

*On December [\_\_], 2018, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, will deliver its opinion that, 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 Commercial Paper Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate, 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. Bond Counsel’s opinion will state that the amount treated as interest on the Commercial Paper Notes and excluded from gross income will depend upon the taxpayer’s election under Internal Revenue Notice 94-84. Bond Counsel’s opinion will also state that interest on the Commercial Paper Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Commercial Paper Notes. See “TAX MATTERS.”*

**OFFERING MEMORANDUM DATED DECEMBER [\_\_], 2018**

**Ratings: See “RATINGS” herein.**



**\$250,000,000**  
**Public Utilities Commission**  
**of the City and County of San Francisco**  
**Commercial Paper Notes**  
**(Power Series)**

**Not To Exceed**  
**\$125,000,000**

**Series A-1 (Tax-Exempt)**

Supported by a letter of credit issued by  
Bank of America, N.A.

**Not To Exceed**  
**\$125,000,000**

**Series A-2 (Tax-Exempt)**

Supported by a letter of credit issued by  
Sumitomo Mitsui Banking Corporation,  
acting through its New York Branch

The purpose of this Offering Memorandum is to provide certain general information in connection with the issuance and sale of the Public Utilities Commission of the City and County of San Francisco Commercial Paper Notes (Power Series) Series A-1 (Tax-Exempt) (the “Series A-1 Notes”) and the Public Utilities Commission of the City and County of San Francisco Commercial Paper Notes (Power Series) Series A-2 (Tax-Exempt) (the “Series A-2 Notes”) and, together with the Series A-1 Notes, the “Commercial Paper Notes” and, each, a “Series”). The Commission may issue and have outstanding at any one time an aggregate principal amount of Series A-1 Notes up to \$125,000,000 and an aggregate principal amount of Series A-2 Notes up to \$125,000,000.

References herein to the Commercial Paper Notes, the Letters of Credit, the Reimbursement Agreements and the Issuing and Paying Agent Agreement (all as hereinafter defined) do not purport to be complete or definitive, do not constitute summaries thereof, and are qualified in their entirety by reference to the provisions thereof. The information and expressions of opinion in this Offering Memorandum are subject to change without notice after the date hereof and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since the date hereof. This Offering Memorandum is not to be construed as a contract between the Public Utilities Commission of the City and County of San Francisco (the “Commission”) and the purchasers of the Commercial Paper Notes. Prospective purchasers of the Commercial Paper Notes are expected to conduct their own review and analysis before making an investment decision.

The Commission has entered into (i) the Reimbursement Agreement, dated as of December 1, 2015, as amended by the First Amendment to Reimbursement Agreement, dated December [\_\_\_], 2018 (together, the “Series A-1 Reimbursement Agreement”), each by and between the Commission and Bank of America, N.A. (the “Series A-1 Bank”), pursuant to which the Series A-1 Bank will issue an irrevocable direct pay letter of credit (the “Series A-1 Letter of Credit”) for the account of the Commission in favor of the Issuing and Paying Agent supporting the payment of the principal of and interest on maturing Series A-1 Notes, and (ii) the Reimbursement Agreement, dated as of December 1, 2018 (the “Series A-2 Reimbursement Agreement” and, together with the Series A-1 Reimbursement Agreement, the “Reimbursement Agreements”), by and between the Commission and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Series A-2 Bank” and, together with Series A-1 Bank, the “Banks”), pursuant to which the Series A-2 Bank will issue an irrevocable direct pay letter of credit (the “Series A-2 Letter of Credit” and, together with the Series A-1 Letter of Credit, the “Letters of Credit”) for the account of the Commission in favor of the Issuing and Paying Agent supporting the payment of the principal of and interest on maturing Series A-2 Notes.

Unless terminated earlier or extended in accordance with their respective terms, the Series A-1 Letter of Credit will expire on December [\_\_\_], 2021, and the Series A-2 Letter of Credit will expire on December [\_\_\_], 2022.

**TIMELY PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON MATURING COMMERCIAL PAPER NOTES OF EACH SERIES IS DEPENDENT UPON THE AVAILABILITY OF PROCEEDS OF DRAWS UNDER THE APPLICABLE LETTER OF CREDIT. IF FOR ANY REASON A BANK FAILS TO MAKE A PAYMENT DUE UNDER THE APPLICABLE LETTER OF CREDIT, THE COMMISSION WOULD HAVE NO OBLIGATION TO MAKE ANY PAYMENTS WITH RESPECT TO THE APPLICABLE COMMERCIAL PAPER NOTES EXCEPT FROM AVAILABLE POWER ENTERPRISE REVENUES, AND IT IS UNLIKELY THAT THE COMMISSION WOULD HAVE SUFFICIENT FUNDS ON HAND AND AVAILABLE TO MAKE THE CORRESPONDING PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON SUCH COMMERCIAL PAPER NOTES. PROSPECTIVE INVESTORS SHOULD THEREFORE BASE THEIR INVESTMENT DECISION, INsofar AS IT RELATES TO THE CREDITWORTHINESS OF A SERIES OF COMMERCIAL PAPER NOTES, SOLELY ON THE CREDIT OF THE APPLICABLE BANK, RATHER THAN THE COMMISSION.**



[Sumitomo Logo]

The Commercial Paper Notes are also payable from the proceeds of refunding Commercial Paper Notes or refunding bonds or other obligations which may be authorized and issued from time to time for such purpose. In addition, the Commission has pledged Available Power Enterprise Revenues (as defined herein) to the repayment of the Commercial Paper Notes on a basis subordinate to repayment of the Commission’s outstanding Power Revenue Bonds (as defined herein). See “THE COMMISSION AND THE POWER ENTERPRISE—Senior and Parity Indebtedness” herein.

THE GENERAL FUND OF THE CITY AND COUNTY OF SAN FRANCISCO IS NOT LIABLE, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY AND COUNTY OF SAN FRANCISCO IS PLEDGED, FOR THE PAYMENT OF THE COMMERCIAL PAPER NOTES AND THE INTEREST THEREON.

**DEALERS FOR ALL SERIES**

**Barclays**

**Goldman, Sachs & Co.**

**RBC Capital Markets**

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## INTRODUCTION

The purpose of this Offering Memorandum is to provide certain general information in connection with the issuance and sale of the Public Utilities Commission of the City and County of San Francisco Commercial Paper Notes (Power Series) Series A-1 (Tax-Exempt) (the “Series A-1 Notes”) and the Public Utilities Commission of the City and County of San Francisco Commercial Paper Notes (Power Series) Series A-2 (Tax-Exempt) (the “Series A-2 Notes”) and, together with the Series A-1 Notes, the “Commercial Paper Notes” and, each, a “Series”). The Commission may issue and have outstanding at any one time an aggregate principal amount of Series A-1 Notes up to \$125,000,000 and an aggregate principal amount of Series A-2 Notes up to \$125,000,000. Capitalized terms used herein and not defined shall have the respective meanings given such terms in the First Amended and Restated Issuing and Paying Agent Agreement, dated as of December 1, 2018 (the “Issuing and Paying Agent Agreement”), by and between U.S. Bank National Association, as issuing and paying agent (the “Issuing and Paying Agent”) and the Public Utilities Commission of the City and County of San Francisco (the “Commission”), as applicable. If not defined below or in the Issuing and Paying Agent Agreement, capitalized terms used herein shall have the meanings given such terms in the Trust Indenture, dated as of May 1, 2015, as amended by the First Supplemental Trust Indenture, dated as of May 1, 2015, and as the same may be subsequently supplemented, amended and modified from time to time (the “Power Bonds Indenture”), between the Commission and U.S. Bank National Association, as trustee thereunder, providing for the issuance from time to time of the Commission’s Power Revenue Bonds, designated as the “Power Revenue Bonds,” and other obligations as provided therein, as the same may be supplemented, amended and modified from time to time.

The Commission has entered into (i) the Reimbursement Agreement, dated as of December 1, 2015, as amended by the First Amendment to Reimbursement Agreement, dated December [\_\_\_], 2018 (together, the “Series A-1 Reimbursement Agreement”), each by and between the Commission and Bank of America, N.A. (the “Series A-1 Bank”), pursuant to which the Series A-1 Bank will issue an irrevocable direct pay letter of credit (the “Series A-1 Letter of Credit”) for the account of the Commission in favor of the Issuing and Paying Agent supporting the payment of the principal of and interest on maturing Series A-1 Notes, and (ii) the Reimbursement Agreement, dated as of December 1, 2018 (the “Series A-2 Reimbursement Agreement” and, together with the Series A-1 Reimbursement Agreement, the “Reimbursement Agreements”), by and between the Commission and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Series A-2 Bank” and, together with Series A-1 Bank, the “Banks”), pursuant to which the Series A-2 Bank will issue an irrevocable direct pay letter of credit (the “Series A-2 Letter of Credit” and, together with the Series A-1 Letter of Credit, the “Letters of Credit”) for the account of the Commission in favor of the Issuing and Paying Agent supporting the payment of the principal of and interest on maturing Series A-2 Notes.

