_\_\_\_\_  
Secretary

**Approved:**

**PLACER COUNTY WATER AGENCY**

By: \_\_\_\_\_  
Director of Financial Services

The above is hereby accepted and approved as of March \_\_, 2020, at \_\_\_\_\_ p.m. Pacific Time.

**EXHIBIT A**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND PRICES**

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied	Subject to Hold- The-Offering- Price Rule
2021						

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\*Term Bond

c= yield to call at par on April 1, 20\_\_

**Redemption**

Casualty Loss or Governmental Taking. The Bonds are subject to redemption prior to maturity as a whole on any date or in part (in such maturities as may be specified by the Authority and at random within a maturity) on any Interest Payment Date from funds received by the Agency due to a casualty loss or governmental taking of the System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Indenture, at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption. The Bonds are subject to redemption prior to their stated maturities at the option of the Authority, from any source of available funds, as a whole or in part (in Authorized Denominations and by such maturities as may be specified by the Authority and at random within a maturity) on any date on and after April 1, 20\_\_, at the stated principal amount of the Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

**Mandatory Redemption of Term Bonds**

(1) Term Bonds due April 1, 20\_\_. The Term Bonds maturing on April 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, at random from Mandatory Sinking Account Payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all 20\_\_ Term Bonds optionally redeemed:

**20\_\_ Term Bonds**

<b>Mandatory Redemption Dates</b>	<b>Principal Amount</b>
<b><u>(April 1)</u></b>	<b><u>Principal Amount</u></b>

\*

**Total**

\_\_\_\_\_

*\*final maturity*

(2) Term Bonds due April 1, 20\_\_. The Term Bonds maturing on April 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, at random from Mandatory Sinking Account Payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all 20\_\_ Term Bonds optionally redeemed:

**20\_\_ Term Bonds**

<b>Mandatory Redemption Dates</b>	<b>Principal Amount</b>
<b><u>(April 1)</u></b>	<b><u>Principal Amount</u></b>

\*

**Total**

\_\_\_\_\_

*\*final maturity*

**EXHIBIT B**

\$ \_\_\_\_\_

**MIDDLE FORK PROJECT FINANCE AUTHORITY  
REVENUE BONDS, SERIES 2020 REFUNDING**

**FORM OF ISSUE PRICE CERTIFICATE**

Dated: March \_\_, 2020

The undersigned, on behalf of Goldman Sachs & Co (the “Underwriter), based upon information available to it, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

**1. Sale of General Rule Maturities.**

As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed on Schedule 1 attached hereto.

**2. Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Contract dated March \_\_, 2020, between the Underwriter, the Middle Fork Project Finance Authority (the “Authority”), and the Placer County Water Agency, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

**3. Defined Terms.**

(A) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(B) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(C) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day

after the Sale Date (March \_\_, 2020), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(D) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(E) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(F) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March \_\_, 2020.

(G) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

#### **4. Use of Certificate.**

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. Accordingly, the Underwriter makes no representations as to the legal sufficiency of the factual matters set forth herein. The undersigned understands that the foregoing information will be relied upon by the Authority with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Authority from time to time relating to the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

**GOLDMAN SACHS & CO**

By: \_\_\_\_\_  
Authorized Officer

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Price (percentage of par)</b>	<b>General Rule Maturities</b>	<b>Subject to Hold-The- Offering- Price Rule</b>
<b>April 1 2021</b>				

Total \_\_\_\_\_

**SCHEDULE B**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY \_\_, 2020**

**NEW ISSUE – BOOK ENTRY ONLY**

**RATING: Moody's: “\_\_”**

*In the opinion of Orrick Herrington & Sutcliffe LLP, Special Tax Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”*

\$ \_\_\_\_\_ \*

**MIDDLE FORK PROJECT FINANCE AUTHORITY  
SERIES 2020 REFUNDING BONDS**

**Dated: Date of Delivery**

**Due: As shown on the inside cover**

**Bonds.** The bonds captioned above (the “Bonds”) are being issued by the Middle Fork Project Finance Authority (the “Authority”) pursuant to an Indenture, dated as of March 1, 2020 (the “Indenture”), by and between the Authority, the Placer County Water Agency (the “Agency”) and U.S. Bank National Association, as trustee (the “Trustee”) to provide funds, together with other available funds of the Authority, to (i) pay and prepay the outstanding 2006 Bond (described herein), (ii) [make a deposit to a reserve fund for the Bonds,] [purchase a reserve fund insurance policy from \_\_\_\_\_], and (iii) pay certain costs incurred in connection with the execution and delivery of the Bonds. The Authority is a joint exercise of powers agency formed in 2006 between the County of Placer (the “County”) and the Placer County Water Agency (the “Agency”) to serve the mutual interests of the County and Agency with respect to the electric power generating facilities of the Middle Fork American River Hydroelectric Project that are owned and operated by the Agency (as further defined herein, the “System”).

The Bonds will be initially delivered in denominations of \$5,000 or any integral multiple thereof only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company (“DTC”), which will act as securities depository of the Bonds. Interest and principal represented by the Bonds are payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Bonds. See APPENDIX F – DTC and the Book-Entry Only System.” Interest with respect to the Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2020.

**Security for the Bonds.** The obligation of the Authority to pay debt service on the Bonds is a special obligation of the Authority payable from the Net System Revenues of the System, and certain funds and accounts created under the Indenture. See “SECURITY FOR THE BONDS.”

**Parity Debt.** Upon issuance of the Bonds, there will be no other obligations payable from the Net System Revenues on a parity with the Bonds. However, in the future, the Authority may issue additional bonds, notes or other obligations payable from the Net System Revenues on parity with the Bonds, subject to the conditions set forth in the Indenture. See “SECURITY FOR THE BONDS – Issuance of Parity Debt.”

**Redemption.** The Bonds are subject to redemption prior to maturity as described in this Official Statement. See “THE BONDS – Redemption Provisions.”

The obligation of the Authority to pay debt service on the Bonds does not constitute a debt of the Authority in contravention of any constitutional or statutory debt limit or restriction, nor does it constitute an obligation for which the Authority, the County, the Agency, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the Authority, the County, the Agency, the State of California or any political subdivision thereof levied or pledged any form of taxation.

**This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See “BOND OWNERS’ RISKS” for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds.**

The Bonds will be offered when, as and if executed and delivered and received by Goldman Sachs & Co. LLC, as underwriter, subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. In addition, certain legal matters will be passed upon for the Authority by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, as General Counsel to the Authority, by Orrick Herrington & Sutcliffe LLP, Special Tax Counsel to the Authority, and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel to the Authority. Nixon Peabody LLP is serving as counsel to the underwriter. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about March \_\_, 2020.

**Goldman Sachs & Co. LLC**

Dated: \_\_\_\_\_, 2020

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

## MATURITY SCHEDULE

\$ \_\_\_\_\_ Serial Bonds

<b>Maturity</b> <b>(_____ 1)</b>	<b>Principal</b> <b>Amount</b>	<b>Interest</b> <b>Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup> No.</b> <b>(_____)</b>
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† CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP<sup>®</sup> data is not intended to create a database and does not serve in any way as a substitute for the CUSIP<sup>®</sup> Service Bureau. CUSIP<sup>®</sup> numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

**MIDDLE FORK PROJECT FINANCE AUTHORITY  
(PLACER COUNTY, CALIFORNIA)**

**BOARD OF DIRECTORS**

Jim Holmes, *Chair*  
Primo Santini, *Vice Chair*  
Mike Lee, *Boardmember*  
Robert Weygandt, *Boardmember*

**AUTHORITY STAFF**

Einar Maisch, P.E., *Executive Director*  
Todd Leopold, *Secretary*  
Joseph Parker, CPA, *Treasurer*

---

**MUNICIPAL ADVISOR**

Montague DeRose and Associates, LLC  
*Westlake Village, California*

**BOND COUNSEL AND  
AUTHORITY COUNSEL**

Kronick, Moskowitz, Tiedemann & Girard,  
A Professional Corporation  
*Sacramento, California*

**SPECIAL TAX COUNSEL**

Orrick Herrington & Sutcliffe LLP

**DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**TRUSTEE**

U.S. Bank National Association  
*San Francisco, California*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Authority in any press release and in any oral statement made with the approval of an authorized officer of the Authority or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority or any other entity described or referenced in this Official Statement since the date hereof.

The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or any other entity described or referenced in this Official Statement since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**Website Not Incorporated.** The Authority maintains a website; however, the information it contains is not part of this Official Statement and should not be relied on in making investment decisions with respect to the Bonds.

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## OFFICIAL STATEMENT

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**MIDDLE FORK PROJECT FINANCE AUTHORITY  
SERIES 2020 REFUNDING BONDS**

### INTRODUCTION

#### General

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the sale and delivery by the Middle Fork Project Finance Authority (the “**Authority**”) of its Series 2020 Refunding Bonds (the “**Bonds**”). Capitalized terms not otherwise defined in this Official Statement have the meaning given to them in the Indenture. See “APPENDIX B – Summary of Principal Legal Documents.”

**Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See “BOND OWNERS’ RISKS” for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds.**

#### The Bonds

The Bonds are being issued by the Authority pursuant to an Indenture, dated as of March 1, 2020 (the “**Indenture**”), by and between the Authority, the Placer County Water Agency (the “**Agency**”), and U.S. Bank National Association, as trustee (the “**Trustee**”), to provide funds, together with other available funds of the Authority, to (i) pay and prepay the outstanding 2006 Bond (described herein), (ii) [make a deposit to a reserve fund for the Bonds,] [purchase a reserve fund insurance policy from \_\_\_\_\_], and (iii) pay certain costs incurred in connection with the execution and delivery of the Bonds.

The Bonds will be initially delivered in denominations of \$5,000 or any integral multiple thereof only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), which will act as securities depository of the Bonds. Interest and principal represented by the Bonds are payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Bonds. See APPENDIX F – DTC and the Book-Entry Only System.” Interest with respect to the Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2020. See “THE BONDS – Redemption Provisions.”

#### The Authority and the Agency

**The Authority.** The Authority is a joint exercise of powers agency formed in 2006 between the County of Placer (the “**County**”) and the Agency to serve the mutual interests of the

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\* Preliminary; subject to change.

County and Agency with respect to the System (defined below). The Placer County Water Agency Act, which is part of the Water Code of the State of California (the “**Agency Act**”), dictates that the Agency and the County approve any new contracts for the sale of electric energy generated from the System and the spending of revenues therefrom. To expedite the fulfillment of these joint responsibilities, a Joint Exercise of Powers Agreement (the “**JPA Agreement**”) creating the Authority was executed on January 10, 2006. The JPA Agreement provides that the Agency shall continue to own, manage, operate and maintain the System, but that the revenue from the sale of future electrical energy contracts and related services shall be payable directly to the Authority. See “THE AUTHORITY.”

**The Agency.** The Agency owns and operates the System, and Agency employees manage and staff its operations. The Agency was created by the Agency Act for the purpose of developing and operating water and hydroelectric facilities in the County. As of December 31, 2019, the Agency had 230 authorized full-time equivalent employees, of which approximately 33 were allocable to the operations of the System. See “THE AGENCY.”

## The System

**General.** The “**System**” means the electric power generating facilities of the Middle Fork American River Hydroelectric Project, currently consisting of the following facilities and related works that are owned and operated by the Agency (together with all other properties, structures or works later acquired and constructed by the Agency and determined to be part of the System):

- five powerhouses (French Meadows, Hell Hole, Middle Fork, Ralston, and Oxbow Powerhouses),
- five diversion impoundments (Duncan Creek Diversion, North Fork Long Canyon Creek Diversion, South Fork Long Canyon Creek Diversion, Middle Fork Afterbay, and Ralston Afterbay),
- five tunnels (Duncan Creek-Middle Fork, French Meadows-Hell Hole, Hell Hole-Middle Fork, Middle Fork-Ralston, Ralston-Oxbow Tunnels), and
- two reservoirs (French Meadows Reservoir and Hell Hole Reservoir).

**Sale of Power.** For the first 50 years of the life of the System, 100% of the electricity generated by the System was furnished to Pacific Gas & Electric (“**PG&E**”) pursuant to a power purchase agreement (“**PPA**”) in exchange for funds for bond payments, an operating budget, and project insurance. The PPA expired on April 30, 2013, after which a new short-term contract was entered into with PG&E that expired on December 31, 2017. On January 1, 2018, the Agency became its own scheduling coordinator selling the System’s power directly into the California Independent System Operator (“**CAISO**”) energy markets, and energy products via bilateral contracts.

**FERC License.** The System operates under a federal power permit from the Federal Energy Regulatory Commission (“**FERC**”), which permits the Agency, as the owner and operator of the System, to use public waters for energy generation. Among other things, water flows to protect and maintain environmental resources are defined in the FERC license. Operation of the System was authorized in 1963 under an initial 50-year FERC license that expired on February 28, 2013. From 2007 to 2012, prior to the expiry of the FERC license, Agency staff prepared and

concluded all technical, environmental, and economic assessments to support re-licensing of the System. Since the expiration of the license in 2013, the Agency has continued to operate the System under an annual FERC license that is issued from year-to-year with terms and conditions of the prior license until a new long-term license will be issued. The Agency anticipates being granted a new long-term license with a term of at least 40 years by April 2020.

See “THE SYSTEM” and “SYSTEM FINANCES” for additional information.

### **Financing Plan**

A portion of the proceeds of the Bonds, together with other legally available moneys, will be applied to pay and refund the Authority’s Revenue Bond, Series 2006 (the “**2006 Bond**”), which is currently outstanding in the amount of \$71,028,392.87. The 2006 Bond is held by the County Treasurer, and was issued for the purpose of financing the FERC relicensing costs and certain betterments incurred by the Authority to renew the license with respect to the System. See “THE FINANCING PLAN.”

### **Feasibility Study**

In connection with the issuance of the Bonds, the Authority has commissioned Horizons Energy, Dublin, Ohio (the “**Feasibility Consultant**”) to prepare a feasibility study to demonstrate the ability of the Authority to generate revenues sufficient to pay debt service on the Bonds. See “SYSTEM FINANCES – Feasibility Study” and “APPENDIX A – Feasibility Study.”

### **Security for the Bonds; Reserve Fund**

The obligation of the Authority to pay debt service on the Bonds is a special obligation of the Authority payable from the Net System Revenues (defined herein) of the System, and certain funds and accounts created under the Indenture. See “SECURITY FOR THE BONDS.” See also “THE AUTHORITY” and “THE AGENCY” for additional information about the inter-relationship between the Authority and the Agency.

A Reserve Fund, and a Reserve Account therein for the Bonds, is being established under the Indenture, and will be funded in connection with the issuance of the Bonds in an amount equal to Series Reserve Requirement (defined herein). See “SECURITY FOR THE BONDS – Reserve Fund.”

### **Redemption Prior to Maturity**

The Bonds are subject to redemption prior to maturity as described in this Official Statement. See “THE BONDS – Redemption Provisions.”

### **No Senior Debt; Parity Debt**

The Authority has no obligations outstanding that are senior to, or on a parity with, the pledge of Net System Revenues in favor of the Bonds. However, the Authority may issue additional bonds, notes or other obligations payable from the Net System Revenues on parity with the Bonds in the future. See “SECURITY FOR THE BONDS – Issuance of Parity Debt.”

## **Continuing Disclosure**

The Authority has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide (i) audited financial statements and certain other financial information and operating data relating to the Authority by not later than six months following the end of the Authority's fiscal year (which fiscal year currently ends on December 31), and (ii) notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in each annual report or event notice is provided in "APPENDIX D – Form of Continuing Disclosure Certificate." See "CONCLUDING INFORMATION – Continuing Disclosure" herein.

## **Tax Matters**

In the opinion of Orrick Herrington & Sutcliffe LLP, Special Tax Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

## **Miscellaneous**

This Official Statement contains brief descriptions of, among other things, the Authority, the Agency, the Bonds, and the Indenture. The descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of Bonds included in the Indenture. During the offering period for the Bonds, copies of the forms of the Indenture and other documents described in this Official Statement may be obtained at the principal offices of the Underwriter. Copies of these documents may be obtained from the Trustee or the Authority after delivery of the Bonds.

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE SYSTEM" and "SYSTEM FINANCES".

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## THE FINANCING PLAN

### Refunding of the 2006 Bond

The net proceeds of the Bonds will be used to pay and optionally redeem the Authority's Revenue Bond, Series 2006 (the "**2006 Bond**"), which is currently outstanding in the amount of \$71,028,392.87. The 2006 Bond was issued by the Authority to, and purchased by, the Placer County Treasurer for the purpose of financing the FERC relicensing costs and certain betterments incurred by the Authority to renew the license with respect to the System.

The 2006 Bond, which continues to be held by the Placer County Treasurer, is subject to optional redemption on any date, without premium, and is anticipated to be redeemed on or about the closing date for the Bonds.

### Estimated Sources and Uses of Proceeds

The table below sets forth the estimated sources and uses of proceeds of the Bonds.

#### Sources of Funds

Par Amount of Bonds	\$
Plus/Less: [Net] Original Issue Premium/Discount	
Total Sources	\$

#### Uses of Funds

Refunding of 2006 Bond	\$
Deposit to Reserve Fund	
Delivery Costs <sup>(1)</sup>	
Underwriter's Discount	
Total Uses	\$

(1) Includes legal, financial advisory, rating agency, printing, and other miscellaneous delivery costs.

## THE BONDS

### General

The Bonds will be executed and delivered in the aggregate principal amount set forth on the cover, will be dated their date of execution and delivery, will represent interest from such date at the rates per annum set forth on the inside cover page hereof, payable semiannually on April 1 and October 1 in each year (each, an “**Interest Payment Date**”), commencing October 1, 2020, and will mature on the dates set forth on the inside cover page hereof. The Bonds will be delivered only in fully registered form and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. See “APPENDIX F – DTC and the Book-Entry Only System” in this Official Statement. In the event the book-entry only system described in APPENDIX F is discontinued, the principal and redemption premium (if any) evidenced by any Bonds are payable to the Owner thereof, upon surrender of the Bonds, in lawful money of the United States of America at the corporate trust office of the Trustee.

Interest evidenced by each Bond is payable by check mailed by first class mail or, upon the written request of any Owner of \$1,000,000 or more in aggregate amount of principal of Bonds who has provided the Trustee with wire transfer instructions, by wire transfer on each Interest Payment Date to the Owner thereof at its account in the United States, as of the close of business on the Regular Record Date. The Regular Record Date for the Bonds shall be the 15th day of the calendar month immediately preceding the relevant Interest Payment Date.