**TIMELY PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON MATURING COMMERCIAL PAPER NOTES OF EACH SERIES IS DEPENDENT UPON THE AVAILABILITY OF PROCEEDS OF DRAWS UNDER THE APPLICABLE LETTER OF CREDIT. IF FOR ANY REASON A BANK FAILS TO MAKE A PAYMENT DUE UNDER THE APPLICABLE LETTER OF CREDIT, THE COMMISSION WOULD HAVE NO OBLIGATION TO MAKE ANY PAYMENTS WITH RESPECT TO THE APPLICABLE COMMERCIAL PAPER NOTES EXCEPT FROM AVAILABLE POWER ENTERPRISE REVENUES, AND IT IS UNLIKELY THAT THE COMMISSION WOULD HAVE SUFFICIENT FUNDS ON HAND AND AVAILABLE TO MAKE THE CORRESPONDING PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON SUCH COMMERCIAL PAPER NOTES. PROSPECTIVE INVESTORS SHOULD THEREFORE BASE THEIR INVESTMENT DECISION, INsofar AS IT RELATES TO THE CREDITWORTHINESS OF A SERIES OF COMMERCIAL PAPER NOTES, SOLELY ON THE CREDIT OF THE APPLICABLE BANK, RATHER THAN THE COMMISSION.**

The Commercial Paper Notes are also payable from the proceeds of refunding Commercial Paper Notes or refunding bonds or other obligations which may be authorized and issued from time to time for such purpose. In addition, the Commission has pledged Available Power Enterprise Revenues (as defined herein) to the repayment of the Commercial Paper Notes on a basis subordinate to repayment of the Commission’s outstanding Power Revenue Bonds (as defined herein). See “THE COMMISSION AND THE POWER ENTERPRISE—Senior and Parity Indebtedness” herein.

The information in this Offering Memorandum has been obtained from the Commission, the Banks and other sources believed to be reliable. References herein to the Ordinance, the Resolution, the Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Letters of Credit and the Reimbursement Agreements do not purport to be complete or definitive, do not constitute summaries thereof, and are qualified in their entirety by reference to the provisions thereof. The information and expressions of opinion in this Offering Memorandum are subject to change without notice after the date hereof and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since the date hereof. This Offering Memorandum is not to be construed as a contract between the Commission and the purchasers of the Commercial Paper Notes. Prospective purchasers of the Commercial Paper Notes are expected to conduct their own review and analysis before making an investment decision. The Commercial Paper Notes are exempt from registration under the Securities Act of 1933, as amended.

## **THE COMMISSION AND THE POWER ENTERPRISE**

### **The Commission**

The Commission operates and maintains dams and reservoirs, power generation and transmission facilities, water transmission facilities, water and wastewater treatment plants, water distribution facilities, wastewater collection facilities and power distribution facilities. The Commission's facilities extend from the Hetch Hetchy watershed in the Sierra Nevada, across the Central Valley, over and around the southern end of San Francisco Bay and north along the San Francisco Peninsula to the City.

The Commission, which consists of five members appointed by the Mayor of the City (the "Mayor"), is a department of the City responsible for the maintenance, operation and development of three utility enterprises: the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Enterprise. The Hetch Hetchy Water and Power Enterprise is comprised of two key components: Hetch Hetchy Water and Hetch Hetchy Power (referred to hereinafter as the "Power Enterprise"). CleanPowerSF is a sub-component of the Power Enterprise.

The Water Enterprise provides retail drinking water to the City and wholesale water to customers in three other Bay Area counties. The Wastewater Enterprise, formerly known as the Clean Water Enterprise, consists of a sanitary waste and storm water collection, treatment and disposal system for the City. Hetch Hetchy Water operates and maintains the Hetch Hetchy Project, which provides water for distribution through the Water Enterprise and hydroelectric power to municipal and other customers through the Power Enterprise. A number of the facilities of the Hetch Hetchy Project are joint assets used for both water transmission and power generation and transmission, benefitting both Hetch Hetchy Water and the Power Enterprise. The Power Enterprise is responsible for SFPUC power utility commercial transactions and in-City power operations. CleanPowerSF is a Community Choice Aggregation program that sells energy to customers who elect to participate, aggregating the buying power of customers within the City to purchase renewable energy sources or clean power as an alternative to purchasing power from Pacific Gas and Electric Company.

Each of the Commission's three utility enterprises is operated and managed as a separate financial entity and separate enterprise funds are maintained for each enterprise. In addition, CleanPowerSF maintains its own financial statements, and segregates its revenues and expenses from the Power Enterprise. No revenues from the Water Enterprise, the Wastewater Enterprise or CleanPowerSF have been pledged for payment of the Power Enterprise Commercial Paper Notes and no such revenues shall be available for the repayment thereof.

### **The Power Enterprise**

The Power Enterprise was created in February 2005 as a separate system and accounting unit within Hetch Hetchy Water and Power. The Power Enterprise provides retail electric service to meet the municipal requirements of the City, including power to operate the San Francisco Municipal Transportation Agency's streetcars and electric buses, San Francisco General Hospital, City Hall, police stations, fire stations and schools, certain Port of San Francisco facilities, street and traffic lights, municipal buildings and other City facilities, such as the San Francisco International Airport and to certain public agencies and retail customers and provides pedestrian and streetlight operation and maintenance services, energy efficiency, and distributed generation services to City residents and

businesses and other customers. Additionally, the Power Enterprise provides power to the Modesto Irrigation District and the Turlock Irrigation District and to other customers consistent with prescribed contractual obligations and federal law.

The Power Enterprise is responsible for SFPUC power utility commercial transactions and in-City power operations. All electric power sales revenues are allocated to the Power Enterprise. Operating and capital costs benefitting the Power Enterprise and 55% of operating and capital costs that jointly benefit both Hetch Hetchy Water and the Power Enterprise are allocated to the Power Enterprise. Operating and capital costs benefitting Hetch Hetchy Water and 45% of operating capital costs jointly benefitting both Hetch Hetchy Water and the Power Enterprise are allocated to the SFPUC's Water Enterprise.

### **Community Choice Aggregation Service**

California state law allows a local government entity to sell electricity directly to customers within the entity's jurisdiction through a Community Choice Aggregation ("CCA") program. Under a CCA program, a public entity may develop a portfolio of energy supplies that it purchased or produced to meet specific local targets for renewable energy or to meet other policy and service objectives. Transmission and distribution services would continue to be provided by the local utility subject to California Public Utilities Commission tariffs. Customers within a CCA's jurisdiction may choose to opt-out of the program.

In May 2016, the SFPUC launched a CCA program called "CleanPowerSF" for customers in San Francisco. Under the program, the SFPUC pools the electricity demands of its customers, including certain of the City's residents and business, for the purpose of buying electricity on behalf of such customers. CleanPowerSF provides San Francisco with new clean energy alternatives in furtherance of its objectives to reduce greenhouse gas emissions and provide City energy consumers with renewable electricity supplies at competitive rates. The SFPUC does not anticipate that any of the Power Enterprise's customers would become CCA customers as the Power Enterprise's customers are not eligible under state law and the Power Enterprise already offers a clean energy portfolio at competitive rates. The Power Enterprise has provided certain initial development funding to help launch CleanPowerSF's program.

CleanPowerSF is a "Separate System" (as such term is defined in the Power Bonds Indenture) apart from the Power Enterprise system and revenues, with CleanPowerSF's costs generally supported by revenues received by its CCA customers. Net Revenues of the Power Enterprise may be available to pay the obligations of CleanPowerSF, but only to the extent such Net Revenues are in excess of all requirements (including the payment of debt service on all Power Revenue Bonds, the Commercial Paper Notes and Parity Notes (as defined herein)) under the Power Bonds Indenture.

### **Other Obligations Payable from Net Revenues**

As of December 1, 2018, the Power Enterprise had \$38,115,000 in outstanding aggregate principal amount of Power Revenue Bonds (the "Series 2015 AB Power Revenue Bonds"). The Commercial Paper Notes are secured by a pledge of Net Revenues subordinate to the pledge of Net Revenues securing the Series 2015 AB Power Revenue Bonds. The Series 2015 AB Power Revenue Bonds have underlying ratings of "AA-" by Fitch Ratings, Inc. ("Fitch") and "A+" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P").

As of December 1, 2018, the Power Enterprise also had \$11,938,903 in outstanding aggregate principal amount of obligations subordinate to the Series 2015 AB Power Revenue Bonds (the "Parity Notes"). The Parity Notes consist of certain federal subsidy bonds (clean renewable energy bonds, new clean renewable energy bonds and qualified energy conservation bonds) that were privately placed on a non-rated basis. The Commercial Paper Notes are secured by a pledge of Net Revenues on a parity with the pledge of Net Revenues securing the Parity Notes.

In 2010, the Commission constructed its administrative offices at 525 Golden Gate Avenue, one block north of City Hall, to house the administrative offices of the SFPUC's three utility enterprises that are now located in various leased facilities. Total project costs were approximately \$202 million, and were financed with land sale proceeds, fund balances, grants and the proceeds from the execution and delivery in 2009 of certificates of participation, representing interests in a City General Fund lease. Pursuant to a Memorandum of Understanding between the City and the



Commission, the Commission will reimburse the City General Fund for all debt service in connection with this City financing. The SFPUC has allocated such payment obligations internally among its three utility enterprises based on percentage usage, and the Power Enterprise is allocated approximately 9.72% of such obligation, payable from Net Revenues on a basis subordinate to the payment of the Commercial Paper Notes.

The Commission may, with majority voter approval or, in certain instances with two-thirds, three-quarters or majority vote of the Board of Supervisors of the City (the "Board") (depending on the nature of the Power Revenue Bonds), authorize additional Power Revenue Bonds, the payment of which will be prior to, on parity with, or subordinate to, the payment of the Commercial Paper Notes, without notice to, or consent of, any holder of the Commercial Paper Notes.

**TIMELY PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON MATURING COMMERCIAL PAPER NOTES OF EACH SERIES IS DEPENDENT UPON THE AVAILABILITY OF PROCEEDS OF DRAWS UNDER THE APPLICABLE LETTER OF CREDIT.**

**Investment Policy**

The Commission's funds are invested through the City's office of the Treasurer pursuant to the City's investment policy. The investment policy of the City is reviewed annually and is subject to change. A copy of the City's Annual Statement of Investment Policy can be found at <http://www.sftreasurer.org/>.

**Power Enterprise Financial Statements**

The financial statements of the Power Enterprise for the Fiscal Year ended June 30, [2018], are attached hereto as Appendix C. Additional financial and operating data relating to the Commission may be found in the Commission's most recent Continuing Disclosure Annual Report filed annually with the Municipal Securities Rulemaking Board, and may also be found on the Commission's official website at [www.sfwater.org](http://www.sfwater.org). See "ADDITIONAL INFORMATION."

**THE COMMERCIAL PAPER NOTES**

The Commercial Paper Notes are authorized to be issued pursuant to (i) Article V of Chapter 43 of the San Francisco Administrative Code, enacted by Ordinance No. 203-98, adopted by the Board on June 8, 1998, and signed by the Mayor on June 19, 1998, as amended by Ordinance 270-06 adopted by the Board on October 24, 2006, and signed by the Mayor on October 31, 2006, to establish a procedure for the Commission to issue commercial paper; (ii) Section 9.107(6) and 9.107(8) of the Charter; (iii) Section 8B.124 of the Charter, subject to receipt of the Proposition A Certifications (as defined herein); and (iv) Ordinance No. [\_\_\_\_], adopted by the Board on [\_\_\_\_], 2018, and signed by the Mayor on [\_\_\_\_], 2018 (the "Ordinance"), and Resolution No. [\_\_\_\_], adopted by the Commission on November 13, 2018 (the "Resolution"), providing for and approving of the issuance by the Commission of not to exceed \$250,000,000 principal amount of Commercial Paper Notes.

Issuance of debt under Section 8B.124 of the Charter is subject to (i) receipt of certification from an independent engineer that (x) the projects to be financed by such debt meet utility standards and (y) estimated net revenue will be sufficient to meet operating, maintenance, debt service coverage and other indenture or resolution requirements; and (ii) receipt of certification from the San Francisco Planning Department that facilities financed with such debt will comply with applicable requirements of the California Environmental Quality Act (collectively, the "Proposition A Certifications").

The Commercial Paper Notes are issued pursuant to the terms of the Issuing and Paying Agent Agreement.

The Commercial Paper Notes will be issued from time to time to finance projects associated with the Commission's Power Enterprise. The Commission may issue, and have outstanding at any one time, an aggregate principal amount of Series A-1 Notes up to \$125,000,000, and an aggregate principal amount of Series A-2 Notes up to \$125,000,000.



The Commercial Paper Notes are dated the date of their original issuance, issued in book-entry form only in denominations of \$100,000, and in integral multiples of \$1,000 in excess of \$100,000, and bear interest at separately stated interest rates not to exceed 12% per annum.

The Commercial Paper Notes are fully registered notes registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership interests in the Commercial Paper Notes are available in book-entry form only, and purchasers of the Commercial Paper Notes will not receive certificates representing their interests in the Commercial Paper Notes purchased. While held in book-entry form, all payments of principal of and interest on the Commercial Paper Notes will be made by wire transfer to DTC or its nominee as the sole registered owner of the Commercial Paper Notes. Payments to the beneficial owners are the responsibility of DTC and its participants. See “APPENDIX A—BOOK-ENTRY SYSTEM FOR COMMERCIAL PAPER NOTES.”

Each Commercial Paper Note will bear interest payable at maturity at an annual rate calculated on the basis of actual days elapsed and a year of 365 or 366 days, as applicable.

Each Commercial Paper Note will mature not more than 270 days after its issuance date, but in no event later than the Business Day immediately preceding the Termination Date of the applicable Letter of Credit.

Each Commercial Paper Note (i) will be sold at a price of not less than 100% of the principal amount thereof, and (ii) will mature on a Business Day. The Commercial Paper Notes will not be subject to redemption prior to maturity. Payments of principal of and interest on maturing Commercial Paper Notes will be made by the Issuing and Paying Agent directly to DTC.

#### **Limited Obligation**

**TIMELY PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON MATURING COMMERCIAL PAPER NOTES OF EACH SERIES IS DEPENDENT UPON THE AVAILABILITY OF PROCEEDS OF DRAWS UNDER THE APPLICABLE LETTER OF CREDIT. PROSPECTIVE INVESTORS SHOULD THEREFORE BASE THEIR INVESTMENT DECISION, INsofar AS IT RELATES TO THE CREDITWORTHINESS OF A SERIES OF COMMERCIAL PAPER NOTES, SOLELY ON THE CREDIT OF THE APPLICABLE BANK, RATHER THAN THE COMMISSION.**

THE GENERAL FUND OF THE CITY AND COUNTY OF SAN FRANCISCO IS NOT LIABLE, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY AND COUNTY OF SAN FRANCISCO IS PLEDGED, FOR THE PAYMENT OF THE COMMERCIAL PAPER NOTES.

#### **Pledge of Available Power Enterprise Revenues and Certain Funds and Accounts**

The Commercial Paper Notes and the Bank Notes are revenue obligations, are not secured by the taxing power of the Commission or the City and shall be payable as to both principal and interest from, and shall be secured solely by a pledge as hereinafter provided of, the Available Power Enterprise Revenues, and, as set forth below, funds and accounts created under the Issuing and Paying Agent Agreement.

The Available Power Enterprise Revenues (on a parity with the pledge securing any Parity Notes) and the Construction Fund and the accounts therein are pledged to the payment of the Commercial Paper Notes, the Bank Notes and all obligations of the Commission relating to such Commercial Paper Notes under the Issuing and Paying Agent Agreement and under the Series A-1 Reimbursement Agreement and the Series A-2 Reimbursement Agreement without priority or distinction of one over the other, except as expressly provided under the Issuing and Paying Agent Agreement. In addition, (i) the Series A-1 Debt Service Account is pledged to secure the payment of the interest on and principal of the Series A-1 Notes, (ii) the Series A-1 Bank Payment Account and the Series A-1 Bank Note Debt Service Account are pledged to secure the payment of the interest on and principal of the Series A-1 Bank Notes and obligations under the Series A-1 Reimbursement Agreement, (iii) the Series A-2 Debt Service Account is pledged to secure the payment of the interest on and principal of the Series A-2 Notes, and (iv) the Series A-2 Bank Payment

Account and the Series A-2 Bank Note Debt Service Account are pledged to secure the payment of the interest on and principal of the Series A 2 Bank Notes and obligations under the Series A-2 Reimbursement Agreement.