Any interest represented by any Bonds that is payable but is not punctually paid or duly provided for on any Interest Payment Date will cease to be payable to the Owner on the relevant Regular Record Date. Such defaulted interest shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date (a date fixed by the Trustee for the payment of any defaulted interest) for the payment of such defaulted interest to be fixed by the Trustee. In the name and at the expense of the Authority, the Trustee shall cause notice of the payment of such defaulted interest and the Special Record Date to be mailed, first-class postage prepaid, to each owner of a Bond at his address as it appears in the Bond Register not fewer than ten days prior to such Special Record Date.

In the event that any date for the payment of the interest or principal or Redemption premiums, if any, evidenced and represented by any Bond falls on a day which is not a Business Day, the interest or principal or Redemption premium, if any, represented by such Bonds which are due and payable on such date shall be paid by the Trustee on the next succeeding Business Day.

### Redemption Provisions\*

**Optional Redemption.** The Bonds are subject to redemption prior to their stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part (in Authorized Denominations and by such maturities as may be specified by the Authority and at random within a maturity) on any date on and after April 1, 20\_\_, at the stated principal amount of the Bonds called for redemption, without premium, plus accrued interest to the date fixed for redemption.

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\* Preliminary; subject to change.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on \_\_\_\_\_ 1, 20\_\_\_\_, are subject to redemption prior to their stated maturity, in part, at random from Mandatory Sinking Account Payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Bonds optionally redeemed:

Mandatory Redemption Dates ( _____ 1)	Principal <u>Amount</u>
---	----------------------------

Mandatory Redemption Dates ( _____ 1)	Principal <u>Amount</u>
---	----------------------------

**Selection of Bonds to be Prepaid.** Whenever redemption of less than all of the Bonds is required, the Authority may designate the maturities to be prepaid, and the Trustee will select Bonds for redemption by lot within a single maturity. As to any Bond, such redemption will be in the amount of \$5,000 or any integral multiple thereof.

**Notice of Redemption.** Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the amount of any redemption premium, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount represented thereby to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount thereof or specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with premium (if any) and interest thereon accrued to the date fixed for redemption, and that from and after such redemption date interest thereon ceases to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee has any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee is liable for any inaccuracy in such numbers.

**Conditional Notices; Right to Rescind.** The Authority may, at its option, specify in any notice of optional redemption that redemption is conditional upon the availability of money sufficient to pay the Redemption Price of all the Bonds that are to be redeemed on the date fixed

for redemption. The Authority may, at its option, prior to the date fixed for optional redemption in any notice of redemption, rescind and cancel such notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under this Trustee Agreement. Neither the Authority nor the Trustee has any liability to the Owners or any other party as a result of the Authority's failure to redeem Bonds as a result of insufficient money.

***Deposit of Redemption Price.*** Prior to any date for redemption of Bonds, the Authority shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds that are to be redeemed on that date. Such money shall be held in trust for the benefit of the persons entitled to such Redemption Price. Prior to any date for optional redemption of Bonds, the Authority must pay in full all amounts due to each issuer of a Reserve Facility.

***Effect of Redemption.*** Notice of redemption having been duly given as set forth in the Indenture and moneys for payment of the Redemption Price of the Bonds so to be redeemed being held by the Trustee, on the redemption date designated in such notice (i) the Bonds so to be redeemed become due and payable at the Redemption Price specified in such notice, (ii) interest on such Bonds ceases to accrue, (iii) such Bonds cease to be entitled to any benefit or security under the Indenture, and (iv) the Owners of such Bonds have no rights in respect thereof except to receive payment of said Redemption Price. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by Trustee at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable to the Owners of the Bonds on the relevant Record Dates according to the terms of such Bonds and the provisions of the Indenture.

The table below shows the annual schedule of debt service on the Bonds, assuming no optional redemption.

<b>Year Ending</b> <b><u>Dec. 31</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
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Totals	_____	_____	_____
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\_\_\_\_\_  
*Source: Underwriter.*

## SECURITY FOR THE BONDS

### Pledge of Net System Revenues

In order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Authority and the Agency pledge all of the Net System Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture, other than amounts on deposit in the Rebate Fund. This pledge constitutes a first pledge of and charge and lien upon such assets for the payment of the Bonds in accordance with their terms and is valid and binding from and after issuance of the Bonds, without any physical delivery thereof or further act. The pledge is made irrevocable until all of the Bonds are no longer outstanding.

As used in the Indenture, the following terms have the following meanings:

**“Net System Revenues”** means, for any Fiscal Year, the System Revenues during such Fiscal Year less the Operation and Maintenance Costs during such Fiscal Year.

**“System Revenues”** means each of the following:

- (1) all revenue received by the Agency or the Authority from the sale of electric energy or capacity and any other electric-power-related services of the System,
- (2) the earnings on and income derived from the investment of all such revenue, and
- (3) the payments received net of payments made under a Financial Products Agreement or an Energy Market Hedging Agreement (see Appendix B for definitions).

**“Operation and Maintenance Costs”** means the reasonable and necessary costs paid or incurred by the Agency or the Authority for maintaining and operating the System, determined in accordance with Generally Accepted Accounting Principles, including (without limitation) all reasonable expenses of maintenance and repair and other expenses necessary to maintain and preserve the System in good repair and working order, and all administrative costs of the Agency or the Authority that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums, and costs to comply with State or federal regulations, and including all other reasonable and necessary costs of the Authority or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Bonds or of such Bonds, such as compensation, reimbursement and indemnification of the trustee for any such Bonds and fees and expenses of Independent Certified Public Accountants, Independent Engineers, Independent Financial Consultants, Insurance Consultants, and the Agency’s or the Authority’s financial advisor; but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles, losses or gains on subsidiaries accounted for on any equity basis, or other bookkeeping entries of a similar nature, (b) intergovernmental transfers by the Agency or the Authority that are not reimbursements or payments for overhead or other administrative expenses incurred by the Agency or the Authority, and (c) all interest charges and charges for the payment of principal or amortization of bonded or other indebtedness of the Authority.

## **Limited Liability of Authority; Obligations of Agency Conditional on Reimbursement**

The Authority is not required to advance any money derived from any source other than the System Revenues for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants contained in the Indenture. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness.

The Agency is not the issuer of the Bonds and is not liable for the payment of the interest on, principal of, or redemption premiums, if any, on the Bonds. No provision of the Indenture requires the Agency to expend or risk its own funds in the performance of any agreements or covenants contained in the Indenture without adequate assurance of reimbursement from System Revenues.

### **Allocation of System Revenues**

***System Revenue Fund.*** In order to carry out and effectuate the pledge and lien on the Net System Revenues, the Agency agrees and covenants that all System Revenues shall be paid directly to the Authority, and the Authority agrees and covenants that all System Revenues shall be deposited when and as received in the "System Revenue Fund," which fund the Authority will maintain so long as any Bonds remain unpaid.

***Operation and Maintenance Costs.*** From the moneys in the System Revenue Fund, the Authority shall first pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable, either directly or reimbursing the Agency for all Operation and Maintenance Costs that it has paid.

***Debt Service Fund and Reserve Replenishment.*** The Authority shall deposit or cause to be deposited moneys Net System Revenues into the following respective funds in the following amounts, in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in any such fund resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund or account subsequent in priority:

***Interest Fund.*** First, not later than 5 Business Days before each Interest Payment Date, the Authority shall pay to the Trustee for deposit into the "Interest Fund," which fund the will maintain so long as any Bonds remain unpaid, an amount equal to (a) the aggregate amount of interest and principal becoming due and payable on the Outstanding Bonds on such Interest Payment Date or Principal Payment Date (but excluding any moneys on deposit in the Interest Fund from the proceeds of the Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such date). No such transfer for deposit into the Interest Fund need be made if the amount contained therein is at least equal to the interest due and payable on the next Interest Payment Date upon all of the Bonds then Outstanding (but excluding any moneys on deposit in the Interest Fund from the proceeds of the Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

*Principal Fund.* Second, not later than 5 Business Days before each Principal Payment Date, the Authority shall pay to the Trustee for deposit into the “Principal Fund,” which fund the Trustee will maintain so long as any Bonds remain unpaid, an amount equal to the aggregate principal amount of Bonds to be redeemed on such Principal Payment Date from the respective Sinking Accounts for the Term Bonds, but less any amounts deposited into the Principal Fund during the preceding 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period. No such transfer for deposit into the Principal Fund need be made so long as there shall be in such fund (i) moneys sufficient to pay the principal of all Serial Bonds then Outstanding and maturing by their terms on the next such Principal Payment Date plus (ii) the aggregate principal amount of all Term Bonds required to be redeemed on the next Principal Payment Date, but less any amounts deposited into the Principal Fund during the preceding 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period.

All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Account shall be used and withdrawn by the Trustee solely to purchase or redeem or pay Bonds at maturity, as provided in the Indenture.

*Reserve Fund.* Third, on each Interest Payment Date, the Authority shall transfer to the Trustee for deposit into each Reserve Account the amount necessary to increase the amount therein to the Series Required Reserve. All amounts in the Reserve Fund shall be administered as described below under “– Reserve Fund.”

*Operation and Maintenance Reserve Fund.* Fourth, to the extent that Net System Revenues are available, on each Interest Payment Date, the Authority shall deposit in the Operation and Maintenance Reserve Fund the amount necessary to increase the amount therein to its required balance. All amounts in the Reserve Fund shall be administered as described below under “– Operation and Maintenance Reserve Fund.”

**Surplus Amounts.** On any date, if (1) the amounts on deposit in the Interest Fund and the Principal Fund are at least equal to the aggregate amount of interest and principal becoming due and payable on the Outstanding Bonds on and before the next Principal Payment Date plus the aggregate principal amount of Bonds to be redeemed on such Principal Payment Date from the respective Sinking Accounts for the Term Bonds, (2) each Reserve Account is funded in the amount of its Series Required Reserve, and (3) the Authority has complied with the replenishment requirement for the Operation and Maintenance Reserve Fund described above, then the Authority may use and apply any moneys in the System Revenue Fund for any lawful purpose; provided that (i) no Event of Default has occurred and is then continuing and (ii) the Authority reasonably expects that it will have sufficient System Revenues to pay Operation and Maintenance Costs for the then-current Fiscal Year.

## **Reserve Fund**

**General.** The Trustee shall establish and maintain a separate fund designated as the “Reserve Fund” (the “**Reserve Fund**”), and with respect to each Series of Bonds for which the

Series Required Reserve is greater than zero, a separate account therein. Upon the delivery of each Series of Bonds, if and to the extent required, the Authority shall deposit into the Reserve Account for the Series either the amount of the Series Required Reserve (if the Reserve Account secures a single Series of Bonds) or the amount necessary to increase the balance in the Reserve Account to the Series Required Reserve with respect to all Bonds of all Series secured by that Reserve Account (if the Reserve Account secures more than one Series).

**Initial Deposit for the Bonds.** On the closing date for the Bonds, there will be deposited an amount equal to the Series Required Reserve for the Bonds, being the least of (i) Maximum Annual Debt Service for the Bonds as of such date, (ii) 125% of average Annual Debt Service on the Bonds Outstanding as of such date, and (iii) 10% of the original principal amount of the Bonds. [The Series Required Reserve for the Bonds shall be initially satisfied by the delivery of a Reserve Facility provided by \_\_\_\_\_ in the amount of \$\_\_\_\_\_.]

**Substitution of Cash.** The Authority may at any time substitute cash for all or part of the amount available to be paid to the Trustee under any Reserve Facility delivered pursuant to this Section to satisfy the Series Required Reserve. In lieu of making the Series Required Reserve replenishment deposits in compliance with the foregoing, or in replacement of moneys then on deposit in a Reserve Account (which shall be transferred by the Trustee to the Authority), the Authority may deliver to the Trustee an irrevocable letter of credit meeting the requirements of the Indenture. See APPENDIX B.

**Use of Reserve Accounts.** All amounts in a Reserve Account (including all amounts that may be obtained from Reserve Facilities on deposit in that Reserve Account) shall be used and withdrawn by the Trustee solely for the purpose of paying debt service on the Bonds of the related Series in the event of any deficiency in the Interest Fund or the Principal Fund, or (together with any other moneys available therefor) for the payment or redemption of all Bonds of such Series then Outstanding, or for the payment of the final principal and interest payment with respect to the Bonds of any Series of Bonds secured by that Reserve Account (provided that following such payment the amounts in the Reserve Account (including the amounts that may be obtained from Reserve Facilities on deposit therein) will equal the Series Required Reserve.

The Trustee shall first draw on the portion of the Reserve Account held in cash or Permitted Investments and then, on a pro rata basis with respect to amounts held in the form of Reserve Facilities (calculated by reference to the maximum amounts of such Reserve Facilities), draw on or collect under each Reserve Facility issued with respect to the Reserve Account, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the principal of and interest on the Bonds of such Series when due.

If the Trustee has notice that any payment of principal or interest represented by a Bond has been recovered from an Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the Reserve Facility, if any, securing that Bond so provide, shall so notify the issuer thereof and draw on or collect under such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Owner the principal and interest so recovered. If and to the extent that the Series Required Reserve is satisfied by a deposit of cash or Permitted Investments and one or more Reserve Facilities (or any combination thereof), the Trustee shall first draw on the portion of the Reserve Account held in cash or Permitted Investments and then make drawings

on or collect under such Reserve Facilities on a pro rata basis (calculated by reference to the maximum amounts of such Reserve Facilities).

If the Trustee draws on or collects under a Reserve Facility, the Trustee shall use amounts deposited in the related Reserve Account by the Authority following such draw or collection first to make the payments required by the terms of the Reserve Facility or related reimbursement or loan agreement so that the Reserve Facility shall, absent the delivery to the Trustee of a substitute Reserve Facility acceptable to the Credit Providers that satisfies the requirements of this Section or the deposit in that Reserve Account of an amount sufficient to increase the balance in the Reserve Account to the Series Required Reserve, be reinstated in the amount of such draw or collection within one year of the date of the draw or collection. After such reinstatement, the Trustee shall use amounts deposited in that Reserve Account by the Authority for the replenishment of the portion of the Reserve Account held in cash or Permitted Investments.

***Reserve Fund Replenishment.*** Amounts in the Reserve Fund shall be replenished with Net System Revenues, if available, in the priority described above under “– Allocation of System Revenues.”

### **Operation and Maintenance Reserve Fund**

Pursuant to the Indenture, in connection with the issuance of the Bonds, the Authority shall establish and maintain a separate fund designated as the “Operation and Maintenance Reserve Fund.” Amounts in such fund may be used by the Authority only for Operation and Maintenance Costs.

The amount required to be on deposit in the Operation and Maintenance Reserve Fund on the date of delivery of the Bonds is \$14,000,000. In each Fiscal Year thereafter, the required balance for the Operation and Maintenance Reserve Fund is 50% of the Authority’s budget for Operation and Maintenance Costs in that Fiscal Year. Failure to maintain the Operation and Maintenance Reserve Fund at its required balance is not a default under the Indenture so long as the Authority complies with the replenishment requirements of the Indenture, which are described above under “– Allocation of System Revenues.”

The Authority currently maintains various reserves for the System, including an Operating Reserve. The Operation and Maintenance Reserve Fund will constitute a component of the Authority’s existing Operating Reserve. See “SYSTEM FINANCES – Authority Reserve Policy and Funding Status” for additional details on the Operating Reserve and other reserve funds established by the Authority.

### **Redemption Fund**

The Trustee shall establish, maintain and hold in trust a special fund designated as the “**Redemption Fund**.” All moneys deposited by the Authority with the Trustee for the purpose of redeeming Bonds shall, unless otherwise directed by the Authority, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner, at the times and upon the terms and conditions specified in the Indenture; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Authority, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Authority, except that the purchase price (exclusive of such

accrued interest) may not exceed the Redemption Price then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such maturity of Term Bonds as may be specified in a Request of the Authority.

### **No Senior Debt; Issuance of Parity Debt**

In the Indenture, the Authority covenants and agrees that it shall not incur any obligations that are secured by a pledge and lien on the Net System Revenues that is senior to the pledge and lien on the Net System Revenues securing the Bonds.

Following the refunding of the 2006 Bond, there will be no outstanding obligations of the Authority payable from the Net System Revenues on a parity with the Bonds. However, the Authority may issue additional bonds, notes or obligations secured under the Indenture equally and ratably with the Bonds, subject to the following conditions:

(1) **No Default.** No Event of Default has occurred and is then continuing under the Indenture.

(2) **Principal Amount.** The aggregate principal amount of bonds may not exceed any limitation imposed by law or by any Supplemental Indenture.

(3) **Payment Dates.** If and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued, the principal payments of such additional Series of Bonds shall be due on April 1 in each year in which principal is to be paid and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on April 1 and October 1 in each year, as appropriate.

(4) **Debt Service.** The Indenture is amended so as to increase the Payments payable by the Authority thereunder by an amount at least sufficient to pay the interest on and principal of such Additional Bonds as the same become due.

(5) **Debt Service Feasibility.** The Authority must satisfy the debt service feasibility requirements, which are as follows:

*Project Financings.* With respect to the financing of the acquisition or construction of a Project, the Authority may satisfy either the historical coverage test or the projected coverage test. The Authority need not satisfy both coverage tests.

(i) *Historical Coverage.* The historical coverage test is satisfied if the Net System Revenues for either the most recent Fiscal Year for which audited financial statements are available or a period of 12 consecutive months during the 18 months immediately preceding the date of adoption (the "adoption date") by the Board of the resolution authorizing the issuance of Bonds (the "measurement period"), as evidenced by both a calculation prepared by the Authority and a Coverage Report on such calculation on file with the Authority, shall have produced a sum equal to at least 120% of Annual Debt Service on all Outstanding Bonds and the Bonds to be issued in each of the 5 full Fiscal Years next succeeding the adoption date or in each of the 3 full Fiscal Years next succeeding the date through which interest with respect to the Bonds to be issued has been capitalized, whichever period ends later.

(ii) *Projected Coverage.* The projected coverage test is satisfied if the projected Net System Revenues for each of the 5 full Fiscal Years next succeeding the earlier of (x) the date through which interest with respect to the Additional Bonds to be issued has been capitalized or the execution date or issue date if no interest has been capitalized and (y) the date on which all Projects are expected to commence operations shall be at least 120% of Annual Debt Service in each such Fiscal Year on all Bonds to be Outstanding, as evidenced by both a calculation prepared by the Authority and a Coverage Report on such calculation on file with the Authority. In calculating debt service coverage for this purpose, projected Net System Revenues may include the estimated amount of additional Net System Revenues to accrue to the System from new sales of electric energy anticipated to be generated during such 5-year period by the additions or improvements to or extensions of the System.