The Available Power Enterprise Revenues and the funds and accounts pledged under the Issuing and Paying Agent Agreement constitute a trust fund for the security and payment of the interest on and principal of the Commercial Paper Notes and the Bank Notes and all obligations of the Commission relating to such Commercial Paper Notes under the Issuing and Paying Agent Agreement and under the Series A-1 Reimbursement Agreement and the Series A-2 Reimbursement Agreement, as provided under the Issuing and Paying Agent Agreement, and shall be irrevocable until all of the Commercial Paper Notes and the Bank Notes secured by Available Power Enterprise Revenues have been paid and retired and any related obligations of the Commission under the Series A-1 Reimbursement Agreement and the Series A-2 Reimbursement Agreement have been satisfied.

“Available Power Enterprise Revenues” means all of the moneys in the Revenue Fund (as defined in the Power Bonds Indenture and comprised primarily of Power Enterprise Revenues and earnings thereon) remaining after the payments required by Subsections 5.5(c)-(e) of the Power Bonds Indenture, and all other amounts payable on parity with amounts paid under Subsection 5.1(f) of the Power Bonds Indenture pursuant to the terms thereof.

“Power Enterprise Revenues” has the meaning ascribed to the term “Net Revenues” in the Power Bonds Indenture, which is defined as, for any Fiscal Year (or other designated twelve-month period), Revenues in such Fiscal Year (or other designated twelve-month period), less (a) Operation and Maintenance Expenses, and (b) any Priority R&R Fund Deposit for such Fiscal Year (or other designated twelve-month period).

“Revenues” means all revenues, rates and charges received and accrued by the Commission for electric power and energy and other services, facilities and commodities sold, furnished or supplied by the Power Enterprise, together with income, earnings and profits therefrom (including interest earnings on the proceeds of any Bonds pending application thereof), as determined in accordance with GAAP. “Revenues” includes payments to the Power Enterprise on or with respect to loans from any Separate System maintained by the Commission. “Revenues” do not include (a) proceeds from the issuance of any obligations for borrowed money, (b) amounts loaned to the Power Enterprise, (c) Swap Agreement Receipts, (d) proceeds from taxes, (e) customer deposits while retained as such, (f) contributions in aid of construction, (g) gifts, (h) grants, (i) insurance or condemnation proceeds that are properly allocable to a capital account, (j) non-cash revenues or gains that may be required or permitted under GAAP, including mark-to-market gains and deferred revenues, (k) money received by the Commission as the proceeds of the sale of any portion of the properties of the Power Enterprise, (l) amounts by their terms not available for the payment of Operation and Maintenance Expenses or Principal and interest on the Bonds, (m) Refundable Credits; (n) revenues of any Separate System, (n) Water Enterprise revenues as defined in the document or agreement governing the then-outstanding senior lien obligations of the Water Enterprise for borrowed money, and (o) Wastewater Enterprise revenues as defined in the document or agreement governing the then-outstanding senior lien obligations of the Wastewater Enterprise for borrowed money.

Under the Issuing and Paying Agent Agreement, the Commission will covenant to establish, maintain and collect rates and charges with respect to the Power Enterprise sufficient (after giving effect to the expected receipt of refinancing proceeds from the sale of Commercial Paper Notes or Power Revenue Bonds) to pay the Commercial Paper Notes, the Bank Notes (as defined herein), and all other amounts outstanding under each Reimbursement Agreement and all other obligations payable from the Power Enterprise. The Commission also will covenant not to issue any additional bonds, notes or other obligations for borrowed money payable from or secured by the revenues of the Power Enterprise unless the Commission certifies that either (i) actual revenues for the most recently completed fiscal year or (ii) projected revenues for the next three fiscal years following the issuance of such additional bonds, notes or other indebtedness, are or will be sufficient to satisfy the rate covenant described above, assuming the issuance of such additional bonds, notes or other indebtedness to pay any maturing Commercial Paper Notes, the Bank Notes and all other amounts due and owing under each Reimbursement Agreement.

The Commercial Paper Notes are also payable from the proceeds of refunding Commercial Paper Notes or refunding bonds or other obligations which may be authorized and issued from time to time for such purpose.

## **SERIES A-1 LETTER OF CREDIT AND SERIES A-1 REIMBURSEMENT AGREEMENT**

Payments of principal and interest on the Series A-1 Notes will be made from drawings under the Series A-1 Letter of Credit. The following description is a summary of certain provisions of the Series A-1 Letter of Credit and the Series A-1 Reimbursement Agreement. Such summary does not purport to be a complete description or restatement of the material provisions of the Series A-1 Letter of Credit or the Series A-1 Reimbursement Agreement. Investors should obtain and review copies of the Series A-1 Letter of Credit and the Series A-1 Reimbursement Agreement in order to understand all of the terms of those documents. All capitalized terms appearing under this heading "SERIES A-1 LETTER OF CREDIT AND SERIES A-1 REIMBURSEMENT AGREEMENT" shall have the meanings assigned to them in the Series A-1 Reimbursement Agreement.

### **TIMELY PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON MATURING SERIES A-1 NOTES IS DEPENDENT UPON THE AVAILABILITY OF PROCEEDS OF DRAWS UNDER THE SERIES A-1 LETTER OF CREDIT.**

#### **Series A-1 Letter of Credit**

The Series A-1 Letter of Credit is an irrevocable transferable obligation of the Series A-1 Bank and supports the payment of principal of and interest on maturing Series A-1 Notes only. The Series A-1 Letter of Credit may not be drawn on for any other purpose. The Series A-1 Letter of Credit will be issued in an amount equal to the maximum principal amount of \$125,000,000 of the Series A-1 Notes plus 270 days' interest thereon at the rate of 12% per annum calculated on the basis of a year of 365 days (the "Stated Amount"). The Issuing and Paying Agent is authorized to draw on the Series A-1 Letter of Credit in an aggregate amount not to exceed the Stated Amount of the Series A-1 Letter of Credit and in accordance with the terms and conditions and, subject to the reductions and reinstatements as described therein, in amounts as set forth in the Series A-1 Letter of Credit, in one or more Drawings (as defined in the Series A-1 Letter of Credit), payable as set forth in the Series A-1 Letter of Credit on any Business Day (as defined in the Series A-1 Letter of Credit), by presentation of the appropriate certifications, (i) for the payment at maturity of the principal of and interest on Series A-1 Notes or (ii) for the payment at maturity of the principal of and interest to maturity on Series A-1 Notes that otherwise mature on or after the date that the Issuing and Paying Agent receives a Final Drawing Notice (as defined in the Series A-1 Letter of Credit) from the Series A-1 Bank.

Upon the Series A-1 Bank honoring any Drawing, the Stated Amount and the amount available to be drawn under the Series A-1 Letter of Credit by the Issuing and Paying Agent pursuant to any subsequent Drawing shall be automatically decreased by an amount equal to the amount of such Drawing. In connection therewith, the Stated Amount shall be increased when and to the extent, but only when and to the extent (i) (A) of transfer by the Issuing and Paying Agent to the Series A-1 Bank on the date such Drawing is honored of proceeds of Series A-1 Notes issued on such date or (B) the Issuing and Paying Agent receives written notice from the Series A-1 Bank that the Series A-1 Bank has been reimbursed by or on behalf of the Commission for any amount drawn under the Series A-1 Letter of Credit by any Drawing, and (ii) that the Issuing and Paying Agent has not received a No-Issuance Notice (as defined in the Series A-1 Letter of Credit) from the Series A-1 Bank.

The Series A-1 Letter of Credit shall expire at the close of business of the Series A-1 Bank, on the date (the earliest of such date to occur referred to as the "Termination Date") which is the earliest of (i) December [\_\_\_], 2021 (unless extended pursuant to the terms of the Series A-1 Letter of Credit), (ii) the later of the date on which the Series A-1 Bank receives written notice from the Issuing and Paying Agent that an Alternate Facility (as defined in the Issuing and Paying Agent Agreement) has been substituted for the Series A-1 Letter of Credit in accordance with the Issuing and Paying Agent Agreement and the effective date of any such Alternate Facility (after the Series A-1 Bank honors any properly presented and conforming Drawing on such date), (iii) the date on which the Series A-1 Bank receives written notice from the Issuing and Paying Agent that there are no longer any Series A-1 Notes Outstanding within the meaning of the Issuing and Paying Agent Agreement and that the Issuing and Paying Agent elects to terminate the Series A-1 Letter of Credit, (iv) the earlier of (a) the fifteenth (15th) calendar day after the date on which the Issuing and Paying Agent receives the Final Drawing Notice and (v) the earlier of (a) the third (3rd) Business Day (as defined in the Series A-1 Letter of Credit) after the date on which the Commission receives an Acceleration Notice (as defined herein), and (b) the date on which the Drawing resulting from the delivery of the Acceleration Notice is honored under the Series A-1 Letter of Credit.

Pursuant to the Issuing and Paying Agent Agreement, no Series A-1 Notes may be outstanding at the time of any substitution of an Alternate Facility for the Series A-1 Letter of Credit.

### **Series A-1 Reimbursement Agreement Events of Default**

If any of the following events occurs, each such event will be an “Event of Default” under the Series A-1 Reimbursement Agreement:

(a) the Commission fails to pay, or cause to be paid, as and when due, (i) any Reimbursement Obligation (as defined in the Series A-1 Reimbursement Agreement), or (ii) any Obligation (as defined in the Series A-1 Reimbursement Agreement) (other than a Reimbursement Obligation) under the Series A-1 Reimbursement Agreement or under the Fee Agreement (as defined in the Series A-1 Reimbursement Agreement) and, in such case, such failure continues for five (5) Business Days (as defined in the Series A-1 Reimbursement Agreement);

(b) any representation or warranty made by or on behalf of the Commission in the Series A-1 Reimbursement Agreement or in any other Basic Document (as defined in the Series A-1 Reimbursement Agreement) or in any certificate or statement delivered thereunder is incorrect or untrue in any material respect when made or deemed to have been made or delivered;

(c) the Commission defaults in the due performance or observance of certain covenants set forth in the Series A-1 Reimbursement Agreement;

(d) the Commission defaults in the due performance or observance of any other term, covenant or agreement contained in the Series A-1 Reimbursement Agreement or any other Basic Document and such default remains unremedied for a period of thirty (30) days after the occurrence thereof;

(e) the Commission or the City and County of San Francisco, directly or indirectly, (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) becomes insolvent or does not pay, or is unable to pay, or admits in writing its inability to pay, its debts generally as they become due, (iii) makes an assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property (as defined in the Series A-1 Reimbursement Agreement), (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) takes any corporate action in furtherance of any matter described in clauses (i) through (v) above, or (vii) fails to contest in good faith any appointment or proceeding described in paragraph (f) under the “SERIES A-1 LETTER OF CREDIT AND SERIES A-1 REIMBURSEMENT AGREEMENT—Series A-1 Reimbursement Agreement Events of Default”;

(f) a custodian, receiver, trustee, examiner, liquidator or similar official is appointed for the Commission or the City and County of San Francisco or any substantial part of its Property, or a proceeding described in clause (v) of paragraph (e) under the “SERIES A-1 LETTER OF CREDIT AND SERIES A-1 REIMBURSEMENT AGREEMENT —Series A-1 Reimbursement Agreement Events of Default,” above is instituted against the Commission or the City and County of San Francisco and such proceeding continues undischarged, undismissed and unstayed for a period of thirty (30) days;

(g) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Debt (as defined in the Series A-1 Reimbursement Agreement) of the Commission by the Commission or any Governmental Authority with appropriate jurisdiction;

(h) any material provision of the Series A-1 Reimbursement Agreement, the Charter or any other Basic Document at any time for any reason ceases to be valid and binding on the Commission as a result of any legislative or administrative action by a Governmental Authority with competent jurisdiction or shall be declared in a final non appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof is publicly contested by the Commission, or the Commission publicly contests the validity or enforceability of any obligation to pay Power Enterprise Debt (as defined in the Series A-1 Reimbursement Agreement), including, without limitation, the Power Bonds Indenture, or any Authorized Representative publicly repudiates or otherwise denies in writing that it has any further liability or obligation under or with respect to any provision of the Series A-1 Reimbursement Agreement, the Charter, any other Basic Document or any operative document related to Power Enterprise Debt, including, without limitation, the Power Bonds Indenture;

(i) dissolution or termination of the existence of the Commission;

(j) the Commission (i) defaults on the payment of the principal of or interest on any Power Enterprise Debt, beyond the period of grace, if any, provided in the instrument or agreement under which such Power Enterprise Debt was created or incurred; or (ii) defaults in the observance or performance of any agreement or condition relating to any Power Enterprise Debt, including, without limitation, any Bank Agreement, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event occurs or condition exists, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Power Enterprise Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Power Enterprise Debt;

(k) the Commission (i) defaults on the payment of the principal of or interest on any Debt (other than Power Enterprise Debt) aggregating in excess of \$10,000,000, beyond the period of grace, if any, provided in the instrument or agreement under which such Debt (other than Power Enterprise Debt) was created or incurred; or (ii) defaults in the observance or performance of any agreement or condition relating to any Debt (other than Power Enterprise Debt) aggregating in excess of \$10,000,000, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event occurs or condition exists, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt (other than Power Enterprise Debt);

(l) any final, nonappealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, in an aggregate amount not less than \$10,000,000 are entered or filed against the Commission or against any of its Property and remain unpaid, unvacated, unbonded and unstayed for a period of sixty (60) days;

(m) (i) the Commission shall default in the due performance or observance of any material term, covenant or agreement contained in any other Basic Document and the same shall not have been cured within any applicable cure period or (ii) any "event of default" under any other Basic Document (as defined respectively therein) has occurred;

(n) a ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service is rendered to the effect that interest on the Series A-1 Notes is includable in the gross income of the holder(s) or owner(s) of such Series A-1 Notes and either (i) the Commission, after it has been notified by the Internal Revenue Service, does not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Commission challenges such ruling, assessment, notice or advice and a court of law makes a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered;

(o) any of Fitch, Moody's and S&P (i) downgrades its long term unenhanced rating of any Parity Debt or Senior Debt (as defined in the Series A-1 Reimbursement Agreement) of the Commission to below "A-" (or its equivalent), "A3" (or its equivalent), or "A-" (or its equivalent) respectively, and such

rating remains below “A-” (or its equivalent), “A3” (or its equivalent), or “A-” (or its equivalent) for one hundred twenty (120) days, or (ii) suspends or withdraws its rating of the same; or

(p) the passage of any Law (as defined in the Series A-1 Reimbursement Agreement) has occurred which could reasonably be expected to have a material adverse effect on the Commission’s ability to perform its obligations under the Series A-1 Reimbursement Agreement or the other Basic Documents or to result in a material adverse effect on the enforceability or validity of the Series A-1 Reimbursement Agreement or any of the other Basic Documents.

### **Series A-1 Reimbursement Agreement Remedies**

Upon the occurrence of any Event of Default under the Series A-1 Reimbursement Agreement, the Series A-1 Bank may exercise any one or more of the following rights and remedies in addition to any other remedies provided in the Series A-1 Reimbursement Agreement or by law provided:

(a) declare all Obligations to be immediately due and payable, whereupon the same are immediately due and payable without any further notice of any kind, which notice is waived by the Commission; provided, however, that in the case of an Event of Default described in paragraph (e), (f) or (g) above under the subcaption “LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS—Series A-1 Reimbursement Agreement Events of Default,” such acceleration will automatically occur (unless such automatic acceleration is waived by the Series A-1 Bank in writing); or

(b) issue a No Issuance Notice (the effect of which will be as provided in the Series A-1 Reimbursement Agreement), reduce the Stated Amount of the Series A-1 Letter of Credit to the amount of the then outstanding Series A-1 Notes supported by the Series A-1 Letter of Credit plus a corresponding amount of interest coverage and/or terminate the Stated Amount as the then outstanding Series A-1 Notes are paid; or

(c) issue the Final Drawing Notice (the effect of which will be to cause the Termination Date of the Series A-1 Letter of Credit to occur on the fifteenth (15) calendar day after the date of receipt thereof by the Issuing and Paying Agent); or

(d) pursue any rights and remedies it may have under the Basic Documents; or

(e) pursue any other action available at law or in equity.

Upon the occurrence of an “event of default” under the Issuing and Paying Agent Agreement, the Series A-1 Bank may by notice to the Commission and the Issuing and Paying Agent (such notice, the “Acceleration Notice”), declare the principal of all outstanding Series A-1 Notes, and the interest accrued thereon, to be due and payable immediately, whereupon the same shall become and shall be immediately due and payable and instruct the Issuing and Paying Agent to submit a Drawing under the Series A-1 Letter of Credit to pay such immediately due and payable amount.