*Refundings.* If any such Additional Bonds are issued for the purpose of discharging or defeasing Bonds or Additional Bonds then unpaid and outstanding, the debt service feasibility requirements will be satisfied if, upon such execution or issuance, either (a) the Authority meets the requirements under “—Project Financings” above or (b) a Coverage Report is filed with the Authority to the effect that Annual Debt Service on all Bonds and Additional Bonds to be Outstanding in each future Fiscal Year following such discharge or defeasance would not exceed Annual Debt Service in that Fiscal Year had such discharge or defeasance not occurred.

**(6) Reserve Account.** Subject to the provisions of the Indenture, the Supplemental Indenture providing for the issuance of such Series shall require that, forthwith upon the receipt of the proceeds of the sale of such Series, either (1) the Reserve Account for such Series be funded in the amount of the Series Required Reserve for such Series (if greater than zero), or (2) if the Authority provides in the Supplemental Indenture providing for the issuance of such Series that such Series will be secured by the Reserve Account established with respect to another Series, the balance in the Reserve Account be increased, if necessary, to an amount at least equal to the Series Required Reserve with respect to all bonds of all Series to be secured by that Reserve Account that are to be considered Outstanding upon the issuance of such Series. The deposit may be made from the proceeds of the sale of such Series or from other funds of the Authority or from both such sources or in the form of a Reserve Facility.

Nothing in the Indenture prevents the Supplemental Indenture providing for the issuance of an additional Series from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series or any portion thereof.

### **Insurance; Application of Net Proceeds**

The Agency will procure and maintain or cause to be procured and maintained insurance on the System with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with utility systems similar to the System so long as such insurance is available from reputable insurance companies. In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the System. The Agency shall begin such reconstruction, repair, or replacement promptly after such damage or destruction shall occur; shall continue and

properly complete such reconstruction, repair, or replacement as expeditiously as possible; and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair, or replacement so that the same shall be completed and the System shall be free and clear of all claims and liens. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be applied to the redemption of the Bonds. If such Net Proceeds are sufficient to enable the Authority to retire the entire obligation evidenced hereby prior to the final maturity of the Bonds, the Agency may elect not to reconstruct, repair, or replace the damaged or destroyed portion of the System, and thereupon such Net Proceeds shall be applied to the prepayment of Bonds.

In addition, the Agency will procure and maintain such other insurance that it deems advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with utility systems similar to the System.

Any insurance required to be maintained pursuant to the Indenture may be maintained under a self-insurance or pooled risk program, so long as such self-insurance or pooled risk program is maintained in the amounts and manner usually maintained in connection with utility systems similar to the System. All policies of insurance required to be maintained herein shall provide that the Agency shall be given 30 days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

## THE AUTHORITY

### Purpose and Powers

**General.** The Authority is a joint exercise of powers agency formed in 2006 between the County and the Agency to serve the mutual interests of the County and Agency with respect to the System. This included obtaining the financing required to obtain a new FERC license and make betterments to the System, which financing was obtained via the Authority's issuance of the 2006 Bond, which will be refunded by the Bonds. See "THE FINANCING PLAN."

**JPA Agreement.** The Agency Act dictates that the Agency and the County approve any new contracts for the sale of electric energy generated from the System and the spending of revenues therefrom. To expedite the fulfillment of these joint responsibilities, the JPA Agreement creating the Authority was executed on January 10, 2006. The JPA Agreement established "an Authority to serve the mutual interests of the County and the Agency, exclusively, to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications, and other costs that may be required to obtain a new FERC license or which may be completed under the current or subsequent FERC license of the [System] by the Agency, to approve Future Electrical Energy Sales, and to distribute the revenues from Future Electrical Energy Sales." The JPA Agreement provides that the Agency would continue to own, manage, operate and maintain the System, but that the revenue from the sale of future electrical energy contracts and related services shall be payable directly to the Authority. Under the JPA Agreement, the Authority has the power to, among other things, (1) issue bonds to finance System relicensing, improvements and operations, (2) review and approve the annual Authority operating budget, (3) review and approve contracts for the sale of electrical energy, and (4) distribute the net revenues from the sale of electrical energy.

The JPA Agreement sets forth an ordered list of spending priorities, with the first spending priority being the basic operation and maintenance of the System. This includes all activities necessary to keep the System in operation, consistent with prudent utility practices, including compliance with all contractual and regulatory requirements, the maintenance of prudent operating reserves, and the repayment of any debt incurred by the Authority. The second spending priority are for additions and betterments (capital projects). This includes major improvement projects, and the funding of emergency reserves and project sinking fund accounts for future replacements for the System, as well as expenditures and projects necessary for the long-term operational and financial stability of the System, but which in any given year could be postponed if necessary due to insufficient funds.

**Receipt and Distribution of Revenues.** The revenues received from the sale of electrical energy and related services are paid directly to the Authority, deposited into the Authority's bank account and recorded by the Authority as power sales revenue from the System. The Authority appropriates funding to the Agency for operation and maintenance expenses, as well as capital project expenditures, which are reimbursed from the Authority to the Agency on a weekly basis. Similarly, County expenses related to the System, if any, are reimbursed through the Agency on a weekly basis. See "SYSTEM FINANCES."

**Board-Adopted Policies.** The Authority has multiple Board-adopted policies to help guide its operations, including (1) General Financial Policies, (2) General Administrative Policies, (3) Project Operations Protection Policies, (4) an Investment Policy, and (5) an Energy Marketing Oversight Policy.

## Board of Directors

The Authority is governed by a four-member Board of Directors composed of two members of the Placer County Board of Supervisors and two members of the Placer County Water Agency Board of Directors. Each Board appoints their two members of the Authority Board. The following persons currently comprise the Authority's Board of Directors:

***Jim Holmes, County Board of Supervisors Member.*** Mr. Holmes was elected in 2004 and assumed his seat on the Board of Supervisors January 4, 2005. He is currently serving his 4th term. He represents the 3rd District, an area that includes a portion of North Auburn, Ophir, Newcastle, Penryn, Loomis and the majority of Rocklin. An Auburn native with more than 29 years of business experience, Mr. Holmes has been dedicated to community service throughout his adult life, serving on various local agency boards and community groups. He graduated from Placer High School and Sierra College, and has a bachelor's degree in political science from Humboldt State University.

***Mike Lee, Agency Board of Directors Member.*** Mr. Lee was first elected to the Agency Board in November 2000 and represents District 3 of the Agency. District 3 includes most of the City of Rocklin and all of the communities of Loomis, where he resides, Penryn, Newcastle and Ophir. He has a strong background in public service, having served 16 years on the County Board of Supervisors. He also served as a director of the Agency from 1973 to 1975. Mr. Lee serves on the Board of Directors for Sacramento Valley Teen Challenge, the South Placer Heritage Foundation and the Lincoln Volunteer Center. He is a member and past president for the Lincoln Area Chamber of Commerce and a member of the Loomis Lions' Club. Mr. Lee is a retired project manager of the Twelve Bridges (a master-planned community) in Lincoln.

***Robert Weygandt, County Board of Supervisors Member.*** Mr. Weygandt has been a member of the Board of Supervisors since 1995, and currently lives on the same foothills ranch in rural Lincoln where he grew up. He represents the western portion of the County, including Lincoln, Sheridan, and the western portions of Rocklin and Roseville. He has lived in the County for over 50 years and was recently re-elected to his sixth four-year term. After graduating from Lincoln High School, he earned bachelor's and master's degrees in finance and management from the University of Southern California. He served as vice president, chief financial officer and part owner of WECO Aerospace Systems, an aircraft repair facility based in Lincoln. He also has past experience serving as a county planning commissioner, member of the county economic development board and community college instructor.

***Primo Santini, Agency Board of Directors Member.*** Mr. Santini was appointed in June 2013 to the Agency Board and represents District 2 of the Agency. District 2 includes the City of Lincoln, parts of the City of Rocklin and unincorporated County agricultural and rural communities. He is a third-generation "Lincolnite" and a graduate of Lincoln schools and Stanford University. Since 1984, he has been an owner of Cornerstone Associates Insurance Services, Inc. located in downtown Lincoln. Prior to his appointment to the Board, Mr. Santini served two consecutive terms (2000 through 2008) on the Lincoln City Council and served twice (2003 and 2008) as mayor of his hometown. In addition, he served as the council representative on the Regional Water Authority Board, South Placer Regional Transportation Authority, and the ad hoc committee working toward the completion of the Placer County Conservation Plan. He also was the chair of the committee responsible for the award-winning update of the City of Lincoln's General Plan, adopted by the Lincoln City Council in 2008.

## Management

The Authority's officers are officers of the Agency or the County. Brief biographies of these individuals follows.

***Einar Maisch, P.E., Executive Director/General Manager of the Agency.*** Mr. Maisch was named General Manager of the Agency in February 2015. Mr. Maisch began his career with the Agency in 1985 as the Agency Engineer, serving as senior civil engineer, engineering administrator and director of planning and marketing before being named Director of Strategic Affairs in 2000. He earned a bachelor's degree in civil engineering from California State University, Sacramento in 1979 following service in the U.S. Army, which included a tour of duty in Vietnam. His early engineering career included work for a land development services engineering firm in Sacramento specializing in water resource projects.

***Todd Leopold, Secretary/County Executive Officer.*** Mr. Leopold has served as the County Executive Officer for the County since January 2018. In that position, he is responsible for the efficient administration of County business and serves at the pleasure of the County Board of Supervisors. Mr. Leopold has more than 20 years of public sector experience, including in the State of Colorado where he served as the CEO for Adams County for five years. With more than 12 years of budget experience, he demonstrates competency with financial and budgetary responsibilities, business analytics and organizational strategic planning. He holds a bachelor's degree in political science from Eastern New Mexico University and a master's in public administration degree from the University of Colorado. He has been recognized with the National Association of Counties Innovation Award, multiple Alliance for Innovation awards and the Denver Regional Council of Governments Impact Award.

***Joseph Parker, CPA, Treasurer/Director of Financial Services of the Agency.*** Mr. Parker joined the Agency in July 2002, prior to which he was a practicing certified public accountant. He has over 30 years of accounting and financial experience with governmental and special district organizations. His background includes 12 years with KPMG as an auditor, accountant and consultant for governmental and special districts. Mr. Parker earned a Masters of Economics from University of California, Santa Barbara (1985) and a Bachelor of Arts degree in Business Economics from University of California, Santa Barbara (1981). Mr. Parker is a certified public accountant (CPA), a member of the American Institute of Certified Public Accountants, a member of the California Society of CPAs, a member of the Government Finance Officers Association, a member of the Association of California Water Agencies and a member of the California Municipal Treasurers Association. Mr. Parker served on the Board and Finance Committee Chair of the Association of California Water Agencies for 10 years (2006-2015).

## THE AGENCY

The Agency owns and operates the System and Agency employees manage and staff its operations. The Agency operates the System in accordance with all relevant federal, state and local regulations, licenses and permits, and in accordance with policies of the Agency Board of Directors which emphasize safety, reliability, facility integrity, water supply and generation revenue. Some of the System facilities are on land owned by the Agency, but most of the land is owned by the Federal government and is administered by the United States Department of Agriculture–Forest Service (the “**Forest Service**”).

The Agency was created by the Agency Act for the purpose of developing and operating water and hydroelectric facilities in the County. Pursuant to the Agency Act, the Agency has the powers necessary to own and operate the System as well as the Agency's water system, including to form service zones, which are uniquely associated with a given geographic area, to provide sufficient water for the present and future beneficial uses of the lands and inhabitants within the jurisdiction of the Agency. As of December 31, 2019, the Agency had 230 authorized full-time equivalent employees, of which approximately 33 were allocable to the operations of the System.

The Agency's boundaries are conterminous with the borders of the County, and from the establishment of the Agency in 1957 through 1974, the Board of Supervisors of the County served ex officio as the Board of Directors of the Agency. Since 1975, the Agency has been governed by an independent, elected five-member Board of Directors.

The Agency's territory extends over an area of approximately 1,500 square miles, which includes relatively level valley lands in its western portion and extends easterly into the Sierra Nevada mountains to Lake Tahoe and the Nevada state line. It is located immediately northeast of Sacramento County, approximately 100 miles northeast of the San Francisco Bay metropolitan area. Interstate 80 transects Placer County from west to east.

## **THE SYSTEM**

### **Overview**

The System is a multi-purpose water supply and hydro-generation project designed to conserve and control waters of the Middle Fork American River, the Rubicon River, and several associated tributary streams. Construction of the System began in 1963 and was completed in 1967. The System stores water from rain and snow during the fall and winter months and snowmelt during the spring months. Water is released during the year from the System to meet consumptive demands within western portions of the County, provide recreational experiences, contribute to natural resource preservation and generate hydroelectric power.

The System is located within the Middle Fork American River Watershed within the County at elevations ranging from approximately 1,100 feet to 5,300 feet. Agency personnel in the Agency's Power Division have operated and maintained the System since the commissioning thereof. The System consists of a staff of 33 engineers, operations and maintenance specialists. The System is a highly reliable source of electricity averaging over 90% of performance availability in all but one year from 2010 to 2019, in addition to maintaining a low forced outage rate of 1%, which measures the portion of downtime due to unplanned factors.

The System diverts, stores, and transports water through a series of stream diversions, reservoirs, canals, and powerhouses before it is released back into the Middle Fork American River below Oxbow Powerhouse, approximately 29 miles upstream of Folsom Reservoir. Overall, the System consists of 5 hydroelectric powerhouses, 2 main storage reservoirs and 21.4 miles of tunnels. The System can reliably generate, at peak power, 232.4 megawatts ("**MW**") that averages one million megawatt hours ("**MWh**") annually of hydroelectric power. Power generation is sold directly into the CAISO, while other energy products services (renewable energy credits, resource adequacy and carbon-free) are sold through bilateral contracts. All electricity generated by the System is delivered through PG&E's transmission system.

For the first 50 years of the life of the System, 100% of the electricity generated by the System was furnished to PG&E pursuant to the PPA, in exchange for funds for bond payments, an operating budget, and project insurance. The PPA expired on April 30, 2013, after which a new short-term contract was entered into with PG&E that expired on December 31, 2017. On January 1, 2018, the Agency became its own scheduling coordinator selling the System's power directly into the CAISO energy markets, and energy products via bilateral contracts.

The CAISO manages the flow of electricity for about 80% of California and a small part of Nevada, which encompasses all of the investor-owned utility territories and some municipal utility service areas. There are some pockets where local public power companies manage their own transmission systems. The CAISO is the largest of about 38 balancing authorities in the western interconnection, handling an estimated 35% of the electric load in the Western United States. A balancing authority is responsible for operating a transmission control area. It matches generation with load and maintains consistent electric frequency of the grid, even during extreme weather conditions or natural disasters.

The System operates under a federal power permit from FERC, which permits the Agency, as the owner and operator of the System, to use public waters for energy generation. Among other things, water flows to protect and maintain environmental resources are defined in the FERC license. Operation of the System was authorized in 1963 under an initial 50-year FERC license that expired on February 28, 2013. From 2007 to 2012, prior to the expiry of the FERC license, Agency staff prepared and concluded all technical, environmental, and economic assessments to support re-licensing of the System. Since the expiration of the license in 2013, the Agency has continued to operate the System under an annual FERC license that is issued from year-to-year with terms and conditions of the prior license until a new long-term license will be issued. The Agency anticipates being granted a new long-term license with a term of at least 40 years by April 2020.

As the new FERC license is anticipated to be received in early 2020, the new license requirements for both the operational and capital components were included in the 2020 Authority Budget adopted in October 2019. The operational components include project management, aquatic monitoring, terrestrial monitoring, recreational and cultural studies, which total an additional \$2 million per year.

As set forth in the new FERC license requirements, certain capital projects have specific construct-by dates, with construction deadline of 3 years, 5 years, 10 years and 15 years of the license issuance. Thus, the 2020 Capital Budget includes an estimate of the next 5 years of FERC related projects totaling approximately \$38.9 million, consisting of approximately \$19.15 million of upgrade/infrastructure projects such as addition seasonal storage, diversion dam upgrade and road management, and approximately \$19.75 million of recreation projects for camp ground rehabilitation, water supply facilities, refuse facilities upgrade and boat ramp enhancements. See “–Capital Investment Program,” and Table No. 4 therein, for additional details.

## **System Facilities**

The backbone of the System is its two principal water storage reservoirs (French Meadows and Hell Hole). These reservoirs are located on the Middle Fork American River and the Rubicon River, respectively, and have a combined gross storage capacity of 342,583 acre-feet. There is also a third storage reservoir (Ralston Afterbay) of 2,278 acre-feet, as described below.

**Reservoirs and Related Powerhouse Facilities.** Starting at the highest elevation of the System, water is diverted from Duncan Creek at the Duncan Creek Diversion and routed through the 1.5-mile-long Duncan Creek-Middle Fork Tunnel into French Meadows Reservoir (134,993 ac-ft of gross storage). Flows in the Middle Fork American River are captured and stored in French Meadows Reservoir along with diversions from Duncan Creek. From French Meadows Reservoir, water is transported via the 2.6-mile-long French Meadows-Hell Hole Tunnel, passed through the French Meadows Powerhouse (reliable generating capacity of 16.0 MW) and released into Hell Hole Reservoir (207,590 ac-ft of gross storage). Flows in the Rubicon River are captured and stored in Hell Hole Reservoir along with water released from French Meadows Reservoir through French Meadows Powerhouse. Water released from Hell Hole Reservoir into the Rubicon River to meet instream flow requirements first pass through the Hell Hole Powerhouse (reliable generating capacity of 0.6 MW), which is located at the base of Hell Hole Dam.

From Hell Hole Reservoir, water is also transported via the 10.4-mile-long Hell Hole-Middle Fork Tunnel, passed through the Middle Fork Powerhouse (which has a reliable generating capacity of 127.0 MW) and released into the Middle Fork Interbay (175 ac-ft of gross storage). Between Hell Hole Reservoir and Middle Fork Powerhouse, water is diverted from the North and South Forks of Long Canyon creeks directly into the Hell Hole-Middle Fork Tunnel. Water diverted from these creeks into the Hell Hole-Middle Fork Tunnel can either be stored in Hell Hole Reservoir or be used to augment releases from Hell Hole Reservoir to the Middle Fork Powerhouse.

Flows from the Middle Fork American River (including instream flow releases from French Meadows Reservoir) are captured at Middle Fork Interbay along with water released from Hell Hole Reservoir through Middle Fork Powerhouse. From Middle Fork Interbay, water is transported via the 6.7-mile-long Middle Fork-Ralston Tunnel, passed through the Ralston Powerhouse (which has a reliable generating capacity of 83.0 MW) and released into the Ralston Afterbay (2,782 ac-ft of gross storage). Flows from the Middle Fork American River (including instream releases from Middle Fork Interbay) and flows from the Rubicon River (including instream releases from Hell Hole Reservoir) are captured in Ralston Afterbay along with water transported from Middle Fork Interbay through Ralston Powerhouse. From Ralston Afterbay, water is transported via the 400-foot-long Ralston-Oxbow Tunnel, passed through the Oxbow Powerhouse (which has a reliable generating capacity of 5.8 MW) and released to the Middle Fork American River.