### **SERIES A-2 LETTER OF CREDIT AND SERIES A-2 REIMBURSEMENT AGREEMENT**

Payments of principal and interest on the Series A-2 Notes will be made from drawings under the Series A-2 Letter of Credit. The following description is a summary of certain provisions of the Series A-2 Letter of Credit and the Series A-2 Reimbursement Agreement. Such summary does not purport to be a complete description or restatement of the material provisions of the Series A-2 Letter of Credit or the Series A-2 Reimbursement Agreement. Investors should obtain and review copies of the Series A-2 Letter of Credit and the Series A-2 Reimbursement Agreement in order to understand all of the terms of those documents. All capitalized terms appearing under this heading “SERIES A-2 LETTER OF CREDIT AND SERIES A-2 REIMBURSEMENT AGREEMENT” shall have the meanings assigned to them in the Series A-2 Reimbursement Agreement.



**TIMELY PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON MATURING SERIES A-2 NOTES IS DEPENDENT UPON THE AVAILABILITY OF PROCEEDS OF DRAWS UNDER THE SERIES A-2 LETTER OF CREDIT.**

**Series A-2 Letter of Credit**

The Series A-2 Letter of Credit is an irrevocable transferable obligation of Sumitomo Mitsui Banking Corporation, acting through its New York Branch, and supports the Series A-2 Notes. The Series A-2 Letter of Credit will be issued in an amount equal to the maximum principal amount of the Series A-2 Notes plus 270 days' interest thereon at the rate of 12% per annum calculated on the basis of a year of 365 days (the "Stated Amount"). The Issuing and Paying Agent is authorized to draw on the Series A-2 Letter of Credit in an aggregate amount not to exceed the Stated Amount of the Series A-2 Letter of Credit and in accordance with the terms and conditions and subject to the reductions and reinstatements in amount as set forth in the Series A-2 Letter of Credit, in one or more Drawings (as defined in the Series A-2 Letter of Credit), payable as set forth in the Series A-2 Letter of Credit on any Business Day (as defined in the Series A-2 Letter of Credit), by presentation of the appropriate certifications, (i) for the payment at maturity of the principal of and interest at maturity on Series A-2 Notes, (ii) for the payment at maturity of the principal of and interest to maturity on Series A-2 Notes that otherwise mature on or after the date that the Issuing and Paying Agent receives the Final Drawing Notice (as defined in the Series A-2 Letter of Credit) from the Series A-2 Bank, or (iii) for the payment of the principal of and interest due upon acceleration of all outstanding Series A-2 Notes (the "Final Acceleration Drawing"), in each case an aggregate amount not exceeding the Stated Amount of the Series A-2 Letter of Credit.

Upon the Series A-2 Bank honoring any Drawing, the Stated Amount and the amount available to be drawn under the Series A-2 Letter of Credit for subsequent Drawings will be automatically decreased by an amount equal to the amount of such Drawing. In connection therewith, the Stated Amount and the amounts from time to time available to be drawn under the Series A-2 Letter of Credit (except in the case of the Final Acceleration Drawing or a Drawing resulting from the delivery of the Final Drawing Notice) will be increased when and to the extent, but only when and to the extent, (i) (A) of transfer by the Issuing and Paying Agent to the Series A-2 Bank on the date such Drawing is honored of proceeds of Series A-2 Notes issued on such date or (B) the Issuing and Paying Agent receives written notice from the Series A-2 Bank that the Series A-2 Bank has been reimbursed by or on behalf of the Commission for any amount drawn under the Series A-2 Letter of Credit, and (ii) that the Issuing and Paying Agent has not received from the Series A-2 Bank a No-Issuance Notice (as defined in the Series A-2 Letter of Credit). Upon the Series A-2 Bank honoring the Final Acceleration Drawing, the Stated Amount shall be permanently reduced to zero and the Stated Amount shall no longer be reinstated.

The Series A-2 Letter of Credit will expire at 4:00 p.m., New York City time, on the date (the earliest of such dates to occur is referred to as the "Termination Date") which is the earliest of (i) December [27], 2022 (the "Stated Expiration Date"), or such later date as is specified by the Series A-2 Bank in a written notice to the Issuing and Paying Agent, (ii) the later of (a) the date on which the Series A-2 Bank receives written notice from the Issuing and Paying Agent that an Alternate Facility as is specified in such notice (as defined in the Issuing and Paying Agent Agreement) has been substituted for the Series A-2 Letter of Credit in accordance with the Issuing and Paying Agent Agreement and (b) the effective date of such Alternate Facility (after the Series A-2 Bank honors any properly presented and conforming Drawing on or prior to such date), (iii) the date on which the Series A-2 Bank receives written notice from the Issuing and Paying Agent that there are no longer any Series A-2 Notes Outstanding within the meaning of the Issuing and Paying Agent Agreement nor does the Commission intend to issue any additional Series A-2 Notes under the Issuing and Paying Agent Agreement and that the Issuing and Paying Agent elects to terminate the Series A-2 Letter of Credit, (iv) the earlier of (a) the fifteenth (15th) calendar day after the date on which the Issuing and Paying Agent receives the Final Drawing Notice, and (b) the date on which the Drawing resulting from the delivery of the Final Drawing Notice is honored under the Series A-2 Letter of Credit, and (v) the earlier of (a) the third (3rd) Business Day after the date on which the Issuing and Paying Agent receives an Acceleration Notice (as defined below) from the Series A-2 Bank and (b) the date on which the Final Acceleration Drawing is honored under the Series A-2 Letter of Credit.



## Series A-2 Reimbursement Agreement Events of Default

If any of the following events shall occur, each such event shall be an “Event of Default” under the Series A-2 Reimbursement Agreement:

(a) the Commission shall fail to pay, or cause to be paid, as and when due, (i) any Reimbursement Obligation (as defined in the Series A-2 Reimbursement Agreement), or (ii) any Obligation (as defined in the Series A-2 Reimbursement Agreement) (other than a Reimbursement Obligation) and, in such case, such failure shall continue for three (3) Business Days;

(b) any representation or warranty made by or on behalf of the Commission in the Series A-2 Reimbursement Agreement or in any other Basic Document (as defined in the Series A-2 Reimbursement Agreement) or in any certificate or statement delivered thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered;

(c) the Commission shall default in the due performance or observance of certain covenants set forth in the Series A-2 Reimbursement Agreement;

(d) the Commission shall default in the due performance or observance of any other term, covenant or agreement contained in the Series A-2 Reimbursement Agreement or any other Basic Document and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof;

(e) the Commission or the City and County of San Francisco, directly or indirectly, shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) become insolvent or shall not pay, or be unable to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property (as defined in the Series A-2 Reimbursement Agreement), (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in paragraph (f) below;

(f) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Commission or the City and County of San Francisco or any substantial part of its Property, or a proceeding described in clause (e)(v) above shall be instituted against the Commission or the City and County of San Francisco and such proceeding continues undischarged or any such proceeding continues undismissed or unstayed for a period of thirty (30) or more days;

(g) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Debt (as defined in the Series A-2 Reimbursement Agreement) of the Commission by the Commission or any governmental authority with appropriate jurisdiction;

(h) any material provision of the Series A-2 Reimbursement Agreement, the Charter, any other Basic Document or any operative document related to Power Enterprise Debt, including without limitation, the Master Trust Indenture, shall at any time for any reason cease to be valid and binding on the Commission for any reason or shall be declared by any court or other Governmental Authority with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Commission or by a Governmental Authority with competent jurisdiction, or the Commission shall deny that it has any further liability under the Series A-2 Reimbursement Agreement, the

Charter, any other Basic Document or any operative document related to Power Enterprise Debt, including without limitation, the Master Trust Indenture;

(i) dissolution or termination of the existence of the Commission;

(j) the Commission shall (i) default on the payment of the principal of or interest on any Power Enterprise Debt (as defined in the Series A-2 Reimbursement Agreement), beyond the period of grace, if any, provided in the instrument or agreement under which such Power Enterprise Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Power Enterprise Debt, including, without limitation, any Bank Agreement, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Power Enterprise Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt (other than Power Enterprise Debt);

(k) the Commission shall (i) default on the payment of the principal of or interest on any Debt (other than Power Enterprise Debt) aggregating in excess of \$10,000,000, beyond the period of grace, if any, provided in the instrument or agreement under which such Debt (other than Power Enterprise Debt) was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Debt (other than Power Enterprise Debt) aggregating in excess of \$10,000,000, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Power Enterprise Debt;

(l) any final, unappealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, in an aggregate amount not less than \$10,000,000 shall be entered or filed against the Commission or against any of its Property and remain unpaid, unvacated, unbonded or unstayed for a period of thirty (30) days;

(m) (i) the Commission shall default in the due performance or observance of any material term, covenant or agreement contained in any other Basic Document and the same shall not have been cured within any applicable cure period, or (ii) any "event of default" under any Basic Document (as defined respectively therein) shall have occurred;

(n) a ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Series A-2 Notes is includable in the gross income of the holder(s) or owner(s) of such Series A-2 Notes and either (i) the Commission, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Commission shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered; or

(o) any of Fitch or S&P shall have downgraded its long-term unenhanced rating of any Senior Debt (as defined in the Series A-2 Reimbursement Agreement) of the Commission to below "BBB" (or its equivalent), or "BBB" (or its equivalent), respectively, and so suspended or withdrawn its rating of the same; or

(p) the passage of any Law (as defined in the Series A-2 Reimbursement Agreement) has occurred which could reasonably be expected to have a material adverse effect on the Commission's ability to perform its obligations under the Series A-2 Reimbursement Agreement or the other Basic Documents or to result in a material adverse effect on the enforceability or validity of the Series A-2 Reimbursement Agreement or any of the other Basic Documents.

## Series A-2 Reimbursement Agreement Remedies

Upon the occurrence of any Event of Default under the Series A-2 Reimbursement Agreement, the Series A-2 Bank may exercise any one or more of the following rights and remedies in addition to any other remedies provided in the Series A-2 Reimbursement Agreement or by law:

- (a) declare all Obligations to be immediately due and payable, whereupon the same shall be immediately due and payable without any further notice of any kind, which notice is waived by the Commission; provided, however, that in the case of an Event of Default described in paragraph (e), (f) or (g) above under the subcaption “SERIES A-2 LETTER OF CREDIT AND SERIES A-2 REIMBURSEMENT AGREEMENT—Series A-2 Reimbursement Agreement Events of Default,” such acceleration shall automatically occur (unless such automatic acceleration is waived by the Series A-2 Bank in writing); or
- (b) issue a No-Issuance Notice (the effect of which shall be as provided in the Series A-2 Reimbursement Agreement), reduce the Stated Amount of the Series A-2 Letter of Credit to the amount of the then outstanding Series A-2 Notes supported by the Series A-2 Letter of Credit plus a corresponding amount of interest coverage, reduce the Stated Amount of the Series A-2 Letter of Credit as the then outstanding Series A-2 Notes are paid and terminate the Series A-2 Letter of Credit when no Series A-1 Notes remain outstanding; or
- (c) issue the Final Drawing Notice (the effect of which shall be to cause the Termination Date of the Series A-2 Letter of Credit to occur on the fifteenth (15) calendar day after the date of receipt thereof by the Issuing and Paying Agent); or
- (d) pursue any rights and remedies it may have under the Basic Documents; or pursue any other action available at law or in equity.

Upon the occurrence and during the continuance of an “event of default” under the Issuing and Paying Agent Agreement, the Series A-2 Bank may, pursuant to the Issuing and Paying Agent Agreement, by notice to the Commission and the Issuing and Paying Agent (such notice, the “Acceleration Notice”), (i) declare the principal of all outstanding Series A-2 Notes, and the interest accrued thereon, to be due and payable immediately, whereupon the same shall become and shall be immediately due and payable and (ii) instruct the Issuing and Paying Agent to submit a Drawing under the Series A-2 Letter of Credit to pay such immediately due and payable amount.

## THE BANKS

*The following information has been furnished by the Banks for use in this Offering Memorandum. Such information has not been independently confirmed or verified by the Commission. No representation is made as to the accuracy or adequacy of such information subsequent to the date hereof. No representation is made herein by the Commission that the information contained and incorporated herein by reference is correct. The Commission has assumed no obligation to update such information in the future, or to advise of any adverse change in the financial condition of the Banks. Investors are advised to obtain and carefully review any financial reports and other information published after the date hereof about the Banks prior to making a decision to purchase the applicable Commercial Paper Notes.*

### **Bank of America, N.A.**

Bank of America, N.A. (“Bank of America”) is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. Bank of America is a wholly-owned indirect subsidiary of Bank of America Corporation (the “Corporation”) and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2018, Bank of America had consolidated assets of \$[\_\_\_\_\_] trillion, consolidated deposits of \$[\_\_\_\_\_] trillion and stockholder’s equity of \$[\_\_\_\_\_] billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2017, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the “SEC”).

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov> which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and Bank of America is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

Bank of America will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of Bank of America delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications  
100 North Tryon St, 18th Floor  
Charlotte, North Carolina 28255  
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON SERIES A-1 NOTES WILL BE MADE FROM DRAWINGS UNDER THE SERIES A-1 LETTER OF CREDIT. ALTHOUGH THE SERIES A-1 LETTER OF CREDIT IS A BINDING OBLIGATION OF BANK OF AMERICA, THE SERIES A-1 NOTES ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE SERIES A-1 NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or Bank of America since the date of the most recent filings referenced herein, or that the information contained or referred to under this caption is correct as of any time subsequent to the referenced date.

### **Sumitomo Mitsui Banking Corporation**

**General.** Sumitomo Mitsui Banking Corporation (Kabushiki Kaisha Mitsui Sumitomo Ginko) (“SMBC”) is a joint stock corporation with limited liability (Kabushiki Kaisha) under the laws of Japan. The registered head office of SMBC is located at 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan.

SMBC was established in April 2001 through the merger of two leading banks, The Sakura Bank, Limited and The Sumitomo Bank, Limited. In December 2002, Sumitomo Mitsui Financial Group, Inc. (“SMFG”) was established through a stock transfer as a holding company under which SMBC became a wholly-owned subsidiary. SMFG reported ¥200,110,993 million (US\$1.81 trillion) in consolidated total assets as of June 30, 2018.

SMBC is one of the world’s leading commercial banks and provides an extensive range of banking services to its customers in Japan and overseas. In Japan, SMBC accepts deposits, makes loans and extends guarantees to corporations, individuals, governments and governmental entities. It also offers financing solutions such as syndicated lending, structured finance and project finance. SMBC also underwrites and deals in bonds issued by or under the guarantee of the Japanese government and local government authorities, and acts in various administrative and advisory capacities for certain types of corporate and government bonds. Internationally, SMBC operates through a

network of branches, representative offices, subsidiaries and affiliates to provide many financing products, including syndicated lending and project finance.

The New York Branch of SMBC is licensed by the New York State Department of Financial Services to conduct branch banking business at 277 Park Avenue, New York, New York, and is subject to examination by the New York State Department of Financial Services and the Federal Reserve Bank of New York.

***Financial and Other Information.*** Audited consolidated financial statements for SMFG and its consolidated subsidiaries for the fiscal year 2017 ended March 31, 2018, as well as other corporate data, financial information and analyses, are available in English on SMFG's website at [www.smfg.co.jp/english](http://www.smfg.co.jp/english).

The information herein has been obtained from SMBC, which is solely responsible for its content. The delivery of this Offering Memorandum shall not create any implication that there has been no change in the affairs of SMBC since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

## RATINGS

Fitch has assigned a rating of "[\_\_]" to the Series A-1 Notes. S&P has assigned a rating of "[\_\_]" to the Series A-1 Notes. Each of such ratings is based on the understanding that the Series A-1 Letter of Credit has been issued by the Series A-1 Bank.

Fitch has assigned a rating of "[\_\_]" to the Series A-2 Notes. S&P has assigned a rating of "[\_\_]" to the Series A-2 Notes. Each of such ratings is based on the understanding that the Series A-2 Letter of Credit has been issued by the Series A-2 Bank.

Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained only from the agencies at the following addresses: Fitch Ratings, Inc., 33 Whitehall Street, New York, New York 10004 and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York 10041. The Commission furnished to such rating agencies certain information and materials regarding the Commercial Paper Notes and the Power Enterprise. In addition, each Bank furnished certain information to such rating agencies regarding such Bank and its applicable Letter of Credit and applicable Reimbursement Agreement. There is no assurance such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant and, therefore, any prospective purchaser should confirm the ratings prior to purchasing the Commercial Paper Notes. Any such change in or withdrawal of such ratings could have an adverse effect on the market for or market price of the Commercial Paper Notes. The above ratings are not recommendations to buy, sell or hold the Commercial Paper Notes. The Commission has not undertaken to provide notice to the holders of the Commercial Paper Notes of any change in the ratings on the Commercial Paper Notes.