The Middle Fork and Ralston powerhouses run in tandem, using water transported from Hell Hole Reservoir to Ralston Afterbay. Together the two powerhouses have a reliable generating capacity of 210.0 MW and produce about 90% of the System's annual generation. Although Middle Fork Interbay is located between these powerhouses, Interbay has little ability to re-regulate flows because of its small storage capacity. If the flows through the Middle Fork and Ralston powerhouses are not matched, Interbay would either drain or overtop within minutes.

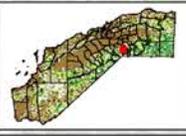
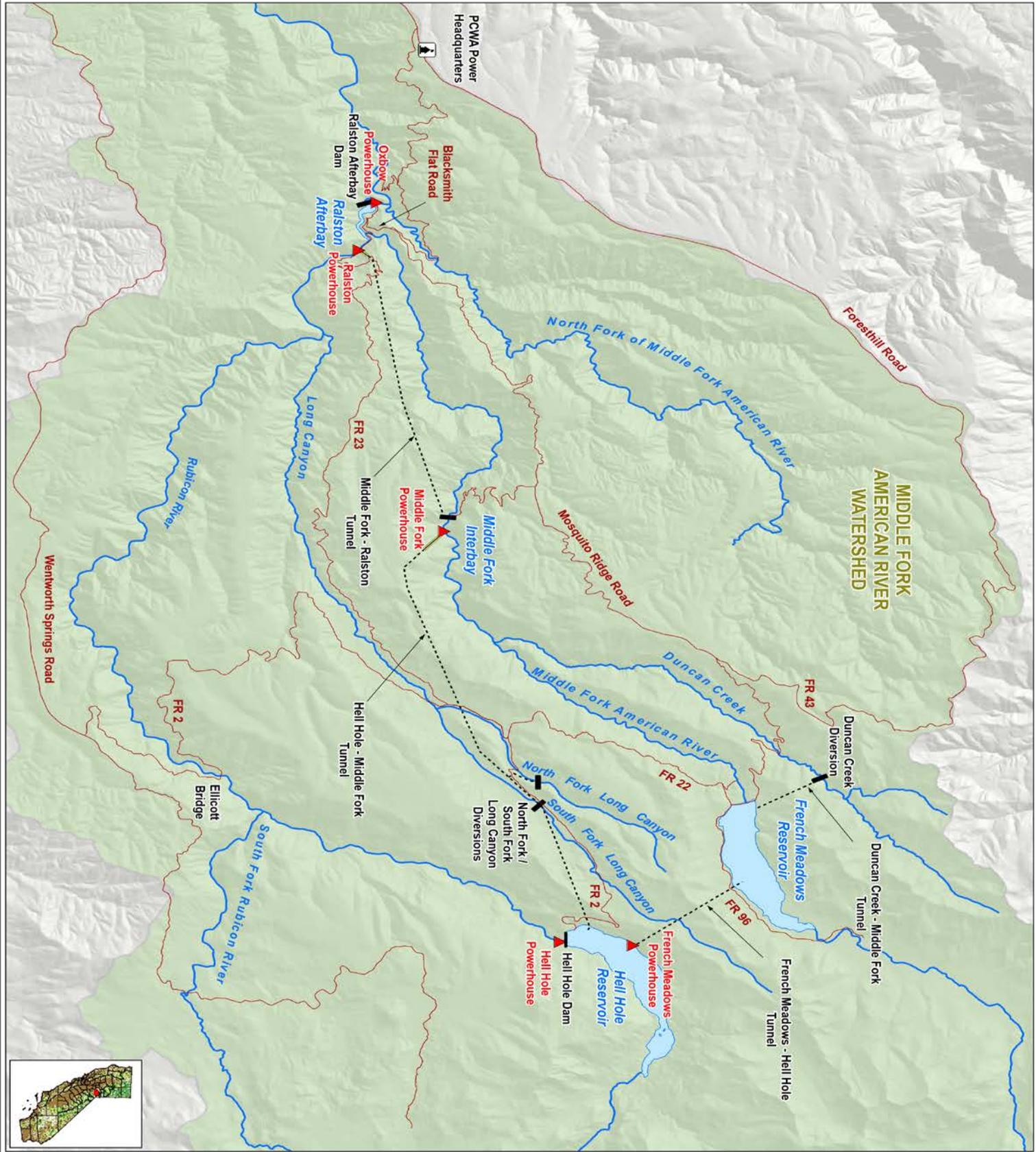
System powerhouses are made of concrete, with much of the structure below grade at reservoir or rivers edge. The terrain around the powerhouses is mostly bare rock and there are few trees in the vicinity of the powerhouses. The Agency performs vegetation management practices around the powerhouse security fence perimeter as needed, thereby reducing the fire risk to System powerhouses. In addition, the System currently uses PG&E's distribution/transmission lines to deliver its hydroelectric power to the spot market for sale, and the Agency does not own any transmission lines and only operates one short (3/4 mile) distribution line. See "DEVELOPMENTS IN THE ENERGY MARKETS – PG&E Bankruptcy" and "RISK

FACTORS – Environmental Risks and Considerations – Wildfire” and “– Inverse Condemnation” for certain additional information on risks related to the System’s facilities.

**Other Hydroelectric Facilities.** In addition to the major water and power facilities, the System includes 35 project roads (totaling almost 18 miles) and 10 project trails (totaling approximately 0.5 miles). These roads and trails are used almost exclusively by the Agency personnel to access and maintain System facilities. The roads and trails represent less than 1% of the total miles of roads and trails in the watershed. There are also over 6 miles of System powerlines and communication lines, which provide power to operate System equipment and allow communication between facilities. In addition, numerous smaller facilities and features support System operations, including flow gaging stations and weirs, photovoltaic poles, microwave reflectors and radio towers, sediment disposal sites, generator and storage buildings, operator cottages, a maintenance shop, a dormitory facility, and security and public safety fences.

**Recreation Facilities.** The System also includes 21 developed recreation facilities to enable public access to public lands and reservoirs. The developed recreation facilities are concentrated around French Meadows Reservoir, Hell Hole Reservoir, South Fork Long Canyon Diversion Pool, and Ralston Afterbay. The Agency is responsible for operation and maintenance of these facilities. These System recreation facilities augment other recreation facilities in the watershed operated by other governmental agencies.

**System Map.** A map showing the facilities of the System is set forth on the following page.



**Project Facilities**

- ▲ Powerhouse
- Dam
- ..... Tunnel
- ..... Penstock

**Transportation**

- Road

**Hydrography**

- Watercourse
- Water Body
- Middle Fork American River Watershed\*

\*Modified from Calwater Ver. 2.2 to represent drainage above high-water mark of Folsom Lake



Pleasant County Water Agency  
Middle Fork American River Project  
Map 1-1  
Middle Fork American River  
Project and Vicinity

Scale: 1" = 1 Mile  
Projection: CA State Plane, Zone 2  
Datum: NAD 83

## Power Production and Demand

**Overview.** Hydroelectric power from the System is produced at five powerhouses with a combined reliable generating capacity of 232.4 MW. The System's operations for water supply and electric power generation are constrained by regulatory and contract requirements, the physical capacities of the System facilities, and water availability. Regulatory and contract requirements include conditions imposed by the FERC license (described below), water rights permits, and water delivery contracts. Water availability is influenced by carryover storage in the System reservoirs and the timing and quantity of annual runoff.

Water supply operations take priority over power generation operations. However, in all but dry years, current water supply demands are easily met as a by-product of power generation. Consumptive water and electrical demands tend to coincide seasonally and the System generally controls and releases far more water annually than the Agency requires to meet its consumptive water demand. The majority of the Agency's consumptive deliveries are withdrawn from Folsom Reservoir, where the United States Bureau of Reclamation ("**USBR**") allows for a 30-day balancing of supply and demand; thus, hourly or even daily releases from the System do not need to explicitly match consumptive deliveries from Folsom Reservoir. Only the re-diversion of water for consumptive demand at the American River Pump Station near Auburn (maximum 100 cfs) requires hourly balancing to meet continuous minimum instream flows requirements below the pumping station.

The System produces an average of 1,000,000 MWh annually on mean generation flows of 452,000 ac-ft. The highest annual generation was in 1983, a wet water year, when the System produced approximately 1,815,000 MWh on flows of 714,400 ac-ft. The lowest annual generation was in 1977, a critically dry water year, when the System only produced 211,000 MWh on flows of 75,000 ac-ft.

**Hydrology and Water Supply.** The System is situated in the foothills and mountainous uplands of the western slope of the central Sierra Nevada, primarily within the County. The System facilities are located on the Middle Fork American River, the Rubicon River, Duncan Creek, and the North and South forks of Long Canyon Creek, within an area referred to as the Middle Fork American River Watershed. The Watershed is characterized by hot, dry summers and mild, wet winters, with most of the precipitation falling between October and March. Precipitation falls as rain in the lower elevations and snow at elevations greater than 5,000 feet mean sea level. Elevations higher than about 6,000 feet mean sea level typically are covered with snow until May. Mean annual precipitation in the Watershed ranges from approximately 35 inches in dry years to 94 inches in wet years. The System is required under its FERC license to maintain minimum stream flows at eight locations.

The minimum stream flows will vary by six water year types (Wet, Above Normal, Below Normal, Dry, Critical and Extreme Critical), as determined by DWR's Bulletin 120 forecast of unimpaired inflow below Folsom Reservoir. The highest minimum flows will be required in the wettest years; the lowest minimum flows will be in the driest years and are the same as the existing dry year flow requirements. Overall, the highest minimum flows are required downstream of Oxbow Powerhouse, where the vast majority of the time hydro and water supply operations release flows well in excess of the minimum required. The Wet and Above Normal water year types would be considered "wetter" year types, and historically accounted for just over 55% of water years in the historic record. Of the "drier" year types, Critical and Extreme Critical account for only 7.5% of occurrences in the historic record, and Below Normal and Dry about 37.4%.

Precipitation, temperatures, soil moisture levels and snowfall accumulation are monitored in the vicinity of the System through a network of monitoring and recording stations operated by numerous entities, including the National Weather Service, the Forest Service, USBR, the California Department of Forestry (“**CDF**”), and the Agency. Measurements are collected at higher elevations near Duncan Creek (7,100 feet) down to the lower elevations near Folsom Dam (350 feet). The Agency uses this information flow to continuously monitor and plan for runoff conditions.

The amount of runoff derived from rainfall and snowmelt can vary greatly. Occasionally, very intense and localized winter rainstorms result in substantial runoff. The typical snowmelt period, when runoff and stream flows are high, is April through mid-June. Snowmelt runoff can occur earlier in drier years and last longer during wetter years. Total System inflow (combined flows from Duncan Creek, Middle Fork American River, Rubicon River, and Long Canyon Creek) for the period 1975 to 2019 averaged approximately 379,015 ac-ft and ranged from a low of approximately 62,638 ac-ft to a high of more than 790,820 ac-ft (more than a tenfold difference).

**Seasonal Variability.** The total annual flow through the System and the resulting total annual generation are highly variable. Typical annual operation of the System results in the capture of runoff which is diverted to increase storage in French Meadows and Hell Hole reservoirs in the winter and spring (filling period), and drawdown of the reservoirs during the summer, fall, and early winter (release period).

During the filling period, flows through the System powerhouses are highly dependent on projected and actual runoff conditions. In drier years, power releases are minimized during the filling period to increase the volume of water in storage to meet upcoming summer consumptive use and peak power demands. In wetter years, power releases during the filling period are increased to minimize spills from the reservoirs. In “normal” years, when minimum storage levels to meet consumptive demands are reasonably assured and the chance of spilling is low, power releases are adjusted through the filling season based on the volume of water in storage, projected runoff, and current and projected power values.

Daily and hourly releases for generation are very flexible. During the release period, flows are managed to: (1) meet storage and flow license requirements; (2) meet consumptive water supply requirements; (3) optimize power generation to meet peak electrical demand; and (4) achieve end of year carryover target storage levels.

The Agency’s staff utilizes a number of tools and models to continuously track real and projected inflow, reservoir elevations, and System conditions. Staff monitors current and forecast energy market conditions, in parallel to forward market indicators (e.g. natural gas), and daily CAISO market results. The Agency continuously updates its forecasts of anticipated market conditions, with the goal of generating only in the most valuable hours given the current fuel (water) supply. Water supply operations take priority over power generation operations. However, in all but very dry years, water supply demands are normally met as a by-product of power generation. The reason is that both consumptive water and electrical demands tend to coincide seasonally and generally far more water is controlled and released annually than the Agency requires to meet its consumptive water demand. In addition, the majority of Agency’s consumptive deliveries are withdrawn from Folsom Reservoir, where the Bureau of Reclamation allows for 30 day balancing of supply and demand. Only the re-diversion of water for consumptive demand at the American River Pump Station near Auburn requires real time balancing of releases and diversions to meet continuous minimum instream flows requirements below the pumping station.

The System's hydro operating characteristics are flexible, allowing storage of water in the reservoirs for generation during the most valuable seasons, and highly flexible release capabilities to respond to energy market signals on an hourly or sub-hourly time step. System powerhouses can ramp up from zero to full load within eight minutes, and back down to zero in another eight minutes. The fast ramping capability allows maximum dispatch flexibility by the CAISO to manage increasing amounts of intermittent resources such as wind and solar.

The highest annual generation of record (1983) was approximately 1,815,000 MWh on throughput of 714,400 ac-ft. The lowest annual generation of record (1977) was 211,000 MWh on throughput of 75,000 ac-ft.

***Regulatory Requirements for Operations.*** The System is operated in compliance with numerous federal, state and local licenses, permits, rules and regulations, a partial list of which includes:

- FERC license and regulations, including operational, environmental and safety regulations.
- Forest Service permits and conditions, covering road, environmental, and recreation operations.
- California Division of Safety of Dams regulations, which requires annual inspections and reports.
- California State Water Resources Control Board ("**SWRCB**") licenses and permits, covering water use, rater rights, and environmental conditions.

The FERC license and SWRCB permits include some constraints on operations. As described above, the System is required to maintain minimum stream flows at 8 locations. The minimum flows vary by water year type, with lower flows in drier conditions and higher flows in wetter conditions. In addition, the System is operated to meet reservoir storage constraints for recreation and water supply. The System has operated under these constraints since its construction, and all energy generation and revenue figures cited herein include operations to the constraints. Additionally, the hydrology, operations and operational flexibility described in this document also reflect the current and anticipated regulatory constraints.

There are six System license conditions regarding streamflow releases and reservoir operations:

- Maintain minimum streamflows.
- Pulse flows downstream of dams.
- Modified ramping requirements.
- New flow requirements during outages.
- Revised reservoir minimum pool elevations and reservoir levels recreation objectives.

- Recreation streamflows in the Middle Fork American River below Oxbow powerhouse consistent with past practices.

The Agency estimates that the modification of these conditions from the prior FERC license conditions results in a slight loss in total generation of approximately 4%.

**Powerhouse Operations.** The Middle Fork and Ralston powerhouses are the heart of System's hydroelectric generation. These two powerhouses generally run in tandem, using water transported from Hell Hole Reservoir to Ralston Afterbay. Together, the two powerhouses have a reliable generating capacity of 210.0 MW and produce about 90% of the System's annual generation. Although Middle Fork Interbay is located between these powerhouses, Middle Fork Interbay has little ability to re-regulate flows because of its small storage capacity (175 acre-ft). If the flows through the Middle Fork and Ralston powerhouses are not matched, Middle Fork Interbay would either drain or overtop in minutes.

These powerhouses, running in tandem, are often used to help maintain reliable operations of the transmission grid by fine-tuning the flow of electricity in the grid to balance supply and demand. When operated to provide grid regulation, flow rates through the powerhouses vary quickly to meet constantly changing energy supply and demand conditions. These powerhouses are also frequently block loaded. When block loaded, flows through the powerhouses are usually set at an efficient operating level and run for a prescribed number of hours per day, depending upon hydrology. For the most part, hydrology permitting, PG&E operated the System by block loading (consistent unit generation hour-over-hour, as opposed to load-following) the generation to fulfill their load requirements.

French Meadows Powerhouse is used when water is moved from French Meadows Reservoir to Hell Hole Reservoir. It is nearly always operated in block-loaded condition, with the duration of the block of operation set depending on the volume of water to be moved.

Ralston Afterbay and Oxbow Powerhouse are the final steps in the System. Oxbow Powerhouse frequently runs in tandem with Middle Fork and Ralston powerhouses. Presently, water is released from Oxbow Powerhouse to the Middle Fork American River at the same rate it enters Ralston Afterbay. However, Ralston Afterbay has sufficient operational storage capacity (about 1,200 ac-ft out of 2,782 ac-ft gross) to allow Oxbow Powerhouse to operate independently of Middle Fork and Ralston powerhouses for several hours at a time. This independent operational flexibility is used to meet the ramping rate requirement downstream of Oxbow Powerhouse, and to make weekend releases for whitewater rafting without requiring operation of the Middle Fork and Ralston powerhouses.

**Performance of the System.** Under the former PPA with PG&E, PG&E marketed and dispatched generation to meet their customer energy portfolio needs. PG&E reimbursed the Agency for the operating costs and paid the debt service on the constructed asset. For the most part, hydrology permitting, PG&E operated the System's generation to fulfill its load requirements. On May 1, 2013, this changed with the expiration of the PPA. The Agency began marketing, dispatching and receiving the benefit of the generation. As a result, the Agency's marketing decisions focused on maximizing revenue based on hydrologic conditions and energy prices with those revenues being directed to the Authority.

Currently, the Agency's energy marketing staff ("**Energy Marketing**") manages the sale of System energy and capacity into CAISO day-ahead and real-time markets with the primary goal of maximizing revenue. To that end, Energy Marketing assesses market fundamentals,

including, but not limited to, infrastructure availability, hydro-conditions and outlook, natural gas supply-demand balances, California electric energy supply-demand balances, and weather forecasts, formulating strategies to manage and optimize the sale of System energy and capacity among available market options. In benchmarking outcomes, staff compares monthly actual, realized System revenue to an optimal dispatch of available energy into the CAISO's day-ahead market. That optimal dispatch averages prices by hour for each month, ranks them from highest to lowest, and assumes System energy is dispatched to capture the highest priced hours. Since May 1, 2013, Energy Marketing has realized \$13.4 million or 8.7% in added value through its market management effort.

## Operations and Maintenance of the System

**General.** The System is owned and operated by the Agency. To maintain and protect system reliability, the Agency conducts annual inspections, testing, and maintenance of System facilities. Annual maintenance is scheduled at a time when the work can be expeditiously completed (during favorable flow and weather conditions) and have the least effect on water supply deliveries and power production. These activities typically occur for facilities in the lower area of the System beginning in late September, and require that the lower System powerhouses (Middle Fork, Ralston, and Oxbow) be taken out-of-service for 3-6 weeks. During the fall maintenance period, Middle Fork Interbay and Ralston Afterbay water levels are lowered to allow access to the facilities. Consumptive demands and instream flow requirements downstream of Oxbow Powerhouse during the fall outage are typically met by increasing flow releases from Hell Hole Reservoir into the Rubicon River.

Inspection, testing, and the maintenance of facilities in the upper area of the System (French Meadows and Hell Hole powerhouses), typically occur during the spring, once the roads to the System facilities are passable. The Agency also implements routine maintenance activities within and around System facilities.

**Historical Water Inflows; System Reliability and Power Sales.** Annual operations and hydroelectric generation are strongly influenced by inflows of water into the System facilities and its reliability; therefore, continual efforts are made to maintain the reliability of the System. The development of predictive maintenance and condition monitoring has proven to increase the health of the System and predict outages. The following table shows annual water inflows, outflows, availability of the System, power sold, average prices, and total power sales since 2014.

**Table No. 1  
MIDDLE FORK PROJECT  
COMBINED HISTORICAL HYDROLOGY, AVAILABILITY, AND POWER SALES**

<u>Calendar Year</u>	<u>Annual Water Inflows (Acre-Feet)</u>	<u>Annual Water Outflows (Acre-Feet)</u>	<u>System Availability</u>	<u>Forced Outage Rate</u>	<u>Power Sold (MWh)</u>	<u>Avg On-Peak<sup>(1)</sup></u>	<u>Avg Off-Peak<sup>(1)</sup></u>	<u>Total Energy Sales</u>
2014	167,387	172,336	89.7%	0.7%	514,966	\$42.89	\$50.71	\$29,176,690
2015	129,035	103,747	84.0%	0.1	310,498	30.37	38.94	16,038,953
2016	477,606	338,276	88.8%	1.1	1,009,316	23.66	30.25	31,137,535
2017	836,301	478,304	90.4%	0.1	1,417,914	26.95	37.09	46,272,104
2018	286,686	282,232	89.0%	0.0	838,442	31.10	42.20	41,073,465
2019	485,700	484,490	89.7%	0.2	1,441,337	31.79	39.31	52,241,110

(1) On / Off Peak Pricing is at the average CAISO price at the System/MFP node.  
Source: Middle Fork Project Finance Authority.

**Power Generation Production.** The System is operated to meet consumptive water and electrical energy needs and is broken down into two categories as determined by the California Energy Commission (“CEC”): large hydro, which are facilities larger than 30 MW, and small hydro, facilities smaller than 30 MW. Small hydro plants qualify as renewable energy under the Renewables Portfolio Standard. The following table shows the historical electrical energy generation of the System, grouped by facility size, since 2014.

**Table No. 2  
MIDDLE FORK PROJECT  
ANNUAL ENERGY GENERATION (MWh)**

<u>Calendar Year</u>	<u>Large Hydro Generation (MWh)<sup>(1)</sup></u>	<u>Small Hydro Generation (MWh)<sup>(2)</sup></u>	<u>Total (MWh)</u>
2014	476,353	38,613	514,966
2015	290,622	19,876	310,498
2016	929,442	79,874	1,009,316
2017	1,288,703	129,211	1,417,914
2018	771,900	66,542	838,442
2019	1,318,508	122,829	1,441,337

(1) Large hydro facilities are larger than 30 MW of generation capacity, which includes the Middle Fork and Ralston Powerhouses.

(2) Small hydro facilities are equal to or smaller than 30 MW of generation capacity, which includes the French Meadows, Oxbow and Hell Hole Powerhouses.

Source: Middle Fork Project Finance Authority.

**Electrical Demand Production.** The System is able to generate electricity during periods of peak demand, as shown in the following Table No. 3 (and related Figure No. 1). Within a 24-hour day, California power demand peaks between 5 a.m. and 8 a.m., and between 4 p.m. and 9 p.m.; however, solar power generating peaks around 2 p.m., then declines rapidly, requiring other generation resources, such as hydro-generation, to quickly ramp down in the morning and ramp up in the early evening, allowing the market to balance and ensuring grid integrity.

The following Table No. 3 (and related Figure No. 1) shows pricing and sales by quartiles, since 2014.

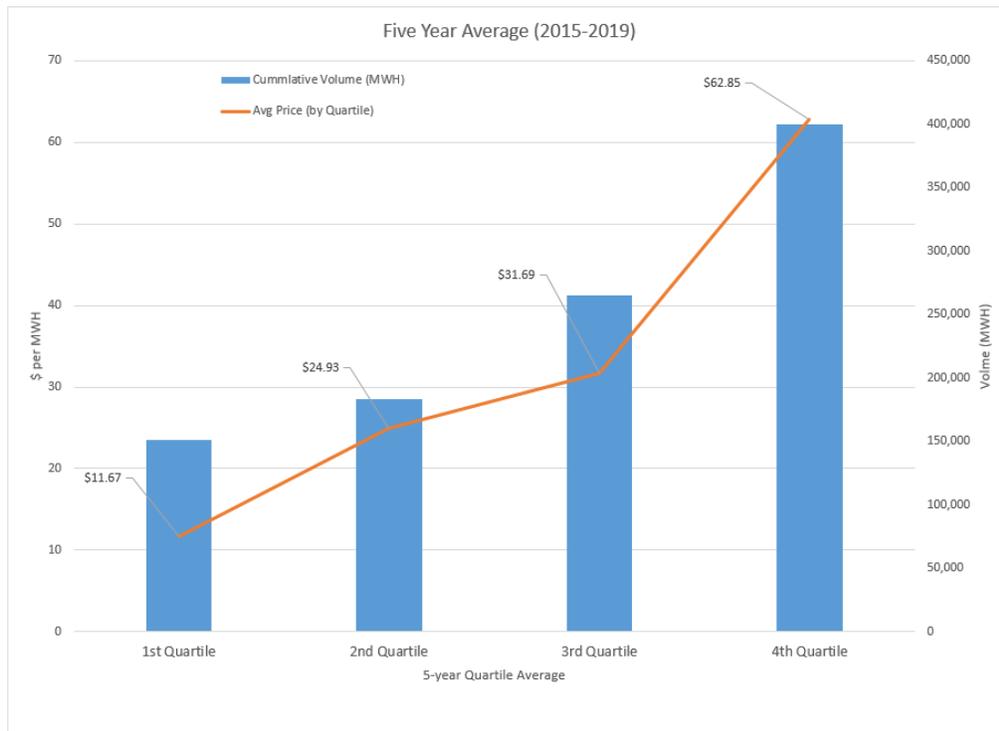
**Table No. 3  
MIDDLE FORK PROJECT  
HISTORICAL ANNUAL ELECTRICAL PRODUCTION (MWh) AND AVERAGE PRICES<sup>(1)</sup>**

<u>Calendar Year</u>	<u>1<sup>st</sup> Quartile Price (Lowest)</u>	<u>1<sup>st</sup> Quartile Sales (MWh)</u>	<u>2<sup>nd</sup> Quartile Price (\$)</u>	<u>2<sup>nd</sup> Quartile Sales (MWh)</u>	<u>3<sup>rd</sup> Quartile Price (\$)</u>	<u>3<sup>rd</sup> Quartile Sales (MWh)</u>	<u>4<sup>th</sup> Quartile Price (Highest)</u>	<u>4<sup>th</sup> Quartile Sales (MWh)</u>
2014	\$22.32	1,673	\$38.01	8,068	\$44.98	188,880	\$75.78	309,201
2015	18.98	4,670	27.34	16,635	32.61	75,855	61.78	206,110
2016	9.04	120,165	22.06	221,462	28.11	258,021	54.32	405,937
2017	6.93	232,572	23.72	219,366	29.67	421,057	60.18	544,060
2018	12.85	101,097	26.14	115,974	34.75	264,188	72.48	355,860
2019	10.56	299,306	25.40	345,356	33.29	306,699	65.48	489,817

(1) Quartile analysis is based on historical actual prices.

Source: Middle Fork Project Finance Authority.

**Figure No. 1 (Historical Electrical Production and Average Prices By Quartile)**



**Capital Investment Program**

**History of Capital Investments.** Over the past 20 years, the Agency’s Power System Maintenance team completed a significant number of capital upgrades and replacements projects for the System, enhancing reliability and operational flexibility. From 2000 through mid-2019 a total of \$147.9 million has been spent on capital projects for the System. Much of the spending has been for upgrades and efficiency improvements. Representative projects include:

- Widening of the LL Anderson Dam (French Meadows Reservoir) Spillway (\$18.5M, 2014)
- New runners for Middle Fork and Ralston Powerhouses
- Rewind at Ralston Powerhouse (\$5.4M, 2008)
- French Meadows Low Level Outlet repair (\$1.5M, 2008)
- System Control & Instrumentation (\$1.3M, 2012)
- Middle Fork Powerhouse Runner Replacement (\$1.3M, 2011)
- Replaced Microwave communication system (\$1.2M, 2009)
- Power Resources Management (\$2.8M, 2013)
- Governor upgrades in Middle Fork and Ralston Powerhouses (\$1.9M, 2013)
- Middle Fork Powerhouse Excitation Upgrade (\$2.2M, 2016)
- Middle Fork Powerhouse Outlet Works upgrades \$1.1M, 2019)
- Duncan Creek Diversion Upgrade (\$1.3M, 2019)
- Communications Upgrade (\$13.2M, 2019)
- Oxbow Powerhouse Upgrade (\$0.4M, 2019)

**Current Five-Year CIP.** In October 2019, the Authority adopted the 2020 Budget, which includes a 5-year capital investment program (“CIP”) for the System covering the years 2020 – 2024. Because the new FERC license is anticipated to be received by April 2020, and as set forth in the new FERC license requirements, certain capital projects have specific construct-by dates with construction deadlines 3-years and/or 5-years following the license issuance date, the current Five Year CIP has significant FERC license implementation projects. These projects include addition of seasonal storage, diversion dam upgrades and road management, campground rehabilitation, water supply facilities, refuse facilities upgrade and boat ramp enhancements. The 5-year CIP for certain projected years was modified in the table below to align to anticipated cash flows.

The following table sets forth the five-year CIP by category:

**Table No. 4  
MIDDLE FORK PROJECT FINANCE AUTHORITY  
CAPITAL INVESTMENT PROGRAM (CIP)<sup>(1)</sup>**

<u>CIP Category</u>	<u>Adopted Budget 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>
Upgrades	\$3,350,000	\$1,300,000	\$290,000	\$450,000	\$575,000
Renewal, Replacement and Reliability	3,550,000	2,000,000	3,500,000	1,050,000	150,000
FERC License Implementation Projects <sup>(2)</sup>	3,181,366	8,690,216	8,568,258	9,722,250	8,702,800
<b>Total</b>	<b>\$10,081,366</b>	<b>\$11,990,216</b>	<b>\$12,358,258</b>	<b>\$11,222,250</b>	<b>\$9,427,800</b>

(1) The Authority funds the ongoing CIP with cash from operations.

(2) FERC License Implementation Projects are considered one-time capital projects. These projects have specific implementation requirements based on the anticipated new FERC license.

Source: Authority Budget and Authority Treasurer.

## CAISO, CPUC and CEC

**CAISO Controlled Grid.** The CAISO provides a market for the purchase and sale of electrical energy produced within the CAISO, as well as a market for energy imports into and exports out of, the CAISO. Under current CAISO operating protocols, users of the grid pay per MWh charges for uses of the transmission system for the flow power in, and out of the CAISO.

**California Public Utilities Commission (“CPUC”).** The Authority sells power into the wholesale energy market and does not have or set rates for retail customers. The Authority is not subject to the regulatory jurisdiction of the CPUC.

The CPUC defines three content categories for renewable generation facilities, depending on the location and connection status of the renewable generator. Portfolio Content Category (PCC) 1, 2 and 3 have different market values, with PCC-1 having the highest value. All of the System’s renewable-eligible resources (French Meadows, Oxbow, and Hell Hole) are PCC-1.

**California Energy Commission (“CEC”).** The CEC is authorized to evaluate rate policies for electric energy as related to goals of the Energy Resources Conservation and Development Act and make recommendations to the Governor, the Legislature and publicly-owned electric utilities. Historically, the CEC has not set power prices at which the Agency can sell power.

## Operation of the System by the Agency

The System is owned and operated by the Agency. The Agency's management and employees manage and operate the System, subject to the JPA Agreement of the Authority described above. The following sections provide additional information regarding the employees and insurance of the Agency.

**Employee Relations.** The Agency has two formal employee bargaining units. The general employees' bargaining units for both the Water Division and Power Division are represented by I.U.O.E. Stationary Engineers Local 39. The Department Managers, Mid-Management and Confidential bargaining units are unrepresented. The current memorandum of understanding for each group expires on December 31, 2020. The Agency considers its employee relations to be good, and has experienced no labor strikes.

**Insurance.** With respect to the System and the Agency's Power Division, the Agency is obligated under the Indenture to maintain insurance on the System with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with water systems similar to the System so long as such insurance is available from reputable insurance companies.

Any insurance required to be maintained pursuant to the Indenture may be maintained under a traditional insured program, self-insurance program or pooled risk program, so long as the insurance or pooled risk program is maintained in the amounts and manner usually maintained in connection with similar systems in California.

The Agency purchases an all-risk policy for the direct physical loss or damage including boiler explosion and machinery breakdown through an insurance tower with ACWA-JPIA. This insurance is furnished by a surplus market through Lloyd's of London facilitated by Alliant Insurance. The specific policy has \$250,000,000 in limits, with specific sub-limits and a \$1,000,000 self-insured retention. This policy additionally covers business interruption for losses triggered by a covered property loss. Commercial General Liability Insurance ("CGL") is covered through American Alternative Insurance with an excess tower from Travelers Insurance. There is a total limit of \$25,000,000 in CGL coverage with a \$25,000 self-insured retention. In addition to these basic coverages, the Agency carries workers' compensation, public officials, pollution, cyber liability and crime bond coverage to round-out the insurance program

**Retirement Program.** *This caption contains certain information relating to PERS (defined below). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. None of the Authority, the Agency, the Municipal Advisor and the Underwriter has independently verified the information provided by PERS and makes no representations and expresses no opinion as to the accuracy of the information provided by PERS. The comprehensive annual financial reports of PERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. None of the Authority, the Agency, the Municipal Advisor and the Underwriter can guarantee the accuracy of such information.*

*Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

*Plan Description.* The Agency provides retirement benefits through the State of California Public Employees' Retirement System ("PERS"), an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State. All qualified permanent and probationary employees are eligible to participate in the Local Government's Miscellaneous Plan (the "Plan"). Benefit provisions under the Plans are established by State statute and Local Government resolution.

*Benefits Provided.* PERS provides service retirements and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Public Employees' Pension Reform Act ("PEPRA") of 2013 was created with the passing of Assembly Bill 340 ("AB 340") signed by the Governor in September 2012. PEPRA implemented new benefit formulas, final compensation period and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of "new member" under this bill.

Approximately 33 full-time equivalent employees ("FTE") of the Agency, or 15% of total FTEs of the Agency, would be allocable to the operations of the System thus, a corresponding percentage of the PERS costs are reimbursed by the Authority.

*Funding Policy.* The Agency currently makes a portion of the contributions required of Agency classic member employees on their behalf and for their account. The contribution rates below are set by statute and therefore, generally remain unchanged from year to year. The present actuarially determined rates of annual covered payroll are as follows:

<u>Category</u>	<u>Classic Member Rates as a % of Wages</u>	<u>PEPRA Member Rates as a % of Wages</u>
Local Miscellaneous Members	8.00%	6.25%

The contribution requirements of the plan members are established by State statutes, and the employer contribution rate is established and may be amended by PERS. The table below reflects the Plans' provision and benefits in accordance with PEPRA at June 30, 2018:

	<u>Prior to Jan. 1, 2013</u>	<u>On or After Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2.7% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 Year Service	5 Year Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-55	52-67
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8%	6.25%
Required Employer Contribution Rates	23.71%	23.71%

*Contribution Description.* Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through the PERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer

contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The table below shows the recent history of the Agency's actuarial accrued liability, the market value of assets, the funded ratio, and the annual covered payroll. Information for 2019 is not currently available.

**(Dollars in Thousands)**

<b>Valuation Date</b>	<b>Accrued Liabilities</b>	<b>Market Value of Assets</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/12	\$86,443	\$54,719	\$31,723	63.3%	\$12,941
6/30/13	92,978	62,338	30,640	67.0	14,165
6/30/14	104,550	73,393	31,157	70.2	14,979
6/30/15	110,681	74,881	35,800	67.7	15,408
6/30/16	118,004	74,648	43,356	63.3	16,347
6/30/17	125,720	83,092	42,627	66.1	17,574
6/30/18	137,489	90,161	47,328	65.6	18,409

*Source: PERS Annual Valuation Report as of June 30, 2018.*

On July 18, 2016, PERS announced preliminary investment returns for the 12-month period ended June 30, 2016, of 0.61%. Such returns are significantly lower than PERS' assumed rate of investment return (7.50%) and, along with other factors (including future investment returns and contributions rates), may result in increased required contributions in the future.

*Recent Actions Taken by PERS.* During the period 2013 through 2016, the PERS' Board of Administration took various actions impacting the contributions owed by the Agency under the Plan, including relating to amortization and smoothing policies, demographic actuarial assumptions, funding risk mitigation policies and other matters. On December 21, 2016, the Board of Administration voted to lower its discount rate from 7.5% to 7.0%, over a three fiscal year period ending with Fiscal Year 2019-20.

*Pension Reform Act of 2013 (Assembly Bill 340).* On September 12, 2012, Governor Brown signed AB 340, a bill that enacted PEPPRA and amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payout for members hired after January 1, 2013, (iii) addresses numerous abuses of the system, (iv) requires State, school, and certain city and local agency employees hired after January 1, 2013 to pay at least half of the costs of their PERS pension benefits and (v) determines final compensation for members hired after January 1, 2013 based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months. PEPPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS). The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the Agency, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension

benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

**Other Post-Employment Benefits (OPEB).** Based on Memoranda of Understanding (“MOU”) between the Agency and the employees’ union, retirees may purchase health coverage with unused sick leave. The cost to the Agency in the year ended December 31, 2018, was \$12,784. The Agency also provides other post-employment healthcare benefits (“OPEB”) to retirees through PERS. In addition, the Agency contributes the larger of the Public Employees’ Medical and Hospital Care Act (“PEMHCA”) and MOU benefit. The cost to the Agency in 2018 was \$955,766.