The ratings on the Commercial Paper Notes may be adversely affected by a downgrade of the credit ratings of the Banks. The Commission undertakes no responsibility to oppose any such change or withdrawal. Although the Commission has covenanted to maintain a liquidity facility for the Commercial Paper Notes, it is not obligated to replace any Bank in the event of a downgrade of such Bank's rating. The Commission has not covenanted to provide notice to holders of the Commercial Paper Notes of any downgrade of the credit ratings of any Bank.

## ABSENCE OF LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body pending or, to the best of the knowledge of the Commission after reasonable investigation, threatened in any way (i) seeking to restrain or enjoin the issuance, sale or delivery of any of the Commercial Paper Notes or (ii) challenging the validity of the Commercial Paper Notes.

## THE DEALERS

The Commission has appointed Barclays Capital Inc., Goldman, Sachs & Co. and RBC Capital Markets, LLC, each as a non-exclusive dealer with respect to the offering and sale of the Commercial Paper Notes.

## TAX MATTERS

On December [\_\_], 2018, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission (“Bond Counsel”), will deliver its opinion that, 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 Commercial Paper Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate of the Commission, dated December [\_\_], 2018 (the “Tax Certificate”), is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel’s opinion will state that interest on the Commercial Paper Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “IRS”) is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the “original issue discount”). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of Dealer, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of Commercial Paper Notes should consult their own tax advisors with respect to the tax consequences of ownership of Commercial Paper Notes if the prospective purchaser elects original issue discount treatment.

Commercial Paper Notes 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 Notes”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the Premium Notes, 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 Note, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Notes 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 Commercial Paper Notes. The Commission has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Commercial Paper Notes 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 Commercial Paper Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Commercial Paper Notes. The opinion of Bond Counsel will assume the accuracy of these representations and compliance with these covenants. Bond Counsel will not undertake 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 Bond Counsel’s attention after December [\_\_], 2018, may adversely affect the value of, or the tax status of interest on, the Commercial Paper Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.



Although Bond Counsel will render an opinion on December [\_\_\_], 2018, that interest on the Commercial Paper Notes, when issued in accordance with the Issuing and Paying Agent Agreement and the Tax Certificate, 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 Commercial Paper Notes 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. Bond 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 Commercial Paper Notes 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 Commercial Paper Notes. Prospective purchasers of the Commercial Paper Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel delivered on December [\_\_\_], 2018, will be based on then current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Commercial Paper Notes for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Commission, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Commission has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Commercial Paper Notes will end on December [\_\_\_], 2018, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission or the beneficial owners regarding the tax-exempt status of the Commercial Paper Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Commission and their 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 notes is difficult, obtaining an independent review of IRS positions with which the Commission legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Commercial Paper Notes for audit, or the course or result of such audit, or an audit of notes presenting similar tax issues may affect the market price for, or the marketability of, the Commercial Paper Notes, and may cause the Commission or the beneficial owners to incur significant expense.

#### **NO CONTINUING DISCLOSURE FOR COMMERCIAL PAPER NOTES**

The Commercial Paper Notes are exempt from the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12, and the Commission has not undertaken to provide annually any secondary market information with respect to the Commercial Paper Notes.

Pursuant to continuing disclosure undertakings of the Commission in connection with certain outstanding bonds, the Commission is obligated to provide certain financial information and operating data (each, an "Annual Report") not later than 270 days following the end of its fiscal year (presently June 30), and to provide notices of the occurrence of certain listed events under securities laws. The Commission will file each Annual Report with the MSRB. The Commission will file any notices of listed events with the MSRB. The most recent Annual Report filed with the MSRB was prepared for the fiscal year ended June 30, 2018. The information and opinions herein and in any reports or filings pursuant to the Commission's continuing disclosure undertakings described above are subject to change without notice, and neither the delivery thereof nor the delivery of this Offering Memorandum shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission or other matters described therein or herein.



## LEGAL MATTERS

On December [\_\_\_], 2018, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, will render the legal opinion described in “TAX MATTERS” above, the form of which is set forth in Appendix B hereto. Bond Counsel is not passing upon and undertakes no responsibility for the accuracy, completeness or fairness of the information contained in this Offering Memorandum. Certain matters will be passed upon for the Series A-1 Bank by Nixon Peabody LLP and for the Series A-2 Bank by Hawkins Delafield & Wood LLP.

## ADDITIONAL INFORMATION

Information herein concerning the Commission is limited. No attempt has been made to summarize the Issuing and Paying Agent Agreement, the Letters of Credit or the Reimbursement Agreements. The descriptions of and reference to such documents contained herein do not purport to be complete, and such references to and descriptions of such documents and all other documents and other items described herein are qualified in their entirety by reference to each such document and item. Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Issuing and Paying Agent Agreement.

Copies of the Resolution, the Ordinance, the Letters of Credit, the Reimbursement Agreements, and the Issuing and Paying Agent Agreement may be obtained from the Dealers, and may also be obtained from the Commission at the following address:

Public Utilities Commission  
of the City and County of San Francisco  
Attention: Chief Financial Officer & Assistant General Manager, Business Services  
525 Golden Gate Avenue, 13th Floor  
San Francisco, California 94102  
Tel: (415) 554-3155  
Fax: (415) 554-3161

No dealer or other person has been authorized by the Commission to give any information or to make any representations other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by the Commission.

The Dealers have provided the following sentence for inclusion in this Offering Memorandum. The Dealers have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Dealers do not guarantee the accuracy or completeness of such information.

## APPENDIX A

### BOOK-ENTRY SYSTEM FOR COMMERCIAL PAPER NOTES

#### General

One master Commercial Paper Note in the aggregate principal amount not exceeding the \$125,000,000 available to secure the Commercial Paper Notes (Power Series) Series A-1 and one master Commercial Paper Note in the aggregate principal amount not exceeding the \$125,000,000 available to secure the Commercial Paper Notes (Power Series) Series A-2 under the applicable Letters of Credit have been registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, NY. DTC will act as securities depository for the Commercial Paper Notes.

#### Book-Entry System

DTC will act as securities depository for the Commercial Paper Notes. The Commercial Paper Notes 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 the Commercial Paper Notes, in the aggregate principal amount of the Commercial Paper Notes, and will be deposited with DTC.

DTC, the world’s largest 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”). 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).

Purchases of the Commercial Paper Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Commercial Paper Notes on DTC’s records. The ownership interest of each actual purchaser of each Commercial Paper Note (“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 Commercial Paper Notes 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 the Commercial Paper Notes, except in the event that use of the book-entry system for the Commercial Paper Notes is discontinued.

To facilitate subsequent transfers, all Commercial Paper Notes 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 the Commercial Paper Notes 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 Commercial Paper Notes; DTC’s records reflect only the identity

of the Direct Participants to whose accounts such Commercial Paper Notes 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.

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 the Commercial Paper Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Commercial Paper Notes. For example, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Commercial Paper Notes unless authorized by a Direct Participant in accordance with DTC's 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 the Commercial Paper Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Commercial Paper Notes 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 Commission or the Issuing and Paying 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 (nor its nominee), the Issuing and Paying Agent, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest evidenced by the Commercial Paper Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Issuing and Paying 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.

NEITHER THE COMMISSION NOR THE ISSUING AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Neither the Commission nor the Issuing and Paying Agent can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of and interest on the Commercial Paper Notes paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Offering Memorandum.

### **Discontinuation of the Book-Entry Only System**

DTC may discontinue providing its services as securities depository with respect to the Commercial Paper Notes at any time by giving reasonable notice to the Commission or the Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Commercial Paper Note certificates will be printed and delivered as described in the Issuing and Paying Agent Agreement.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Commercial Paper Note certificates will be printed and delivered as described in the Issuing and Paying Agent Agreement.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE COMMERCIAL PAPER NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE COMMERCIAL

PAPER NOTES (OTHER THAN UNDER THE CAPTION “TAX MATTERS” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE COMMERCIAL PAPER NOTES.

NEITHER THE COMMISSION, THE ISSUING AND PAYING AGENT, NOR THE DEALERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC DIRECT PARTICIPANT, OR INDIRECT PARTICIPANT; (II) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE COMMERCIAL PAPER NOTES UNDER THE ISSUING AND PAYING AGENT AGREEMENT; (III) THE PAYMENT BY DTC OR ANY DTC DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE COMMERCIAL PAPER NOTES; (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF COMMERCIAL PAPER NOTES; OR (V) ANY OTHER MATTER.

**APPENDIX B**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX C**  
**POWER ENTERPRISE FINANCIAL STATEMENTS**