As part of implementation of Governmental Accounting Standards Board’s Statement No. 45 (“**Statement No. 45**”), which requires, among other things, that the Agency account for post-employment benefits other than pension benefits, in 2008, the Agency elected to pursue a fully prefunded program and establish an irrevocable trust to provide a funding mechanism for OPEB and apply the provisions of Statement No. 45 on a prospective basis. The trust is administered by PERS through its California Employers Retiree Benefit Trust (“**CERBT**”) and managed by an appointed board that is not under the control of the Agency’s Board of Directors. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. As of September 30, 2019, the Agency has set aside \$24,220,764 in its CERBT account.

## **SYSTEM FINANCES**

### **Financial Statements**

The Authority’s financial transactions and accounting are undertaken by the Authority Treasurer, who serves as the Director of Financial Services for the Agency. Therefore, the Authority’s accounting and internal accounting controls are those of the Agency.

The Authority maintains its own financial statements, accounting for the revenues and expenditures of the System. In addition, the Agency prepares financial statements. In the Agency’s financial statements, the Power Division’s operations are accounted for as a separate enterprise fund. The Agency is reimbursed by the Authority for amounts expended by the Agency to operate the System and to construct capital improvements for the System. These amounts, as and to the extent reimbursed to the Agency, are shown in the Agency’s financial statements within the enterprise fund for the Power Division. The fund for the Power Division is not audited separately.

The Authority’s accounting principles conform to generally accepted accounting principles as applicable to governmental type organizations. The Authority’s audited financial statements for the year ended December 31, 2018 are attached hereto as Appendix E.

### **System Revenues**

As noted above, under the JPA Agreement, the Agency continues to own, manage, operate and maintain the System, and the System’s related operational and capital expenses are reimbursed from the Authority to the Agency (and the County, if applicable) on a weekly basis. The Authority’s primary sources of revenue are payments for electrical energy supplied to purchasers through the CAISO. The Authority also receives interest income.

**Power Sales.** The Agency is a certified Scheduling Coordinator (“**SC**”) with the CAISO. Having an executed “SC” agreement with CAISO allows the Agency to buy and sell power directly to the CAISO, with all revenues deposited into the Authority’s bank account. The Agency supplies the CAISO with hourly offers to sell power at a specific price. If the market price clears higher than the offer, the CAISO awards the Agency a sale for the time increment the CAISO market is running. The CAISO also has meters at all of the System’s powerhouses that track actual generation output for each plant, and pays the Authority accordingly. The only customer for the System’s generating output is the CAISO. Although there have been a few forward sales to Shell Energy North America (“**Shell**”) and BP North America (“**BP**”), these forward sales are scheduled and cleared through the CAISO.

The Agency has the ability to lock in forward energy prices via fixed-for-float swaps with Shell and BP. The Agency can moderate its exposure to the sometimes-volatile CAISO day-ahead energy market by selling energy for fixed prices to Shell or BP. Through these swaps, the Agency can sell blocks of energy (typically 6 days of 16 hours per day, for an entire month, in 25 MW increments). By locking in prices in advance for a portion of its output, the Agency can “lock in” prices it sees as favorable.

The CAISO Day Ahead and Real Time market is considered a “spot” market, as those markets only solve for the next day or hour. The “spot” market has a different price for every hour, whereas a forward sale has the same price for all the hours that are sold in the future.

**Energy Product Revenue.** The following table provides a history of revenue received for the past 5 years from bilateral contracts from the System, including resource adequacy (RA), renewable energy credits (REC), and carbon free. Renewable Energy Certificates (REC’s) are market instruments used to count, categorize and track renewable generation facility production in accordance with the CPUC’s rules for renewable content. Typically, when REC’s are transacted between the generator and purchaser, the transaction is defined as including all of the renewable characteristics of the generating facility. Thus, any facility that sells REC’s typically cannot sell other or additional environmental attributes (such as carbon-free energy).

**Table No. 5**  
**MIDDLE FORK PROJECT FINANCE AUTHORITY**  
**REVENUE BY ENERGY PRODUCT**  
**(Dollars in Thousands)**

<u>Year</u>	<u>Energy Sales</u>	<u>Bundled RA and RECs<sup>(1)</sup></u>	<u>Resource Adequacy (RA)<sup>(2)</sup></u>	<u>Renewable Energy Credits (RECs)<sup>(2)</sup></u>	<u>Carbon-Free<sup>(2)</sup></u>	<u>Forward Market Initiative<sup>(3)</sup></u>	<u>Total Revenue</u>
2014	\$29,177	\$12,785	\$ --	\$ --	\$ --	\$ --	\$41,962
2015	16,039	12,239	--	--	--	--	28,278
2016	31,138	14,229	--	--	--	--	45,366
2017	46,272	14,611	--	--	--	--	60,883
2018	41,073	--	3,980	990	772	--	46,815
2019	52,241	--	5,208	2,149	1,319	1,010	61,927

(1) Prior to December 31, 2017, the Agency sold all System energy products for resource adequacy and renewable energy credits to PG&E under a bundled contract

(2) As of 2018, the Agency entered into bi-lateral contracts with Tenaska and Pioneer Community Energy for the sale of RA, RECs and carbon free.

(3) In 2019, the Agency began entering into Forward Market Transactions with Shell and BP.

Sources: Middle Fork Project Finance Authority.

## **Feasibility Study**

In connection with the issuance of the Bonds, the Authority has commissioned Horizons Energy, Dublin, Ohio (the “**Feasibility Consultant**”) to prepare a feasibility study (the “**Feasibility Study**”) to demonstrate the ability of the Authority to generate revenues sufficient to pay debt service on the Bonds from Net System Revenues. A complete copy of the Feasibility Study is attached to this Official Statement as Appendix A, and is incorporated herein by reference.

Horizons Energy has over 60 years of combined experience in the North American energy industry providing consulting services, custom scenarios and conducting studies on behalf of over 50 clients. Horizons consultants contributed to over 30 North America integrated resource plans (IRP), including the predominately hydro power systems: TVA, BC Hydro, Manitoba Hydro, FortisBC (West Kootenay Hydro). Additionally, Horizons consultants have performed billions of dollars in valuation including KeySpan due diligence, Public Service Colorado resource bidding, City of Lake Worth IRP, New York IPP battery valuations and the Public Service New Mexico abandonment and replacement power case. Horizons Energy semi-annually develops a North American advisory service and database containing a long-term outlook of the energy markets which includes a forecast of energy, capacity and fuel prices for 78 market areas through the year 2050.

The Feasibility Study includes, among other things, a description of existing System operations, facilities, and other relevant background information on the System, and an assessment of the adequacy of future revenues to fund operating expenses including debt service under certain conditions as described therein. It concludes with an assessment that, based on the assumptions and methodology set forth therein, the System, through the combination of annual Free Cash Flow and, when needed, Financial Risk Mitigation measures, has sufficient funds available to meet Annual Obligations, including the Bond P&I and therefore passes the tests of Financial Feasibility (all capitalized terms are as defined in the Feasibility Study).

Potential investors should review the complete copy of the Feasibility Study, which is attached in its entirety as Appendix A.

## **Outstanding System Obligations**

Following the refunding of the 2006 Bond, there will be no outstanding obligations that are payable from the Net System Revenues on a senior basis or parity basis to the Bonds. However, in the future, the Authority may incur additional parity obligations. See “THE FINANCING PLAN” and “SECURITY FOR THE BONDS – No Senior Debt; Issuance of Parity Debt.”

## **Authority Reserve Policy and Funding Status**

The JPA Agreement establishes spending priorities and included within the first spending priority is the requirement of “the maintenance of prudent operating reserves”. In April 2013, the Authority adopted General Financial Policies, including a Reserve Policy that requires the establishment and maintenance of Operating, Capital and Emergency reserves, and the annual review of such reserves. Reserve accounts were established for these categories, and are funded after the year-end financial results are determined.

The Operating Reserve has a full funding target amount at a minimum of one year of operating expenses and was fully funded, after the year-end 2016 audit was completed, to its current level of approximately \$25.75 million. However, after the 2019 financial statement audit

is completed, the Operating Reserve amount will be increased to \$27,813,305 to match with the 2020 operating budget and the results of 2019 will fund the \$2,063,395 increase.

The Emergency Reserve has been fully funded with \$2 million for insurance deductibles.

The Capital Reserve, which serves as a sinking fund for the System capital needs, and has a funding target of \$20 million, should be fully funded after the 2019 financial results are known. As the appropriated capital projects are funded as well as funds set-aside for the subsequent year's capital project resource needs. Based on projections, the Authority does not currently anticipate drawing from this Capital Reserve for capital project funding in the next 5 years.

In addition, the Authority has agreed in the Indenture to establish an Operation and Maintenance Reserve Fund constituting a component of the Authority's existing Operating Reserve. After the December 31, 2019 financial results are determined, the Authority's Operating Reserve is anticipated to be fully funded at \$27,813,305, which includes amounts deposited to the Operation and Maintenance Reserve Fund on the closing date for the Bonds. See "SECURITY FOR THE BONDS – Operation and Maintenance Reserve Fund."

### **Historical Operating Results and Revenue Variability**

From May 1, 2013 through December 31, 2018, System revenues have totaled \$250 million, which has been sufficient to fund annual operating costs averaging \$28.5 million including debt service, appropriated \$70.1 million in capital projects, and funded cash reserves to \$45.1 million. Within this period, however, there has been significant variability, primarily due to the amount of revenue recognized each year.

The energy component of the Authority's Power Sales Revenue is subject to significant variability due to variations in hydrology, energy market prices and a variety of other factors. Since May 1, 2013, when the Authority began receiving the System revenue with the expiration of the PPA with PG&E, the hydrologic swings have been significant. Thus, an overview of the annual precipitation will provide context for the variance in the Net System Revenues shown in Table No. 6 below: 2013 and 2014 were dry years, 2015 was the fourth dry year in California in one of the most severe droughts on record, 2016 was slightly above average, 2017 was record wet, 2018 was near average and 2019 was above average. As illustrated in Table No. 1 and Table No. 2, above, the System's power generation is directly related to the System inflows (rain and snow melt).

As illustrated in Table No. 1 (above) and Table No. 6 (below), Energy Sales in 2015, were substantially less than the average. The other factor related to the Power Sales fluctuation shown in Table No. 6 (below) are the Energy Products (Bundled RA and RECs, RA, RECs and Carbon-Free). The short-term PPA with PG&E that commenced in May 1, 2013 and ended December 31, 2017 included a fixed Monthly Payment Amount ("MPA") for RA and RECs as a bundle with a monthly adjustment to the MPA based on Unit availability driven by forced outages. After this short-term PPA ended, the prices of RA were substantially lower, hence Power Sales revenue and Energy Products revenue in Table No. 6 is substantially lower.

The Feasibility Consultant has taken into account this revenue variability in preparing its Feasibility Study. See "SYSTEM FINANCES – Feasibility Study," above.

## Historical Revenues, Expenses and Debt Service Coverage

The following table sets forth the audited revenues and expenses of the Authority over the last five years (except 2019, which numbers are preliminary and unaudited), and includes the System Revenues pledged to pay the Bonds, as well as the historical debt service coverage as defined in the Indenture.

**Table No. 6**  
**MIDDLE FORK PROJECT FINANCE AUTHORITY**  
**HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE**  
**Years Ending December 31, 2015 through 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019<sup>(1)</sup></u>
<b><u>System Revenues<sup>(2)</sup></u></b>					
Power Sales:					
Energy	\$16,038,953	\$31,137,535	\$46,272,104	\$41,073,465	\$52,241,110
Energy Products	12,238,637	14,228,850	14,611,253	5,741,999	9,685,646
Interest Income	<u>112,640</u>	<u>228,469</u>	<u>635,259</u>	<u>1,517,676</u>	<u>1,842,146</u>
Total System Revenues	28,390,230	45,594,854	61,518,616	48,333,140	63,768,902
<b><u>Operation and Maintenance Costs<sup>(3)</sup></u></b>					
Power System Operations	16,774,175	17,492,215	18,318,141	20,322,912	20,604,104
Professional Services	7,863	11,568	15,988	15,912	26,487
Miscellaneous	<u>59,634</u>	<u>75,421</u>	<u>217,926</u>	<u>123,768</u>	<u>50,994</u>
Total Operations and Maintenance	16,841,672	17,579,204	18,552,055	20,462,592	20,681,585
<b>Net System Revenues</b>	\$11,548,558	\$28,015,650	\$42,966,561	\$27,870,548	\$43,087,317
Debt Service	\$2,845,365	\$5,690,729	\$5,690,729	\$5,690,729	\$5,690,729
<b>Debt Service Coverage Ratio</b>	4.06X	4.92X	7.55X	4.90X	7.57X
Net System Revenues Available for Capital, Reserve Funding and Other	\$8,703,193	\$22,324,921	\$37,275,832	\$22,179,819	\$37,396,588
<b>Cash and Cash Equivalents</b>	\$39,469,885	\$49,550,379	\$68,186,602	\$78,751,960	\$74,765,045
<b>Days Cash-on-Hand<sup>(3)</sup></b>	855	1,029	1,342	1,405	1,319

(1) 2019 amounts are preliminary as the year-end closing process is continuing.

(2) The energy component of the Authority's Power Sales Revenue is subject to significant volatility due to variations in hydrology, energy market prices and a variety of other factors. See "THE SYSTEM" and "SYSTEM FINANCES – Historical Operating Results and Volatility."

(3) Excludes depreciation, amortization of intangibles and similar non-cash items. The System O&M expenses are a breakdown of the Reimbursement to the Agency as shown in the Authority's financial statements.

(4) 2019 Days Cash on-Hand slightly decreased compared to prior years due to movement of cash from LAIF to long-term investments.

Source: Middle Fork Project Finance Authority audited financial statements for years 2015 – 2018; year 2019 is preliminary and unaudited.

## Projected Revenues, Expenses and Debt Service Coverage

The following table shows projected System Revenues, Operation and Maintenance Costs and debt service coverage for years 2020 through 2024. The projections set forth in the following table and elsewhere in this Official Statement are not a guarantee of future performance. The Authority has made certain assumptions with regard to operations, revenues and expenses that it believes are reasonable, but it cannot guarantee that it will meet these assumptions. See “INTRODUCTION – Forward Looking Statements” in this Official Statement.

**Table No. 7**  
**MIDDLE FORK PROJECT FINANCE AUTHORITY**  
**PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE**  
**Years Ending December 31, 2020 through 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b><u>System Revenues</u></b>					
Power Sales: <sup>(1)</sup>					
Energy	\$37,553,000	\$37,917,000	\$38,109,000	\$39,096,000	\$39,546,000
Energy Products	7,890,000	16,678,000	16,678,000	17,831,000	19,310,000
Interest Income	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total System Revenues	46,443,000	55,595,000	55,787,000	57,927,000	59,856,000
<b><u>Operation and Maintenance Costs</u></b> <sup>(2)</sup>					
Power System Operations	27,219,305	28,049,657	28,496,074	28,158,526	28,637,039
Professional Services	50,000	51,300	52,600	54,000	55,400
Miscellaneous	<u>100,000</u>	<u>102,700</u>	<u>105,400</u>	<u>109,000</u>	<u>112,600</u>
Total Operations and Maintenance	27,369,305	28,203,657	28,654,074	28,321,526	28,805,039
<b>Net System Revenues</b>	\$19,073,695	\$27,391,343	\$27,132,926	\$29,605,474	\$31,050,961
Debt Service*	\$5,316,151	\$5,322,125	\$5,323,125	\$5,322,500	\$5,324,875
<b>Debt Service Coverage Ratio</b>	3.59X	5.15X	5.10X	5.56X	5.83X
Net System Revenues Available for Capital, Reserve Funding and Other	\$13,757,544	\$22,069,218	\$21,809,801	\$24,282,974	\$25,726,086

\* Preliminary; subject to change.

(1) Power Sales – Energy Revenue assumes 100% of average annual generation, or 1,000,000 MWh.

(2) Excludes depreciation, amortization of intangibles and similar non-cash items.

Source: Middle Fork Project Finance Authority.

## Investment Policy and Recent Results

The Authority's Investment Policy (the "**Investment Policy**") was last approved by the Board of Directors on January 16, 2020. The Investment Policy applies to all Authority funds.

The Treasurer annually reviews the Investment Policy as necessary, and recommended revisions are submitted as needed to the Board of Directors in order to ensure consistency and its relevance to current law, and financial and economic trends. The Treasurer also submits the Investment Policy to the Board of Directors for its review and approval during the first quarter of each year.

*Objectives and Criteria.* The Investment Policy states that the primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the Authority. The third objective is to achieve a maximum return on invested funds. It is the policy of the Authority to invest public funds in a manner to obtain the highest yield obtainable with the maximum security while meeting the daily cash flow demands of the Authority as long as investments meet the criteria established by the Investment Policy for safety and liquidity and conform to all laws governing the investment of Authority funds.

*Current Portfolio Information.* The following table summarizes certain information relating to the Authority's investment portfolio as of December 31, 2019.

**Table No. 8**  
**MIDDLE FORK PROJECT FINANCE AUTHORITY**  
**INVESTMENT PORTFOLIO SUMMARY**  
**As of December 31, 2019**

<u>Investments</u>	<u>Par Value</u>	<u>Market Value</u>
Local Agency Investment Fund <sup>(1)</sup>	\$47,845,018	\$47,845,018
Collateralized Bank Deposits	4,885,877	4,885,877
Medium Term Notes	12,000,000	12,183,990
Federal Agencies	<u>48,700,000</u>	<u>48,810,641</u>
Total	<b>\$113,430,895</b>	<b>\$113,725,526</b>

(1) Local Agency Investment Fund (LAIF) is maintained by the California State Treasurer. The Authority is a voluntary participant in this investment pool.

Source: Middle Fork Project Finance Authority.

## DEVELOPMENTS IN THE ENERGY MARKETS

### Background

The restructuring of energy markets in the United States began in 1996 with FERC orders 888 and 889. These orders opened the electricity transmission system so that unused transmission must be made available at a cost-based rate and defined the market mechanism by which these resources would be offered and purchased. Subsequently California enacted AB1890, the Electric Utility Restructuring Act, which transitioned two thirds of the State from a bilateral to a structured market with the creation of an independent system operator, the California Independent System Operator ("CAISO"). This market structure redefined electricity markets in California in fundamental ways by becoming the reliability and market clearing entity for most of California.

### CAISO Market

**CAISO Market Initiatives.** The CAISO markets are subject to continued change in response to FERC orders, the increased integration of intermittent renewable resources, changing environmental constraints, the ongoing efforts to combat market manipulation and evolving reliability requirements. CAISO Tariff changes related to these and other issues are currently under discussion in CAISO stakeholder processes and in ongoing FERC proceedings. In most cases, these proposals are not sufficiently final in order to determine their likely impact on the Authority. However, the following issues and proposed CAISO operational and market changes may have significant impacts on the Authority or the System:

Increased Integration of Renewables. As part of the effort to integrate increased levels of intermittent renewable resources into the grid, the CAISO has proposed an array of changes to existing markets and to the resource adequacy structure that assures that sufficient resources are available to the markets. These proposals could affect the value of energy sold and purchases in the wholesale markets.

Resource Adequacy Requirements. Resource Adequacy requirements apply to the Authority to ensure that market participants have contracted for sufficient amounts of the right types of capacity to be available in the markets. To the extent that a load serving entity ("**LSE**") fails to procure sufficient capacity resources to meet its loads, it is subject to payment of CAISO procurement costs of replacement capacity. To the extent that a shortfall cannot be attributed to a specific LSE, the costs will be spread as part of market uplift charges. These risks apply in the same manner to all LSEs. Due to the increased integration of renewables, discussed above, the CAISO is contemplating what could be significant changes to the Resource Adequacy framework, with the potential for impacts on market participant costs. It is still too early to assess the potential impacts on the Authority. Although it does not appear that CAISO is considering proposing a centralized capacity market at this time, proposals from others are occasionally made. The CPUC has ongoing docket that could also result in changes to the Resource Adequacy and CAISO's markets. However, the details of such changes remain to be established.

Transmission Access Charge Review. The CAISO has undertaken a review of its Transmission Access Charge, with a view to potentially changing the methodology used for allocating transmission costs. Although the current proposal should not adversely impact the Authority, any change of this nature raises concerns and the Authority is unable to predict the outcome of the tariff revisions process.

All electricity sales that the Authority makes in the wholesale energy markets operated by the CAISO are subject to the CAISO tariff, which is a FERC-jurisdictional tariff. CAISO's tariff includes rules governing how sellers may bid electricity (i.e., offer for sale) into the energy markets and rules governing market power mitigation of sellers. CAISO regularly proposes changes to its tariff, subject to FERC approval. Additionally, FERC can, and does, order changes to CAISO's tariff if FERC (on its own initiative or prompted by a complaint) determines that CAISO's tariff is unjust, unreasonable, or unduly discriminatory. Such regulatory changes can impact prices for electricity and capacity. The CAISO provides an economic dispatch of resources to meet load requirements, as well as a liquid market for energy for generators such as the System. The CAISO market continues to evolve as market needs and regulatory forces influence it to change. See "Challenges an Industry Response" below

**CAISO Resource Adequacy Availability Incentives.** Resources that load-serving entities designate as providing Resource Adequacy capacity are subject to obligations to offer energy to the CAISO markets in designated hours and, in certain circumstances, to provide substitute capacity if the resource is unavailable. CAISO's Resource Adequacy Availability Incentive Mechanism ("**RAAIM**") assesses a non-availability charge on resources that fall below 94.5% of their must-offer obligation and makes incentive payments to resources that exceed 98.5% of their must-offer obligation. Some of the Authority's resources do provide Resource Adequacy capacity and are subject to the RAAIM. CAISO is currently considering changes to the program, and the final result is yet to be determined.

## State Legislation

Executive Orders and Bills affecting the electric utility industry are continually enacted by the Governor and the California Legislature. In general, these have provided for reduced greenhouse gas emission standards, resource adequacy, greater investment in energy-efficient and environmentally friendly generation and more stringent renewable resource portfolio standards. The following is a brief summary of executive orders and bills potentially impacting the System and System Finances.

**Greenhouse Gas Emissions.** Assembly Bill 32 ("**AB 32**"), the Global Warming Solutions Act of 2006 requires all California utilities to inventory and report greenhouse gas emissions beginning January 1, 2008 and the California Air Resources Board ("**CARB**") to adopt enforceable greenhouse gas emission limits and emission reduction measures by regulation in order to reduce greenhouse gas emissions to 1990 levels by 2020. The AB 32 Scoping Plan called the creation of a cap-and-trade program to be revised every 5 years. And on December 14, 2010, CARB adopted regulations approving the cap-and-trade program for California became enforceable on January 1, 2012. Every one allowance for each ton of carbon dioxide-equivalent greenhouse gases ("**CO<sub>2</sub>e**") up to the target level of CO<sub>2</sub>e for a given year (the cap) and parties responsible for CO<sub>2</sub>e emissions may purchase one allowance for each ton of CO<sub>2</sub>e they produced in either an auction or bilateral market (the trade). By reducing amount of available allowances through time, the state is able to meet its emission reduction targets.

The cap-and-trade program was implemented in phases. The first phase of the program (January 1, 2013 to December 31, 2014) introduced a hard emissions cap on electricity generators and industrial sources emitting more than 25,000 metric tons of CO<sub>2</sub>e per year. In 2015, the program expanded to cover transportation fuels, natural gas, propane and fossil fuels. The cap will decline each year.

The cap-and-trade program includes the distribution of carbon allowances. Each allowance is equal to one metric ton of CO<sub>2</sub>e. Initially, most of the carbon allowances were distributed for free. Additional allowances are auctioned quarterly. Utilities can acquire carbon allowances at these auctions or purchase allowances from third parties to meet their compliance obligations.

The System is considered a non-emitting resource and has value as a carbon neutral facility. The Agency can sell carbon credits based upon its energy production. The cap-and-trade program also allows the use of “offset credits” for compliance purposes (not exceeding 8% of a covered entity’s compliance obligation). Offsets can be generated by emission reduction projects in sectors that are not regulated under the cap-and-trade program. Approved project types include urban forest projects, reforestation projects, destruction of ozone-depleting substances, and livestock methane management projects. CARB may still consider changes to the cap-and-trade program’s electricity sector provisions in the future.

**Renewable Portfolio Standards (“RPS”).** There have been several renewable portfolio standards bills passed in California relating to in-state and imported renewable energy. The most recent one being Senate Bill 350. Considered the most significant climate and clean energy legislation since the passage of AB 32; SB 350 Clean Energy and Pollution Reduction Act (de Leon), Chapter 547 was signed into law October 7, 2015. This landmark legislation establishes new clean energy, clean air and greenhouse gas reduction goals for 2030 and beyond. SB 350 increases California’s renewable electricity procurement goal from 33% by 2020 to 50% by 2030 and it directs the CAISO to explore expanding its footprint into other western states. In addition, in 2018, SB 100 (de Leon 2018) was signed into law, which again increased the RPS to 60% by 2030 and required all the state’s electricity to come from carbon-free resources by 2045.

There are several implications for the Authority and Agency resulting from all the executive orders and bills. One, the System’s hydro energy is considered a clean energy source. Two, since most renewable energy comes from intermittent variable resources, such as wind and solar energy, flexible capacity from resources like the System as back up capacity, are important for integrating the variable energy resources.

**Distributed Solar and California New Construction Standards.** In addition to new utility-scale renewable resources, retail solar installations in homes and small businesses is contributing to growth in solar energy production. California has continually increased the energy efficiency of new construction and appliances since the Warren Alquist Act of 1974. These standards will lead to the implementation of Zero Net Energy (“ZNE”) residential new construction starting in 2020, that requires new home construction be energy efficient homes combined with distributed generation, predominantly rooftop solar generation. The increase in retail solar installations is increasing the amount of variable energy resources.

## **Additional Developments**

Additional regulations impacting the System and System Finances have and likely will continue to be implemented in the future, including those that follow.

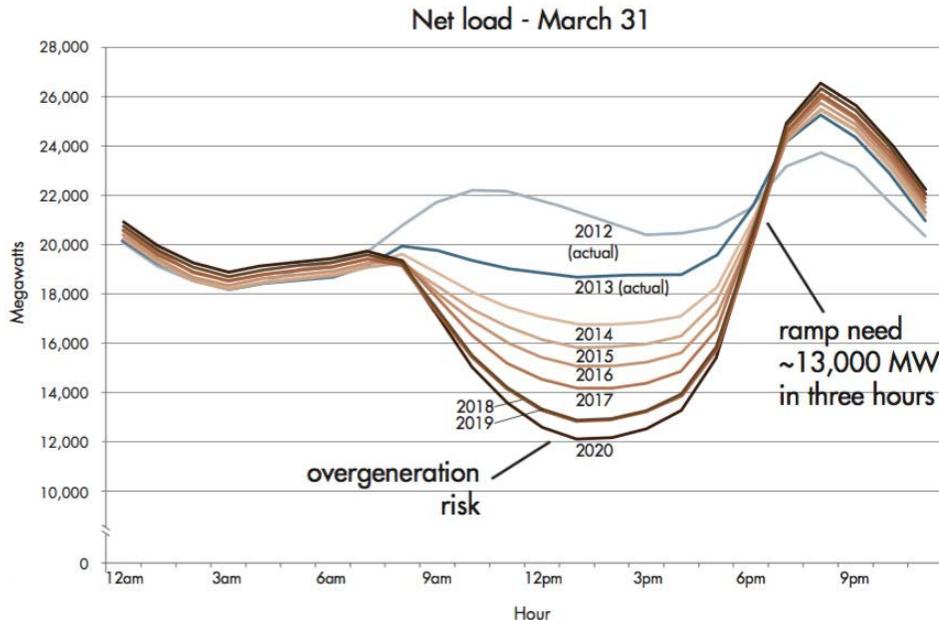
**Reduced Forward Power Price Volatility.** Prices and supplies of natural gas and electricity have moderated in recent years. The combined effects of low cost shale gas production and renewable energy additions have contributed to lower forward power prices and less market volatility in day-ahead markets.

**Steep Ramp Rates.** California utilities may be facing steep ramp rates as a result of fewer baseload resources and greater variable resources. This could result in increased real-time price volatility. A major upcoming challenge will involve the integration of renewable resources into the State's energy portfolio. The ambitious renewable goals in California have been primarily met with solar, and to a lesser degree, wind resources. These resources are classified by the term Variable Energy Resource ("VERs"). Solar and wind resources generally produce energy not when an operator directs them, but when the fuel source (in this case sunlight and wind) are available. In the case of solar energy, photovoltaic power plants only produce electricity between dawn and dusk, and can vary power output very quickly when a cloud passes over. This creates two challenges. First solar energy increases rapidly in the morning and decreases rapidly in the afternoon, when customer needs are increasing. Secondly, the amount of solar energy produced can vary quickly and unexpectedly as the weather changes. To address the challenge of rapidly changing power output, FERC passed order 764 in 2014. This ruling required markets to offer 15 minute trading in addition (or in place of) hourly trading. The more granular market allows the market to react better to the variable nature of solar and wind resources. The CAISO implemented a 15 minute market and in addition offered a 5 minute and 15 minute Energy Imbalance Market outside the CAISO region.

The CAISO has also modeled the changes over the day with loads and variable energy resources to understand the ramp rate effect on the system. The ramp rate represents the rate of change required to balance the load and resources over the course of the day. It is most acute in the early evening hours, when solar energy is not available and utility load increases.

In CAISO-NP15, the continued penetration of solar is expected to reduce on-peak prices by 2033 in the base case annual off-peak energy prices exceed on-peak prices contributing to an "annual duck curve". In California, like many energy markets the peak demand occurs after sunset, when solar energy is no longer available. In locations like California where a substantial amount of solar capacity has been installed, the amount of power that must be generated from sources other than solar or wind displays a rapid increase around sunset and peaks in the mid-evening hours, producing a graph that resembles the silhouette of a duck. This phenomenon occurs in the low natural gas scenario as well which has the highest penetration of battery additions; but mitigates the duck curve in the shoulder months. Figure No. 2 below sets forth a historical representation of the "duck curve" in California and how it is perpetuating with the increased penetration of solar.

**Figure No. 2 (CAISO Historical Duck Curve)**



To address the rapidly decreasing solar load in the afternoon when the need for generation is increasing, the CAISO has implemented a flexible capacity market. This is a capacity market designed to meet the needs for flexibility VERs require, specifically the large afternoon increase in electricity requirements caused by the simultaneous decline of solar output and the increase in system load. With the retirement of higher emitting coal and older natural gas units, there will be fewer baseload resources available on the system to assist with the large up and down ramp rates. The System has flexible capacity that can be used to bridge that ramp rate on the system.

**Other Regional Developments – Western Regional Energy Market.** The CAISO has developed a regional real-time market service, referred to as an “Energy Imbalance Market” (“EIM”). EIM may help to optimize management of the transmission system to help balance supply and demand across a larger footprint, across multiple balancing authorities. By developing the EIM between the balancing authorities, a broad array of resources can be shared and economically dispatched through the ISO five-minute market. According to the CAISO, the EIM has the potential to strengthen grid reliability. The purpose is to optimize the interconnected high-voltage system as market systems automatically handle electricity bottlenecks on transmission lines during the process of managing the flow of electricity.

Following FERC approval of the implementation agreement between the CAISO and PacifiCorp in June of 2013, PacifiCorp and the CAISO officially launched the EIM in November 2014. PacifiCorp, headquartered in Portland, Oregon, is a subsidiary of Berkshire Hathaway Energy and operates as a utility that serves 1.8 million customers across six western states. Since the launch of the EIM between CAISO and PacifiCorp, additional utilities across the western United States have signed EIM implementation agreements, officially stating their intent to participate in the EIM.

California Senate Bill 350 also directed the CAISO to explore how its expansion into the wider West could help the State meet that goal. After completion of multiple studies, the CAISO determined that a regional energy market would help to advance the State’s ambitious clean

energy goals and to reduce the cost of energy in the western states and is an efficient, effective way to meet the demand for reliable, affordable and sustainable energy. According to the CAISO, a regional energy market would coordinate electricity systems across the West, utilizing the CAISO's infrastructure to develop one western grid. If the CAISO footprint expands to a larger geographical area, then the System will be able to participate in a broader regional market.

### **Potential Impact on the Authority**

The effect of these developments in the California energy markets on the Authority cannot be fully ascertained at this time. Volatility in energy prices in California may return due to a variety of factors that affect both the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of variable generation renewables such as wind and solar on general electric system cost, price volatility, and reliability the impact of greenhouse gas emission legislation and regulations, fuel costs and availability, weather effects on customer demand, transmission congestion, the strength of the economy in California and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). This price volatility may contribute to greater volatility in the Authority's costs and revenues from the sale (and purchase) of electric energy and, therefore, could materially affect the financial condition of the Authority.

### **Future Federal Energy Legislation**

Numerous bills have been under consideration in Congress addressing United States energy policies and various environmental matters, including those related to energy supplies, global warming and water quality. Many of these bills, if enacted into law, could have a material impact on the Authority and the electric utility industry generally. Proposed energy and climate change-related pieces of legislation have proposed, among other things, a cap-and-trade system to regulate and reduce the emission of carbon dioxide and other greenhouse gases and a federal renewable energy portfolio standard. The impact that federal greenhouse gas cap-and-trade legislation could have on the electric utility industry and business depends largely on the specific provisions of the legislation that ultimately become law. Some of the important factors to be addressed are the timing and magnitude of the emissions cap, the extent to which emissions allowances are either allocated or auctioned to the highest bidder, the extent to which emissions may be offset by other actions, whether there will be a cap on the price of emissions allowances and the allocation of proceeds from the auction of allowances. Other areas of consideration for energy legislation include, but are not limited to, the development and deployment of alternative fuels, renewable energy resources, and energy conservation measures. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any such federal action will have a significant impact on fossil-fueled generation facilities.

### **Federal Environmental Regulation**

**General.** Federal, state and local standards and procedures that regulate the environmental impact of the electric sector are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any facility or project will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and

regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

**Air Quality – National Ambient Air Quality Standards.** The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“**NAAQS**”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the standard and become an “attainment area.” During recent administrations, there were several new regulations initiated, which have been revised and repealed in recent years. Most of the recent clean energy initiatives have been state-driven as opposed to federally mandated, but it is possible future federal legislation or regulation could impact the Authority’s operations of the System.

## **PG&E Bankruptcy**

*The following statements in this section regarding PG&E’s financial condition, potential wildfire liabilities, and its actions and developments in connection with PG&E’s voluntary bankruptcy filing have been obtained from public sources that the Authority believes to be reliable, but such statements have not been independently verified by the Authority and the Authority assumes no responsibility for the accuracy or completeness thereof.*

On January 14, 2019, PG&E and its parent company, PG&E Corporation, announced their intention to file, on or about January 29, 2019, for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code (the “**Bankruptcy Code**”). On January 29, 2019, PG&E and PG&E Corporation filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. A Chapter 11 case under the Bankruptcy Code is utilized to accomplish either a restructuring and/or liquidation of businesses.

In its bankruptcy filings, PG&E indicated that its voluntary bankruptcy filing was initiated to address extraordinary financial challenges. These are largely attributed to its potential liabilities associated with a number of wildfires which occurred in Northern California in 2017 and 2018. Units Form 8-K filing with the Securities and Exchange Commission reporting its intent to file voluntary bankruptcy (the “**PG&E SEC filing**”) and its subsequent bankruptcy filings, PG&E estimated if it were found liable for certain or all of the costs, expenses and other losses with respect to the 2017 and 2018 Northern California wildfires, the amount of such liability (exclusive of potential putative damages, fines and penalties or damages related to future claims) could exceed \$30 billion. SB 901, which was enacted by the California legislature in September 2018, addressed a portion of the liabilities PG&E faced in connection with the 2017 wildfires. That legislation, however, expressly excluded any similar relief for wildfires occurring in 2018.

PG&E has requested approval from the bankruptcy court to continue operations of both its electric and gas systems. In its SEC filing, PG&E stated that it expected to operate in the ordinary course of business following the Chapter 11 filing, including providing uninterrupted electric and natural gas service to customers. Units bankruptcy filings, PG&E has indicated that it has obtained approximately \$5.5 billion in secured debtor-in-possession financing from several financial institutions that would provide liquidity to fund its operations during the Chapter 11 process. Although it is too early to assess, PG&E’s bankruptcy could have broader effects on the electric markets generally. Subject to Bankruptcy Court approval, Chapter 11 debtors have the power to assume or reject contractual arrangements. Chapter 11 debtors may seek to reject contracts that are uneconomic or otherwise burdensome to the debtor. In the event PG&E were

to seek to reject some power purchase agreements, and if the court orders this, there may be further market impacts. In addition, it is possible that one or more other entities may ultimately assume or acquire all or a portion of PG&E's operations and activities in the future. Further, in its SEC filing, PG&E stated it is exploring possible sales or other dispositions of certain assets and businesses.

The Agency is a party to a number of interconnection agreements with PG&E that provide the terms and conditions for connecting System power to the CAISO-controlled grid via PG&E's wholesale transmission system. Each of the System generating facilities are interconnected within the CAISO area through PG&E's transmission system. Operations of PG&E's transmission system is overseen by the CAISO, which is in turn overseen by FERC. To date, the System has not experienced any operational disruptions as a result of the PG&E bankruptcy filing. Although there are uncertainties associated with PG&E's emergence from bankruptcy, and its future ownership, financing and rate structure, the CAISO and FERC will continue to oversee grid operations and reliability.

### **Other Factors**

The electric industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors include, among others, the following:

- (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above;
- (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- (c) changes resulting from a national energy policy;
- (d) effects of competition from other electric generator owners and new methods of, and new facilities for, producing low-cost electricity;
- (e) the proposed repeal of certain federal statutes that would have the effect of increasing the competitiveness of other generation technologies;
- (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- (g) increased "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others;
- (h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;
- (i) effects of inflation on the operating and maintenance costs of electric generation;

- (j) changes from projected future load requirements;
- (k) increases in costs and uncertain availability of capital;
- (l) shifts in the availability and relative costs of different fuels (including the cost of natural gas);
- (m) decline in market price for power;
- (n) new market rules with respect to, among other things, the purchase and sale of energy and transmission capacity;
- (o) other legislative changes, voter initiatives, referenda and statewide propositions;
- (p) other political risks impacting the Authority's rates or other operational or financial matters;
- (q) effects of changes in the economy;
- (r) effects of possible manipulation of electric markets;
- (s) natural disasters or other physical calamities, including, but limited to, so earthquake and flood; and
- (t) changes to the climate that could impact hydro generation production or demand for energy.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the System.

The Authority cannot predict what effects such factors will have on the business operations and financial condition of the System, but the effects could be significant. The foregoing is a brief discussion of these factors. The discussion in this Official Statement does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain.

## **BOND OWNERS' RISKS**

Payment of principal and interest represented by the Bonds depends primarily upon the Authority's ability to generate sufficient Net System Revenues each Fiscal Year. Some of the events, which could prevent the Authority from paying debt service on the Bonds are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks.

### **Limited Obligations**

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge or charge or lien upon any property of the Authority or any of its income or receipts, except the Net System Revenues. The obligation of the Authority to pay debt service on the Bonds does not constitute an obligation of the Authority to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation.

### **Electric Generation; No Rate Covenant**

Factors beyond the control of the Authority and the Agency could impair the ability of the System to supply electric to the spot market in an amount sufficient to yield Net System Revenues sufficient to pay the Bonds when due. In particular, the Net System Revenues could become limited due to a loss of contract rights, lack of sufficient water flow (because of weather or otherwise), or due to restrictions imposed upon the System and its ability to generate hydroelectric power. In addition, drought conditions and voluntary or mandatory conservation measures could decrease water that generates electricity produced by the System. See "THE SYSTEM" for a discussion of the System, the facilities of the System, and possible limitations thereon.

The Indenture does not contain a covenant for the Authority to maintain any level of debt service coverage ratio for the Bonds. This is because the Authority sells its energy into the spot market and cannot guarantee any particular rate level will be obtained, and in each Fiscal Year, the amount of water flow (and hence hydroelectric generation) is unpredictable.

### **Electric Demand**

There can be no assurance that the local demand for electricity in the spot market into which the Authority sells its power will continue according to historical or projected levels. Electricity demand is driven by multiple factors, many of which are outside the control of the Authority.

### **Limited Recourse on Default**

Failure by the Authority to pay the Bonds when due constitutes an event of default under the Indenture and the Trustee is permitted to pursue remedies at law or in equity to enforce the Authority obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount due on the Bonds, there is no assurance that the Authority will have sufficient funds to pay the accelerated payments.

The remedies available to the Owners of Bonds and parity obligations upon the occurrence of an event of default are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain. Under existing constitutional and statutory law and judicial decisions, including specifically the Bankruptcy Code, the remedies specified in the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to enforceability of the various documents by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

### **System Expenses**

There can be no assurance that the Authority's or Agency's expenses for the System will remain at the levels described in this Official Statement. Changes in technology, energy or other

expenses and increased costs could reduce the Net System Revenues. Given the System's power is sold in the spot market, the Agency and the Authority do not have the ability to raise rates to a level sufficient to ensure Net System Revenues are available for debt service on the Bonds.

### **Potential Effect of an Authority Bankruptcy**

The Authority is authorized under California law to file for bankruptcy protection under Chapter 9 of the Bankruptcy Code. However, third parties cannot bring involuntary bankruptcy proceedings against the Authority.

Should the Authority become a debtor in a bankruptcy proceeding, the owners of the Bonds would continue to have a lien on Net System Revenues after the commencement of the bankruptcy case so long as the Net System Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local government entities from the ownership, operation or disposition of projects or systems that are primarily used to provide utility services. While the Net System Revenues appear to be "special revenues," no assurance can be given that a court would not determine otherwise. Bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of utility revenues collected for the payment of bonds in California. If Net System Revenues do not constitute "special revenues," there could be delays or reductions in payments by the Authority with respect to the Bonds.

If the Authority were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds could be prohibited from taking any steps to enforce their rights under the Indenture. Although the automatic stay arising upon the filing of a bankruptcy petition under Chapter 9 has historically been understood not to stay the collection and application of special revenues to payment of bonds secured by such special revenues, if the Authority were to become a debtor in a proceeding under Chapter 9, the bankruptcy court could possibly decide that (i) post-bankruptcy Bond payments by the Authority are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement action by the Trustee) or is limited to amounts then on hand with the Trustee, the Agency or the Authority. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceeding may thus be prohibited from taking any action to collect the Net System Revenues, or to enforce any related obligation connected with the Bonds, without the bankruptcy court's permission.

Even if the Net System Revenues are "special revenues," to enable continued operations of municipal enterprises like the System the Bankruptcy Code provides that special revenues can be applied first to necessary operating expenses of the project or system from which the special revenues are derived, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, in a bankruptcy case of the Authority, System Revenues could be used to pay necessary operating expenses of the System, before the remaining Net System Revenues are turned over to the Trustee to pay amounts owed to the holders of the Bonds. It is not clear precisely which expenses would constitute necessary operating expenses of the System. In addition, there may be delays or reductions in payments on the Bonds in a Chapter 9 proceeding, especially if the Authority does not voluntarily pay Net System Revenues in its possession to the Trustee.

The obligations of the Authority under the Indenture, including its obligations to pay principal of and interest on the Bonds, are limited obligations and are payable solely from the Net System Revenues and certain other amounts held by the Trustee under the Indenture. Accordingly, if the Authority filed for relief under Chapter 9, the owners of the Bonds may not have any recourse to any assets or revenues of the Authority other than the Net System Revenues and other amounts pledged for payment of the Bonds held by the Authority, the Agency or the Trustee.

In the event of an Authority bankruptcy filing, the Authority may be able to borrow additional money that is secured by a lien on any of its property (including the Net System Revenues), which lien could have priority over the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Owners of the Bonds will be adequately protected. The Authority may also be able to cause some of the Net System Revenues to be released to it, free and clear of lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the Owners of the Bonds will be adequately protected.

Through a Chapter 9 proceeding the Authority may also be able, without the consent and over the objection of the Trustee and the Owners of the Bonds, to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

### **Potential Effect of an Agency Bankruptcy**

The Agency is authorized under California law to file for bankruptcy protection under Chapter 9 of the Bankruptcy Code. However, third parties cannot bring involuntary bankruptcy proceedings against the Agency.

The effect of an Agency bankruptcy filing on Owners of the Bonds would be substantially similar to that discussed in detail above for a bankruptcy filing by the Authority, given that, among other things, the Agency is the owner and operator of the System and that Operation and Maintenance Costs include pension, other-post employment benefits (OPEB) and other expenses of the Agency attributable to ownership and operation of the System.

There may be delays in payments on the Bonds while the court considers any of these issues, and any of these issues could result in delays or reductions in payments on the Bonds. There may be other possible effects of a bankruptcy of the Authority or the Agency that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners of the Bonds. Regardless of any specific determinations by a U.S. Bankruptcy Court in an Authority or Agency bankruptcy proceeding that may be adverse to the Authority, the Agency or the Owners, the mere filing by the Authority or the Agency for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Bonds.

Also see “–Limited Recourse on Default” above.

### **Environmental Laws and Regulations**

Hydroelectric facilities like the System are subject to a wide variety of local, State, and federal health and environmental laws. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net System Revenues available to pay the Bonds. See “DEVELOPMENTS IN THE ENERGY MARKETS” and “OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” for additional information.

## Future Parity Obligations

Under certain conditions, the Indenture permits the issuance of additional bonds, notes or other obligations of the Authority which are payable from Net System Revenues on a parity with the Bonds. See “SECURITY FOR THE BONDS – No Senior Debt; Issuance of Parity Debt.” Such additional bonds, notes or other obligations would increase annual debt service payable from the Net System Revenues and could adversely affect debt service coverage with respect to the Bonds.

## Environmental Risks and Considerations

**Seismic.** The areas in and surrounding the System, like those in much of California, may be subject to unpredictable seismic activity. If there were to be an occurrence of severe seismic activity in the area of the System, there could be an interruption in the service provided by the System resulting in a temporary reduction in the amount of System Revenues available to pay the Bonds.

**Drought.** California is subject to droughts from time-to-time. On April 1, 2015, for the first time in California’s history, Governor Edmund G. Brown directed the State Wastewater Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. Following a wet winter in 2016-17, most of the mandatory water reductions were lifted. See “THE SYSTEM” for a discussion of the impact of the drought on the Authority’s revenues. The Authority cannot predict if drought conditions will return, what effect drought conditions could have on revenues of the System, or whether or to what extent any water reduction requirements could affect the System and System Revenues.

**Wildfire.** In recent years, dry conditions in the State have led to increased risk of wildfire caused by electric distribution/transmission lines. In particular, PG&E’s distribution/transmission lines have caused billions of dollars in property damage and the loss of lives. See “DEVELOPMENTS IN THE ENERGY MARKETS – PG&E Bankruptcy.” The System’s facilities are constructed and maintained to reduce the risk to the facilities from wildfires, and the risk of System causing any fires. See “THE SYSTEM – System Facilities.” However, no assurance can be given regarding the likelihood or impact of any future wildfire events.

**Flood or Facility Failure.** The System includes numerous water impoundment or water conveyance facilities, including dams, tunnels, penstocks, and associated gates and controls. The failure of any of the impoundment or conveyance facilities could cause land- or mud-slides, sudden high flows or other hydraulic emergencies. Periodically, the Agency contracts to have the probable maximum flood study updated. Although the facilities are operated in accordance with all regulatory requirements, including filing of various Emergency Action Plans and safety plans, no absolute assurance can be given that the operation of the System could not result in future landslides or flooding causing damage and/or loss of lives.

See also “– Risk of Inverse Condemnation Actions,” below.

## Risk of Inverse Condemnation Actions

Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their property is damaged by a public use), California courts have imposed liability on public agencies in legal actions brought by property holders for damages caused by

such public agencies' infrastructure. Thus, if the facilities of the System are determined to be the substantial cause of damage to property from flooding, fire or otherwise, and the doctrine of inverse condemnation applies, the Agency and/or Authority could be liable for property damage, business interruption, interest, and attorneys' fees without having been found negligent, which liability, in the aggregate, could be substantial. In addition to such claims for property damage, business interruption, interest, and attorneys' fees, the Agency and/or Authority could be liable for flood or fire suppression costs, evacuation costs, medical expenses, personal injury damages, punitive damages, and other damages under other theories of liability, including if personnel operating the System were found to have been negligent, which liability, in the aggregate, could be substantial.

## **Cybersecurity**

The Authority and the Agency, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "**Systems Technology**").

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Systems Technology of the Agency for the purposes of misappropriating assets or information or causing operational disruption and damage.

The Agency's personnel provides support for the System's electronic system cyber security. This includes audits and recommended improvements to facility hardware and software to keep systems up to date with the latest cyber treat tools.

## **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation impacting the System or System Revenues.

## **LEGAL MATTERS**

### **Certain Legal Matters**

The legal opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, substantially in the form of Appendix C-1 hereto, will be made available to purchasers at the time of original delivery of the Bonds, and a copy thereof will accompany each Bond. Certain legal matters will be passed upon for the Authority and the Agency by its general counsel, Kronick, Moskovitz, Tiedemann & Girard and by Jones Hall, A Professional Law Corporation, San Francisco California, as Disclosure Counsel. Nixon Peabody LLP will pass on certain matters for the Underwriter, as its counsel.

*Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the execution and delivery of the Bonds.*

## Absence of Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or sale of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the Agency taken with respect to any of the foregoing.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel to the Authority (“**Special Tax Counsel**”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in APPENDIX C-2 hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority has made certain representations and covenanted to comply with

certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

## CONCLUDING INFORMATION

### Continuing Disclosure

The Authority has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide (i) certain financial information and operating data relating to the Authority by not later than six months following the end of the Authority's fiscal year (which fiscal year currently ends on December 31), commencing with the report for the fiscal year ending December 31, 2020 (the "**Annual Report**") due by June 30, 2021, and (ii) notices of the occurrence of certain enumerated events ("**Event Notices**"). The Authority will file, or cause to be filed, the Annual Report and any Event Notices with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or Event Notices is provided in "APPENDIX D – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

The Authority has never been subject to a continuing disclosure undertaking under the Rule. The Authority will rely upon Agency staff, as well as Digital Assurance Certification, LLC ("**DAC**"), as dissemination agent, to assist with its continuing disclosure undertaking.

The Agency has entered into a number of prior continuing disclosure undertakings pursuant to the Rule in connection with the issuance of other long-term obligations, and has provided annual reports and event notices in accordance with those undertakings. To the best of its knowledge, the Agency has filed its annual reports prior to the due date and has complied, in all material respects, with the requirements of its continuing disclosure undertakings in the past five years.

### Rating

Moody's Investor's Service ("**Moody's**") has assigned its municipal bond rating of "\_\_\_\_" to the Bonds. Such rating expresses only the views of the Moody's and is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such rating will continue for any given period of time or that they it not be revised, either downward or upward, or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds.

### Underwriting

The Bonds were sold to Goldman Sachs & Co. LLC, as underwriter (the "**Underwriter**"). The Bonds are being purchased by the Underwriter at a purchase price of \$\_\_\_\_, which represents the aggregate principal amount of the Bonds, plus/less [net] original issue premium/discount of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_.

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer and sell the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

The Underwriter, together with its respective affiliates, is a full-service financial institution engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging,

market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates have provided, and may in the future provide, a variety of these services to the Authority, and to persons and entities with relationships with the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

### **Municipal Advisor**

The Authority has retained Montague DeRose and Associate, LLC, Westlake Village, California, as municipal advisor (the “**Municipal Advisor**”) in connection with the structuring, issuance and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **Miscellaneous**

References are made in this Official Statement to certain documents and reports, which are brief summaries thereof, and which do not purport to be complete or definitive, and reference is made to such documents and reports for a full and complete statement of the contents thereof.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Board of Directors of the Authority.

**MIDDLE FORK PROJECT FINANCE  
AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**  
**FEASIBILITY STUDY**

**APPENDIX B**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX C-1**

**FORM OF OPINION OF BOND COUNSEL**

**APPENDIX C-2**

**FORM OF OPINION OF SPECIAL TAX COUNSEL**

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**MIDDLE FORK PROJECT FINANCE AUTHORITY  
SERIES 2020 REFUNDING BONDS**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Middle Fork Project Finance Authority (the “Authority”) in connection with the execution and delivery of above-referenced bonds (the “Bonds”).

The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2020 (the “Indenture”), between the Authority, the Placer County Water Agency (the “Agency”) and U.S. Bank National Association, as trustee (the “Trustee”).

The Authority covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is six months after the end of the Authority’s fiscal year (currently June 30 based on the Authority’s fiscal year end of December 31).

“*Dissemination Agent*” means Digital Assurance Certification, LLC (“DAC”), or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date commencing June 30, 2021, with the report for the Fiscal Year ending December 31, 2020, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Authority) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Authority hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority and shall have no duty or obligation to review such Annual Report.

(b) If the Authority does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Authority shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The Authority’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Authority for the preceding fiscal year, substantially similar to that provided in the following tables in the Official Statement:

- (i) Table No. 1 (Combined Historical Hydrology, Availability, and Power Sales),
- (ii) Table No. 2 (Annual Energy Generation (MWh)),
- (iii) Table No. 3 (Historical Annual Electrical Production (Mwh) and Average Prices) and
- (iv) Table No. 5 (Revenue By Energy Product),
- (v) Table No. 6 (Historical Revenues, Expenses and Debt Service Coverage), together with the amount of capital expenditures for the preceding fiscal year, and
- (vi) Table No. 8 (Investment Portfolio Summary).

(c) In addition to any of the information expressly required to be provided under provisions of this Disclosure Certificate, the Authority shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Authority shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (vii) Modifications to rights of security holders, if material.
- (viii) Certificate calls, if material, and tender offers.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the Authority.
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) Incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).

(b) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, the Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Authority acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a certificate call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier “if material” and subparagraph (a)(vi) contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Authority shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Authority determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or

governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(e) For purposes of Section 5(a)(xv) and (xvi), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Obligation. The Authority’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be DAC. Any Dissemination Agent may resign by providing 30 days’ written notice to the Authority.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form,

the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Authority fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Authority hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Bonds holders or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to

time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Dated: \_\_\_\_\_, 2020

MIDDLE FORK PROJECT FINANCE  
AUTHORITY

By: \_\_\_\_\_  
Executive Director

ACKNOWLEDGED AND ACCEPTED BY:

Digital Assurance Certification, LLC ("DAC"),  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Middle Fork Project Finance Authority

Name of Issue: \$\_\_\_\_\_ Series 2020 Refunding Bonds

Date of Issuance: \_\_\_\_\_, 2020

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the Authority has not provided an Annual Report with respect to the above-named Certificates as required by that certain Continuing Disclosure Certificate, dated \_\_\_\_\_, 2020. The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:\_\_\_\_\_

MIDDLE FORK PROJECT FINANCE AUTHORITY

By\_\_\_\_\_

cc: Trustee  
Dissemination Agent

**APPENDIX E**

**AUDITED FINANCIAL STATEMENTS FOR THE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2018**

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company, New York, New York (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the bonds described in this Official Statement (the “Bonds”), payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. DTC will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.